

INTERVIEW TRANSCRIPT

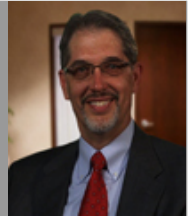
Interview on behalf of Qwest

Steve Becker

Graybar Electric Company, Inc.

VP, CIO

Last updated: 2010 May 10



Product(s): Toll-Free Service
Industry: Communications

1. Business need

"I'm Steve Becker; I'm the Vice President and Chief Information Officer for Graybar Electric. Graybar is a Fortune 500 company, employee-owned, located basically in North America. We have approximately 240 locations in North America. We distribute high-quality electrical communications and networking products. We have literally thousands of suppliers supplying hundreds of thousands of customers.

We really had four major factors that were driving us in terms of looking for networking solutions.

The first one had to do with the need for increased bandwidth in our network, and I think every company is facing similar situations. We have demands from the business in terms of just the applications; we run those over a wide area network and so there's a demand for the applications.

We're an SAP shop, so we run SAP over the wide area network. The Internet and Internet services and communications, data, e-mail, video--all of those things are taxing our networks and we need more and more bandwidth, so that was certainly a major driving point for us.

Secondly was ensuring that we have reliable networks, and I like to think of it as the network is kind of like the circulatory system for our business and if you've got a clog, if you've got a plug, if you've got a problem, then the entire business is impacted, whether it's one portion or whether it's the entire business, it's critical that our networks are running efficiently and the uptime has to be, you know, nearly 100 percent.

The third thing was to try and reduce the complexity of our network--the physical complexity. We were on a frame relay MPLS network; we were looking to try and simplify that, moving to an IP-based network, MPLS network, but also we wanted to try and eliminate our exposure to obsolescence on the technological side of things.

The fourth factor driving us would be the same, I think, for every company was to reduce costs. We're in the distribution business; our margins are razor thin and so anything that we can do to help reduce our expenses, reduce our costs ends up impacting the profitability of the company."

2. Evaluation & selection

"We used a formal RFP process and we also contracted with a third-party consultant to help us through that process, so they helped us put together the RFP; they also helped us when we received the responses to go through those responses and help us to evaluate those responses.

Obviously, when you do an RFP like this, there are probably hundreds of criteria that you're looking at getting down into the detailed level, but at a very high level we had four criteria that we were interested in.

The first one was customer care and support. Our experience with our previous service provider had not been very positive in that area. We're a customer service organization; we know how important customer service is to drive customer satisfaction, and so for us that was an important area. We wanted to have the benefit of improved service capabilities offered to us, so that was one criteria.

The second criteria had to do with technology. We were looking obviously for state-of-the-art technology, but not only technology to support our current needs, but also the capability for future needs that we would have for our networks.

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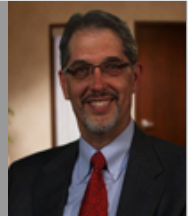
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The third area had to do with pricing; obviously, we were looking for competitive pricing from our vendor.

And then the fourth area had to do with the terms and conditions of the contract; we were looking for flexibility in terms of how that contract was actually implemented. So those were essentially the four qualifications that we were looking at.

As we got the RFP responses back, we went through--we tried to weight each of the factors and then to rate each of the respondents in those key areas, and at the end of the day, you know, we had a scoring metric.

The evaluation process that we used was once we had the RFP responses back, we set up a matrix; we weighted each of the criteria, and then we rated each of the respondents in terms of how we felt they performed or would perform in those critical areas, and at the end of the day we had a weighted number ranking them in their performance. While that wasn't the final determinant, that was obviously a strong determinant for who we would select to move forward with."

3. Why Qwest?

"Our decision to select Qwest as our networking provider was driven by the fact that we were very impressed with their customer service capabilities.

Obviously, we didn't have a chance to experience those ahead of time, but talking to reference customers, talking to their service people, looking at the methodologies that they use for supporting their customers, we felt very comfortable that we were gonna be upgrading the level of support that we were going to receive from Qwest.

Secondly, technology was an important driver for us.

We looked at the Qwest networks; we looked at their IP-based infrastructure for the MPLS; we were very impressed. We felt that they were ahead of their competitors at that stage of the game. We also felt that their networks were superior, the technology of their networks was superior, and we were very comfortable with the strategy they had moving forward with their designs and their plans in the future for their networks.

