

Cactus International, Inc.

211 S. Main St., Moscow, ID 83843

Phone: (208) 883-5500 Fax: (208) 883-3618

RECEIVED
2006 NOV - 7 AM 9:32
IDAHO PUBLIC
UTILITIES COMMISSION

November 6, 2006

CZ8-T-06-01

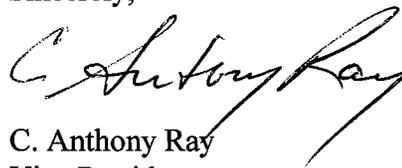
Jean Jewell
Commission Secretary
Idaho Public Utilities Commission
472 West Washington
Boise, ID 83720

Dear Ms. Jewell:

Enclosed is our application to become a CLEC in the State of Idaho, along with our income statement and balance sheet for 2005 and 2006 through October 31, a copy of our adoption into the Northwest Telephone, Inc. interconnection agreement with Verizon Northwest, Inc. and a copy of our price list in PDF format on the enclosed CD.

The Price List is taken from the Model Tariff on the IPUC's website and lists only those services we are ready to provide at this time.

Sincerely,



C. Anthony Ray
Vice President

Cactus International, Inc.

211 S. Main St., Moscow, ID 83843

Phone: (208) 883-5500 Fax: (208) 883-3618

RECEIVED

2006 NOV -7 AM 9:32

IDAHO PUBLIC
UTILITIES COMMISSION

November 6, 2006

APPLICATION FOR CERTIFICATION

I. Proposed Services

Cactus International, Inc. started as Cactus Computer Co. in 1982 and relocated to Idaho in 1984. At that time our business was selling computers and supplies retail to the public, businesses and institutions across the US and in some foreign countries. In 1990 we incorporated in the State of Idaho as Cactus International, Inc.

In 1995 we recognized that the Internet would become a driving factor in computer use and sales, so we established our own Internet service which now provides nationwide dial-up service and local broadband service over DSL, T1, fiber and high-speed wireless.

In 2004 we concluded that circuit switched phone service would not be viable in the long term and that these broadband pathways we had built to our customers would eventually become the voice pathways of the future. As our business evolves, we expect that providing voice service will become an integral part of that evolution.

Initially, we plan to provide phone service to customer's equipment that is collocated at our facility. An example would be providing Direct Inward Dialed phone lines to Internet Service Providers wanting to establish a Point of Presence. This is an area we are knowledgeable in, it is low risk and there is a good demand. As our expertise grows, we plan to provide Voice over IP services but we are not ready to do so at this time.

The collocation center will be at a facility we currently own in Moscow, ID, and we will be a facilities based provider. We already have fiber between our location and Verizon's Central Office in Moscow, ID.

II. Form of Business

Cactus International, Inc. was incorporated in the State of Idaho in 1990 with its principal business address at 211 S. Main St, Moscow, ID 83843. The registered agent is Monica L. Ray, at the same address.

The Articles of Incorporation, attached, were drawn up in such a way as to allow Cactus International, Inc. to engage in "any other lawful business or activity which may be advantageously carried on or conducted".

List of Stockholders:

Name & Address	Shares Owned	Percentage	Voting Control
Monica L. Ray 2129 Henry Ct. Moscow, ID 83843	5000	50%	88.89%
William A. Rotter PO Box "L" Tonasket, WA 98855	250	2.5%	4.44%
William F. Ray, 835 Hathaway Moscow, ID 83843	200	2.0%	3.56%
Ronald E. Ray 8038 E. Lehigh Dr Denver, CO 80237	100	1.0%	1.78%
Eva L. Gonzalez 1155 SE Professional Mall Blvd #421 Pullman, WA 99163	55	0.55%	0.98%
Selenie A. Grinolds 4311 Bromell Ave. Broomfield, CO 80020.	20	0.20%	0.36%

List of Directors:

Monica L. Ray, 2129 Henry Ct., Moscow, ID 83843, Chairman
Craig A. Ray, 2129 Henry Ct., Moscow, ID 83843
William A. Rotter, PO Box "L", Tonasket, WA 98855
Eva L. Gonzalez, 1155 SE Professional Mail Blvd #421, Pullman, WA 99163
William F. Ray, 835 Hathaway, Moscow, ID 83843

List of Officers:

Monica L. Ray, 2129 Henry Ct., Moscow, ID 83843, President and Treasurer
Craig A. Ray, 2129 Henry Ct., Moscow, ID 83843, Vice President and Secretary

Other:

Cactus International, Inc. has no ownership or management interest in any other organization and has no subsidiaries.

III. Telecommunication Service

Construction is completed in Moscow, ID, the equipment is installed, and we anticipate providing service beginning January 1, 2007. The initial service will be provided to businesses seeking collocation services and Direct Inward Dialed lines. Collocation services will consist of shared rack space, power, channelized or PRI phone trunk lines, and connection to the Internet or private lines as required.

Note: We expect businesses to be increasingly interested in collocation of VoIP PBX systems where calls are forwarded as VoIP to their employees at one or more locations (distributed call centers). Collocation could provide significant savings over site location. While not part of our initial service offering, we expect this to follow within a year. The third phase will be to provide VoIP services to the general public but that is more than a year way.

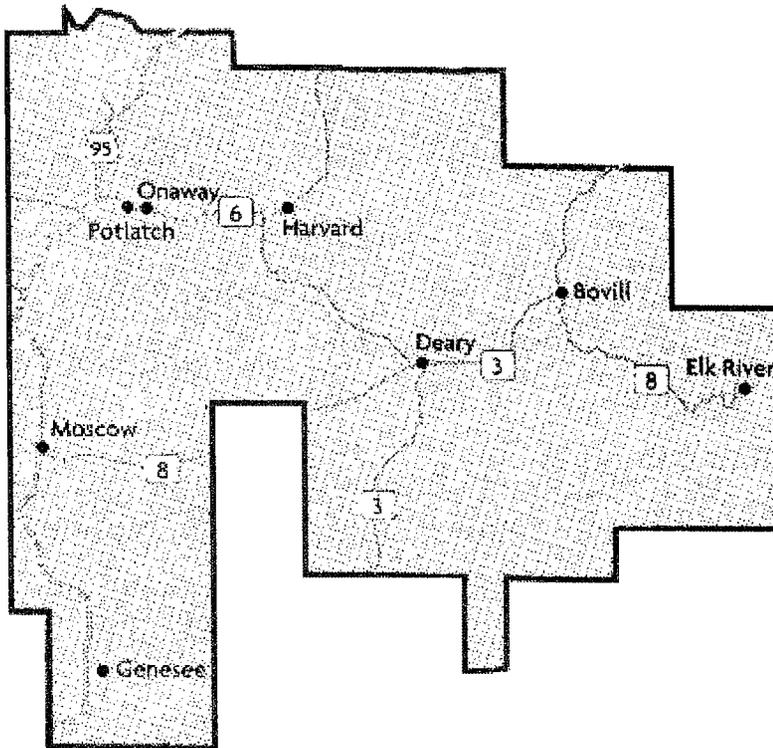
IV. Service Territory

Initially our service area within Idaho will be in Moscow, ID and coincide with that of Verizon Northwest, Inc's Moscow, ID market area.

The principal stockholder, Monica L. Ray, owns the property at which Cactus International, Inc. is located, 211 S. Main St., Moscow, ID, free and clear. The tandem switching equipment to provide all services is also owned, free and clear, and is installed at the 211 S. Main St. location. An OC-12 runs between 211 S. Main St. and the Verizon Central Office and has been in operation for five years. This fiber will provide the interconnection path between Verizon and Cactus (Verizon has already agreed to this and will bring up a DS3 on November 10, 2006 for this purpose). Cactus' operation will be entirely facilities based; Cactus does not plan at this time to resell Verizon services.

Note: VoIP services do not have a defined "Service Territory" as they are largely interstate services in nature; stating who they will compete with cannot be accurately listed. But in terms of the location of our equipment, the above description is accurate.

IVa. Map of Service Territory



V. Financial Information

Attached.

VI. "Illustrative" Tariff Filing

Attached.

VII. Customer contacts

Public contacts for inquiries and complaints:

Monica L. Ray (monica@turbonet.com)
Eva L. Gonzalez (loriwork@turbonet.com)
211 S. Main St.
Moscow, ID 83843
208-883-5500 (local)
800-310-5554 (toll-free)

Commission staff's contact:

Craig A. Ray (tony@turbonet.com)
211 S. Main St.
Moscow, ID 83843

208-883-5500
800-310-5554

VIII. Interconnection Agreement

Cactus International, Inc. adopted the terms of the Interconnection Agreement between Northwest Telephone, Inc and Verizon Northwest, Inc. Verizon filed the adoption agreement with the Commission in 2005. A copy of the adoption agreement is attached.