Third was their flexibility, and when I talk about flexibility, I'm thinking especially about things like provisioning. Our previous experiences with trying to provision new lines, new service, new facilities. It was torture--literally--to try and get those things done; very, very difficult. Qwest presented to us a flexibility in that regard to work with Graybar to try to meet our timelines, to meet our time requirements, and so we were very impressed with that.

I'd say the fourth thing, and perhaps it could be the overall factor, would be that we felt with Qwest that our overall total cost of ownership would be significantly lower. And again, for a company like Graybar, trying to drive costs out of the business is extremely important to us."

4. The implementation/installation

"The implementation overall was very, very smooth.

We started the project in August 2008; it entailed migrating 184 MPLS circuits over to Qwest. We were moving our toll-free service and we had the 350 circuits to migrate over to Qwest.

We also were giving them our Internet service, and the way our network is structured, the way our infrastructure is set up, we have two data centers--one is in St. Louis and one is in Kansas City.

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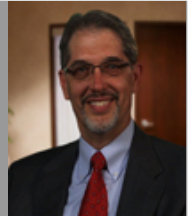
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St. Louis is primarily our production data center, Kansas City is disaster recovery; also, we run our development and QA systems in Kansas City and we have a few minor production systems that we run there as well.

So we had Internet service coming into both of those facilities, and then we had dual Ethernet circuits running for our backbone between Kansas City and St. Louis.

So it was a fairly complex implementation; there were a lot of moving parts, a lot of pieces that had to be managed, and we were able to complete the project--actually completed it 15 days early, on 04/01/09.

We were on budget, so as a CIO anytime I can bring a project in on schedule or under schedule and on budget or under budget, I'm extremely happy. And so from my perspective, the project went very well.

Another thing that I would mention about the implementation had to do with the engineering services that Qwest provided for us.

They were tremendous; they worked very well with our engineering team. There was a lot of collaboration going back and forth between the teams. They gave us very valuable input not only designing the network to meet our current needs, but also designing the network so that we're positioned to take advantage of new technologies and new demands that will be made upon us from the business."

5. Overview of solution

"We have two data centers, one in St. Louis and one in Kansas City. St. Louis is primarily our production data center; Kansas City is our disaster recovery and development and QA systems with a few minor production systems running there.

We channel the traffic from our field locations--we have approximately 240 locations; we channel that communication in through Kansas City and St. Louis, so we have essentially the northern half of the country is coming in through Kansas City, the southern half is coming in through St. Louis.

We have dual Ethernet circuits running between Kansas City and St. Louis and we--we're an SAP shop, so we run SAP over the wide area network; we have centralized our e-mail, so e-mail is run over the wide area and all of our live communications and so forth are handled over the wide area, so we have a lot of traffic going back and forth.

Also, since Kansas City is our disaster recovery facility, we are almost on a real-time basis--nearly real-time basis. We are writing out--every transaction we write in SAP in the production system gets sent across the pipes to Kansas City and is written onto the disaster recovery or backup system--so there again there's a lot of traffic, and that's going almost real time, as well as during the evening hours we do our backups across that backbone, and much of our backups--well, I'll just say much of our backup is done in Kansas City, and so we're sending the data nightly over that backbone to the Kansas City facility for backup purposes.

We also have approximately 350 toll-free circuits that are with Qwest and we migrated 184 MPLS circuits over from a frame relay-based MPLS to an IP-based MPLS with Qwest.

Once we experienced the success of that migration and had some experience running the networks, we made a decision at that point in time, in October of 2009, that we would migrate our long-distance services over to Qwest as well. We didn't have to do that; we had another year that was available that we could've continued with our previous carrier, but our experience had been so positive, we felt it was in our best interest at that point in time to move that over--to take advantage of the improved service that we could receive from Qwest, and so in October 2009 we made the decision to migrate all of our long-distance service over to Qwest; that involved migrating almost 5,800 long-distance circuits and we completed that on February 1st of 2010."

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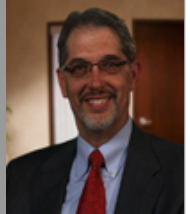
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6. Customer service

"Our experience with Qwest's customer service, I would say has more than exceeded our expectations.

As I've mentioned before, that was certainly an important criteria for us in our selection of a service provider and we haven't been disappointed with the service that Qwest has delivered to us.