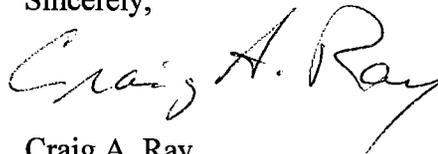
IX. Compliance with Commission Rules

Cactus International, Inc. has reviewed the Commission rules and agrees to comply with them. Cactus may at a future date request waiver of rules it believes to be inapplicable.

X. Escrow Account or Security Bond

No advanced deposits will be required of customers.

Sincerely,

A handwritten signature in black ink that reads "Craig A. Ray". The signature is written in a cursive style with a large, sweeping "R" at the end.

Craig A. Ray
Vice President

Cactus International, Inc.

Income & Retained Earnings

Tuesday October 31, 2006

Revenue:

Sales.....	\$ 843,741	
Less: Early Payment Discounts....	0	
Net Sales.....	<hr/>	\$843,741
Beginning Inventory.....	\$ 124,685	
Plus: Purchases.....	316,956	
Plus: Trades Payable.....	15,085	
Less: Prepaid Merchandise.....	0	
Less: Current Inventory.....	147,410	
Less: Cost of Goods Sold.....	<hr/>	\$309,316
Plus: Other Income.....		1,729
GROSS REVENUE.....	<hr/>	\$ 536,154

Expenses:

Advertising.....	\$ 17,104	
Depreciation.....	0	
Bankcard.....	6,928	
Freight.....	2,171	
Insurance.....	8,110	
Interest.....	4,611	
Long & Short.....	-98	
Miscellaneous.....	51,766	
Phone & Utility.....	192,812	
Rent & Lease.....	20,390	
Salary & Wage.....	198,765	
Supplies.....	6,058	
OPERATING EXPENSES.....	<hr/>	508,621

Earnings:

\$ 27,532

Cactus International, Inc.

Balance Sheet

Tuesday October 31, 2006

Assets:

Cash.....	\$	-6,703	
Cash Reserve Account.....		0	
Inventory.....		147,410	
Prepaid Merchandise.....		0	
Prepaid Expenses.....		-4,298	
Accounts Receivable.....		26,486	
Loans to Stockholders		8,346	
Equipment at Customer Premises		8,872	
Installments Receivable.....		20,620	
Equipment & Fixtures.....		523,013	
Less: Depreciation.....		-314,671	
TOTAL ASSETS.....			\$ 409,078

Liabilities:

Trades Payable.....	\$	15,085	
Sales Tax.....		1,643	
Notes Payable:			
Short Term.....		82,762	
Long Term.....		0	
Other Payables.....		3,199	
TOTAL LIABILITIES.....			\$ 102,691

Stockholders' Equity:

Contributed Capital:			
Capital Stock.....	\$	140,625	
Paid-in Surplus.....		30,232	
Ret. Earnings - Appropriated..		107,997	
Ret. Earnings - Unappropriated		27,532	
TOTAL EQUITY.....			306,386

LIABILITIES + EQUITY..... \$ 409,078

Cactus International, Inc.

Income & Retained Earnings

Saturday December 31, 2005

Revenue:

Sales.....	\$ 1,119,703	
Less: Early Payment Discounts....	0	
Net Sales.....	<hr/>	\$1,119,703
Beginning Inventory.....	\$ 147,767	
Plus: Purchases.....	389,593	
Plus: Trades Payable.....	16,828	
Less: Prepaid Merchandise.....	0	
Less: Current Inventory.....	162,742	
Less: Cost of Goods Sold.....	<hr/>	\$391,446
Plus: Other Income.....		5,242
GROSS REVENUE.....		<hr/> \$ 733,498

Expenses:

Advertising.....	\$ 23,409	
Depreciation.....	0	
Bankcard.....	9,656	
Freight.....	2,064	
Insurance.....	11,063	
Interest.....	5,926	
Long & Short.....	194	
Miscellaneous.....	72,585	
Phone & Utility.....	304,400	
Rent & Lease.....	34,890	
Salary & Wage.....	237,469	
Supplies.....	4,894	
OPERATING EXPENSES.....	<hr/>	706,554
Earnings:		<hr/> \$ 26,943

Cactus International, Inc.

Balance Sheet

Saturday December 31, 2005

Assets:

Cash.....	\$	4,202	
Cash Reserve Account.....		0	
Inventory.....		162,742	
Prepaid Merchandise.....		0	
Prepaid Expenses.....		-1,853	
Accounts Receivable.....		44,414	
Loans to Stockholders		-5,078	
Equipment at Customer Premises		8,702	
Installments Receivable.....		25,154	
Equipment & Fixtures.....		439,636	
Less: Depreciation.....		-314,671	
TOTAL ASSETS.....			\$ 363,250

Liabilities:

Trades Payable.....	\$	16,828	
Sales Tax.....		1,793	
Notes Payable:			
Short Term.....		37,389	
Long Term.....		0	
Other Payables.....		5,311	
TOTAL LIABILITIES.....			\$ 61,323

Stockholders' Equity:

Contributed Capital:			
Capital Stock.....	\$	140,625	
Paid-in Surplus.....		14,949	
Ret. Earnings - Appropriated..		119,410	
Ret. Earnings - Unappropriated		26,943	
TOTAL EQUITY.....			301,927

LIABILITIES + EQUITY..... \$ 363,250

State of Idaho

Department of State.

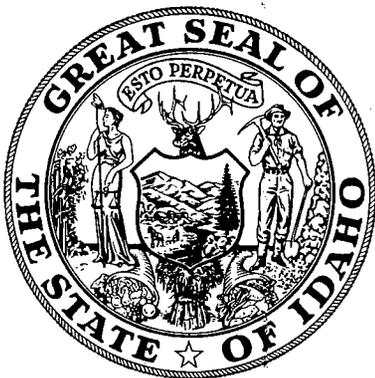
CERTIFICATE OF INCORPORATION OF

CACTUS INTERNATIONAL, INC.

I, PETE T. CENARRUSA, Secretary of State of the State of Idaho, hereby certify that duplicate originals of Articles of Incorporation for the incorporation of the above named corporation, duly signed pursuant to the provisions of the Idaho Business Corporation Act, have been received in this office and are found to conform to law.

ACCORDINGLY and by virtue of the authority vested in me by law, I issue this Certificate of Incorporation and attach hereto a duplicate original of the Articles of Incorporation.

Dated: March 12, 1990



Pete T. Cenarrusa

SECRETARY OF STATE

by: *Elizabeth M. Zabala*

ARTICLES OF INCORPORATION

OF

CACTUS INTERNATIONAL, INC.

RECEIVED
SEC. OF STATE

90 MAR 12 AM 10 24

KNOW ALL MEN BY THESE PRESENTS:

That I, the undersigned, a natural person and citizen of the United States of America at the age of twenty-one years and upwards, desiring to form a corporation under the laws of the State of Idaho, do hereby adopt these Articles of Incorporation and execute the same in triplicate:

ARTICLE I.

The name of this corporation is CACTUS INTERNATIONAL, INC.

ARTICLE II.

The duration of this corporation shall be perpetual.

ARTICLE III.

The location and post office address of the registered office of this corporation in the State of Idaho is 211 S. Main, Moscow, Idaho 83843; and the name of the registered agent of the corporation at that address is MONICA L. RAY.

ARTICLE IV.

This corporation is authorized to issue one class shares of capital stock which shall be common stock.

The total number of shares of capital stock this corporation shall be authorized to issue is 1000.

The par value of each of the shares of capital stock shall be \$250.00.

The aggregate par value of the shares of the

corporation shall be \$250,000.00.

The stock of the corporation shall be non-assessable.

ARTICLE V.

The purposes, objects and powers of this corporation are as follows:

To engage, generally, in the business of computer sales and service.

To, in general, carry on and conduct any other lawful business or activity which may be advantageously carried on and conducted with, or incidental to, any and all of the businesses, matters and things aforesaid.

To do each and every thing incidental or related to the objects and purposes herein set forth.

To lease, purchase, or otherwise secure, acquire, own, hold, manage, improve, use, operate, sell, assign, transfer, rent, lease, convey and otherwise deal with and in real and personal property of every kind, type and description.

To enter into, execute, perform and carry out contracts of every kind for any lawful purpose, the doing of which is incidental, ancillary, pertaining, related, necessary or proper to or connected with any or all of the objects, purposes and kinds of business in this article mentioned.

To lend and advance money or give credit to such persons and on such terms as may seem expedient, and to give guaranty and become security for persons; but nothing herein

contained shall be construed to give such corporation banking powers.

To borrow money without limitation as to the amount for any purpose or purposes of the corporation, whether secured or unsecured, and from time to time, make, accept, endorse, execute, and issue bonds, debentures, promissory notes, bills of exchange or other obligations of the corporation for moneys borrowed or in payment of property acquired or for any of the other objects or purposes of the corporation or its business, and to secure the payment of such obligations by mortgage, pledge, deed, indenture, agreement, trust deed, or by other lien upon, assignment of, or agreements in regard to, all or any part of the property, rights, or pledges of the corporation wheresoever situated, whether now owned or hereafter to be acquired.

To do all and everything necessary, suitable or proper for the accomplishment of any of the purposes or the attainment of any of the object or the furtherance of any of the powers hereinabove set forth, either alone or in association with other corporations, firms or individuals, and to do every other act or acts, thing or things, incidental, ancillary, related, pertaining, necessary or proper to or connected with any or all of the objects or purposes in this article mentioned or in any part or parts thereof, provided that the same shall not be inconsistent with the laws and statutes of the State of Idaho or of any state wherein this corporation shall engage in business.

To engage in business and to exercise its objects, purposes and powers within and without the State of Idaho.

The purposes specified in this article shall be construed both as purposes and powers and shall be in no wise limited or restricted by reference to, or inference from, the terms of any other paragraph or clause in this or any other article, but the purposes and powers specified in each of the paragraphs and clauses herein shall be regarded as independent purposes and powers, and the enumerations of specific purposes and powers shall not be construed to limit or restrict in any manner the meaning or general terms and purposes of the general powers of the corporation; nor shall the expression of one thing be deemed to exclude another, although it be in like nature.

That the enumeration of purposes and powers herein set forth are not intended to and shall not in any manner limit or restrict the general powers of this corporation under the laws and statutes of the State of Idaho or any other state or states wherein this corporation shall engage in business.

The word "person" used in this article shall include a partnership, association and/or corporation; and the word "person" used in this article shall include partnerships, associations and/or corporations.

ARTICLE VI.

This corporation shall have the power and authority to buy or otherwise acquire its own stock and to hold the same

as treasury stock and to sell or otherwise dispose of the same.

ARTICLE VII.

The name and post office address of the incorporator of this corporation, and the number of shares subscribed by her, is as follows:

<u>Name of Incorporator:</u>	<u>Post Office Address:</u>	<u>Number of Shares Subscribed:</u>
MONICA L. RAY	835 Hathaway Moscow, Idaho 83843	1

ARTICLE VIII

That the person whose name and address appears as incorporator in Article VII above is the initial director named by the incorporator of this corporation to serve until the first election of directors of this corporation.

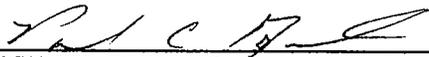
IN WITNESS WHEREOF, I, the undersigned, have hereunto set my hand this 5th day of March, 1990.

Monica L. Ray
MONICA L. RAY

STATE OF IDAHO)
) ss.
County of Latah)

On this 5th day of March, 1990, before me, the undersigned, a Notary Public in and for said state, personally appeared MONICA L. RAY, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that she executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and
notarial seal the date last above written.



NOTARY PUBLIC in and for the
State of Idaho, residing in
Latah County.

My commission expires: 1-27-92

State of Idaho

Department of State

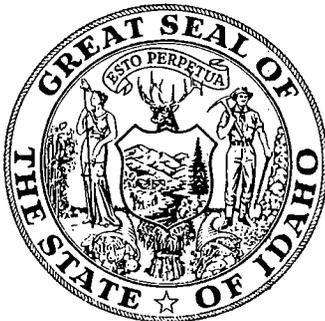
CERTIFICATE OF AMENDMENT
OF

CACTUS INTERNATIONAL, INC.

I, PETE T. CENARRUSA, Secretary of State of the State of Idaho, hereby certify that duplicate originals of Articles of Amendment to the Articles of Incorporation of CACTUS INTERNATIONAL, INC. duly signed and verified pursuant to the provisions of the Idaho Business Corporation Act, have been received in this office and are found to conform to law.

ACCORDINGLY and by virtue of the authority vested in me by law, I issue this Certificate of Amendment to the Articles of Incorporation and attach hereto a duplicate original of the Articles of Amendment.

September 24, 1993



Pete T. Cenarrusa
SECRETARY OF STATE

By

July J. Clark

ARTICLES OF AMENDMENT TO
ARTICLES OF INCORPORATION OF
CACTUS INTERNATIONAL, INC.

RECEIVED
SEC. OF STATE
93 SEP 24 AM 8 57

Pursuant to § 30-1-61 of the Idaho Code for the State of Idaho, the undersigned corporation adopts the following Articles of Amendment to its Articles of Incorporation dated the 5th day of March, 1990.

I

The name of the corporation is CACTUS INTERNATIONAL, INC.

II

The following amendments to the Articles of Incorporation were adopted by the shareholders of the corporation on the 18th day of June, 1993:

ARTICLE IV

This corporation is authorized to issue one class shares of capital stock which shall be common stock.

The total number of shares of capital stock this corporation shall be authorized to issue is 10,000.

The par value of each of the shares of capital stock shall be \$25.00.

The aggregate par value of shares of the corporation shall be \$250,000.00.

The stock of the corporation shall be non-assessable.

III

Said amendment as set forth in Article II above does not effect a change in the amount of stated capital.

IV

The number of shares of the corporation outstanding is 553.5 shares, and the number of shares entitled to vote on the Articles of Amendment is 553.5 shares.

V

The number of shares which voted for said amendments as set forth in Article II above was 553.5 shares.

Executed by the undersigned corporation in duplicate at Moscow, Idaho, on the 18th day of June, 1993.

CACTUS INTERNATIONAL, INC.

Monica L. Ray
President

Anthony Ray
Secretary

VERIFICATION

STATE OF IDAHO)
) ss.
County of Latah)

MONICA L. RAY, being first duly sworn on oath, deposes and says:

That she is the President of CACTUS INTERNATIONAL, INC.; that she has read the foregoing Articles of Amendment, knows the contents hereof, and that the facts herein stated are true to the best of her knowledge, information and belief.

Monica L. Ray
MONICA L. RAY
President

SUBSCRIBED AND SWORN to before me this 11 day of August ~~July~~, 1993.

Andy A. Renaldi
Notary Public in and for the State of Idaho, residing at Moscow, Idaho.
My Commission expires: 9-5-1993

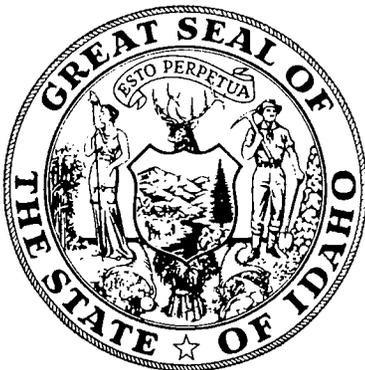
State of Idaho

Department of State.

I, PETET. CENARRUSA, Secretary of State of the State of Idaho, hereby certify that I am the custodian of the corporation and limited partnership records of this State.

I FURTHER CERTIFY That the annexed is a full, true and complete transcript of articles of incorporation, including all amendments thereto, of CACTUS INTERNATIONAL, INC., an Idaho corporation, received and filed in this office on the 12th day of March, 1990, as appears of record in this office as of this date.

Dated: April 19, 1990



P. J. Cenarrusa

SECRETARY OF STATE

by: *Sheryl Beckles*

Jeffrey A. Masoner
Vice President
Interconnection Services Policy & Planning



Wholesale Markets
1310 N Court House Rd
9th fl, RM 9E104
Arlington, VA 22201

Tel. 703 974-4610
Fax 703 974-0314
jeffrey.a.masoner@verizon.com

July 26, 2005

C. Anthony Ray
VP Network Operations
Cactus International, Inc.
211 S. Main Street
Moscow, ID 83843

Re: Requested Adoption Under Section 252(i) of the TA96

Dear Mr. Ray:

Verizon Northwest Inc. ("Verizon"), a Washington corporation, with principal place of business at 1800 41st Street, Everett, WA 98201, has received your letter stating that, under Section 252(i) of the Telecommunications Act of 1996 (the "Act"), Cactus International, Inc. ("CII"), a Idaho corporation, with principal place of business at 211 S. Main Street, Moscow, ID 83843 wishes to adopt the terms of the Interconnection Agreement between Northwest Telephone, Inc. ("Northwest Telephone") and Verizon that was approved by the Idaho Public Utilities Commission (the "Commission") as an effective agreement in the State of Idaho, as such agreement exists on the date hereof (including any effective and approved amendments thereto) after giving effect to operation of law (the "Terms"). I understand CII has a copy of the Terms. Please note the following with respect to CII's adoption of the Terms.

1. By CII's countersignature on this letter, CII hereby represents and agrees to the following six points:

- A. CII adopts (and agrees to be bound by) the Terms of the Northwest Telephone/Verizon agreement for interconnection as it is in effect on the date hereof after giving effect to operation of law, and in applying the Terms, agrees that CII shall be substituted in place of Northwest Telephone, Inc. and Northwest Telephone in the Terms wherever appropriate.
- B. For avoidance of doubt, adoption of the Terms does not include adoption of any provision imposing an unbundling obligation on Verizon that no longer applies to Verizon under the Report and Order and Order on Remand (FCC 03-36) released by the Federal Communications Commission ("FCC") on August 21, 2003 in CC Docket Nos. 01-338, 96-98, 98-147 ("Triennial Review Order"), the Order on Remand in WC Docket No. 04-313 and CC Docket No. 01-338, released by the FCC on February 4, 2005 (the "TRO Remand Order"), or that is otherwise not required by both 47 U.S.C. Section 251(c)(3) and 47 C.F.R. Part 51.
- C. Notice to CII and Verizon as may be required under the Terms shall be provided as follows:

To Cactus International, Inc.:

Attention: C. Anthony Ray
VP Network Operations
211 S. Main Street
Moscow, ID 83843
Telephone Number: (208) 883-5500
Facsimile Number: (208) 883-3618
Internet Address: tony@turbonet.com

To Verizon:

Director-Contract Performance & Administration
Verizon Wholesale Markets
600 Hidden Ridge
HQEWMNOTICES
Irving, TX 75038
Telephone Number: (972) 718-5988
Facsimile Number: (972) 719-1519
Internet Address: wmnotices@verizon.com

with a copy to:

Vice President and Associate General Counsel
Verizon Wholesale Markets

1515 N. Court House Road
Suite 500
Arlington, VA 22201
Facsimile: (703) 351-3664

- D. CII represents and warrants that it is a certified provider of local telecommunications service in the State of Idaho, and that its adoption of the Terms will cover services in the State of Idaho only.
 - E. In the event an interconnection agreement between Verizon and CII is currently in effect in the State of Idaho (the "Original ICA"), this adoption shall be an amendment and restatement of the operating terms and conditions of the Original ICA, and shall replace in their entirety the terms of the Original ICA. This adoption is not intended to be, nor shall it be construed to create, a novation or accord and satisfaction with respect to the Original ICA. Any outstanding payment obligations of the parties that were incurred but not fully performed under the Original ICA shall constitute payment obligations of the parties under this adoption.
 - F. Verizon's standard pricing schedule for interconnection agreements in the State of Idaho (as such schedule may be amended from time to time) (attached as Appendix A hereto) shall apply to CII's adoption of the Terms. CII should note that the aforementioned pricing schedule may contain rates for certain services the terms for which are not included in the Terms or that are otherwise not part of this adoption, and may include phrases or wording not identical to those utilized in the Terms. In an effort to expedite the adoption process, Verizon has not deleted such rates from the pricing schedule or attempted to customize the wording in the pricing schedule to match the Terms. However, the inclusion of such rates in no way obligates Verizon to provide the subject services and in no way waives Verizon's rights, and the use of slightly different wording or phrasing in the pricing schedule does not alter the obligations and rights set forth in the Terms.
2. CII's adoption of the Northwest Telephone Terms shall become effective on July 15, 2005. Verizon shall file this adoption letter with the Commission promptly upon receipt of an original of this letter countersigned by CII as to the points set out in Paragraph One hereof. The term and termination provisions of the Northwest Telephone/Verizon agreement shall govern CII's adoption of the Terms. The adoption of the Terms is currently scheduled to expire on February 8, 2006.
 3. As the Terms are being adopted by you pursuant to your statutory rights under section 252(i), Verizon does not provide the Terms to you as either

a voluntary or negotiated agreement. The filing and performance by Verizon of the Terms does not in any way constitute a waiver by Verizon of any position as to the Terms or a portion thereof, nor does it constitute a waiver by Verizon of all rights and remedies it may have to seek review of the Terms, or to seek review in any way of any provisions included in these Terms as a result of CII's 252(i) election.

4. Nothing herein shall be construed as or is intended to be a concession or admission by Verizon that any provision in the Terms complies with the rights and duties imposed by the Act, the decisions of the FCC and the Commission, the decisions of the courts, or other law, and Verizon expressly reserves its full right to assert and pursue claims arising from or related to the Terms.
5. Verizon reserves the right to deny CII's application of the Terms, in whole or in part, at any time:
 - A. when the costs of providing the Terms to CII are greater than the costs of providing them to Northwest Telephone;
 - B. if the provision of the Terms to CII is not technically feasible; and/or
 - C. to the extent that Verizon otherwise is not required to make the Terms available to CII under applicable law.
6. For avoidance of doubt, please note that adoption of the Terms will not result in reciprocal compensation payments for Internet traffic. Verizon has always taken the position that reciprocal compensation was not due to be paid for Internet traffic under section 251(b)(5) of the Act. Verizon's position that reciprocal compensation is not to be paid for Internet traffic was confirmed by the FCC in the Order on Remand and Report and Order adopted on April 18, 2001 ("*FCC Internet Order*"), which held that Internet traffic constitutes "information access" outside the scope of the reciprocal compensation obligations set forth in section 251(b)(5) of the Act.¹ Accordingly, any compensation to be paid for Internet traffic will be handled pursuant to the terms of the *FCC Internet Order*, not pursuant to adoption of the Terms.² Moreover, in light of the *FCC Internet Order*, even if the Terms include provisions invoking an intercarrier compensation mechanism for Internet traffic, any reasonable amount of time permitted

¹ Order on Remand and Report and Order, In the Matters of: Implementation of the Local Competition Provisions in the Telecommunications Act of 1996 and Intercarrier Compensation for ISP-Bound Traffic, CC Docket No. 99-68 (rel. April 27, 2001) ("*FCC Remand Order*") ¶44, remanded, *WorldCom, Inc. v. FCC*, No. 01-1218 (D.C. Cir. May 3, 2002). Although the D.C. Circuit remanded the *FCC Remand Order* to permit the FCC to clarify its reasoning, it left the order in place as governing federal law. See *WorldCom, Inc. v. FCC*, No. 01-1218, slip op. at 5 (D.C. Cir. May 3, 2002).

² For your convenience, an industry letter distributed by Verizon explaining its plans to implement the *FCC Internet Order* can be viewed at Verizon's Customer Support Website at URL www.verizon.com/wise (select Verizon East Customer Support, Business Resources, Customer Documentation, Resources, Industry Letters, CLEC, May 21, 2001 Order on Remand).

for adopting such provisions has expired under the FCC's rules implementing section 252(i) of the Act.³ In fact, the *FCC Internet Order* made clear that carriers may not adopt provisions of an existing interconnection agreement to the extent that such provisions provide compensation for Internet traffic.⁴

7. Should CII attempt to apply the Terms in a manner that conflicts with Paragraph Three through Paragraph Six above, Verizon reserves its rights to seek appropriate legal and/or equitable relief.
8. In the event that a voluntary or involuntary petition has been or is in the future filed against CII under bankruptcy or insolvency laws, or any law relating to the relief of debtors, readjustment of indebtedness, debtor reorganization or composition or extension of debt (any such proceeding, an "Insolvency Proceeding"), then: (i) all rights of Verizon under such laws, including, without limitation, all rights of Verizon under 11 U.S.C. § 366, shall be preserved, and CII's adoption of the Verizon Terms shall in no way impair such rights of Verizon; and (ii) all rights of CII resulting from CII's adoption of the Verizon Terms shall be subject to and modified by any Stipulations and Orders entered in the Insolvency Proceeding, including, without limitation, any Stipulation or Order providing adequate assurance of payment to Verizon pursuant to 11 U.S.C. § 366.

³ See, e.g., 47 C.F.R. Section 51.809(c).

⁴ *FCC Internet Order* ¶ 82.

SIGNATURE PAGE

Please arrange for a duly authorized representative of CII to sign this letter in the space provided below and return it to Verizon.

Sincerely,

VERIZON NORTHWEST INC.

Jeffrey A. Masoner
Vice President
Interconnection Services Policy & Planning

Reviewed and countersigned as to points A, B, C, D, E and F of Paragraph 1 and as to Paragraph 2:

CACTUS INTERNATIONAL, INC.

C. Anthony Ray
VP Network Operations

c: K. Robertson - Verizon