Our account team does an excellent job in terms of not only coordinating any activities that are going on, but meeting with us on a regular basis--I think we meet on a weekly or a bi-weekly basis; meeting with our support teams, identifying areas of opportunity, identifying areas where we may have issues and working on those issues. So they've done a tremendous job in terms of supporting us on an ongoing basis.

The support services that we've received have been outstanding. Anytime that we've had issues where there's been repair issues, they've responded immediately to address those issues.

I would say that the billing is tremendous. It's accurate--that sounds silly to say, but anyone who's had experience in the communications area with billing knows that that's not always the case, and in the few instances where we have had billing issues, those have been corrected before the next billing cycle, so the response has been very rapid.

And perhaps the biggest selling point on the quality that we receive from Qwest, the customer service that we receive from Qwest, has to do with their willingness to take ownership for problems.

Our previous service provider, I felt like we always had the burden of proof on us to prove that the problem was theirs. That's never been the case with Qwest. There's a level of trust between Qwest and Graybar; a level of trust in terms of the troubleshooting procedures and methodology that we use, and so when we come to them with an issue they immediately take ownership and you're not spending time spinning your wheels trying to prove who's at fault or whose problem is it or who needs to work on it; they've been willing to take the ownership and the problem gets resolved that much faster."

7. Non-financial benefits

"We've reduced the latency at our branches by 50 percent, and again when you're running your applications over a wide area network, all of that adds up to delivering a better experience for our end users. We have increased the bandwidth to the locations, so again better performance in those locations.

We've also implemented quality of service, so we're able to give the applications running like SAP and some of the other business applications a higher level of service and the Internet and e-mail a lower queue in that service so that, again, the important data that's flowing back and forth gets through, and gets through in a timely fashion. So that's been extremely beneficial I think to us.

Something as simple as receiving accurate billing. It's hard to describe, but when you don't have to spend time and effort on busy work trying to investigate, research, and then get that billing corrected, you can invest that time in things that are more productive.

The responsiveness of Qwest's service team to issues, problems, repairs that are required allows the Graybar management to really focus on Graybar's side either of an issue or Graybar's side of moving on to work on other things rather than trying to manage both Graybar and the service provider to try and get the problem resolved. So I think that's been a real benefit to us.

We've seen an improvement in terms of the amount of time it takes to do our backups over that backbone pipe, and

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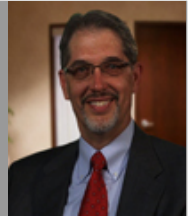
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especially the disaster recovery--you know, that writing out of transactions in the SAP system, then sending that across the backbone to our disaster recovery system and writing that out; that's been more performance, so we're actually able to capture that data on our backup system faster, which puts us at less risk because then if something were to happen--knock on wood--if we were to have some kind of a disaster, there would be a shorter time-frame between the data that we have captured in Kansas City and the data that we've written out in the production system."

8. Measurable benefits*

"We've projected over the first three years of our contract we will reduce our expenses by 24 percent while doubling our bandwidth for the Internet, for the MPLS head-end circuits, and reducing costs. That's tremendous for us.

The other area that we've seen some real benefit is that, that backbone pipe--the dual Ethernet circuits running between St. Louis and Kansas City. We've increased that capacity by six times and yet we reduced the expense of that backbone by five percent over what we were previously paying for that. So that's tremendous for us.

For the individual branches, we have--82 percent of our branches are covered by the high-speed MPLS circuits. We've increased their bandwidth by 35 percent and yet we were able to reduce their expenses, and so that was a tremendous benefit.

We had a disaster recovery circuit running from one of our St. Louis facilities into Kansas City; because of the performance of our backbone now, we were able to disconnect that circuit and eliminate the cost of that on a monthly basis.

We also--because we were running Ethernet-based circuits, we were able to retire five ATM switches that were end of life that we were going to have to replace or purchase new cards for, and so we've avoided the cost and expense of having to do that as well as eliminated the ongoing maintenance expense of that hardware."

*These results are unique to this entity and should not be considered an indication of the amount of savings or improvements, if any, that may be realized by any other entity subscribing to comparable services.

9. Areas for improvement

"Quite frankly, when you asked me the question of 'What could they improve upon?', we had a hard time coming up with an answer to that--we've been so satisfied with the delivery and implementation and service that we've received.

I went back to my team and I asked them 'Are there any things that you could see that could be improved?' and one area they came back with was that they felt that the service portal, there were some things that could be modified on the service portal that could make it a little more compatible and user friendly with Graybar. But aside from that, they're very happy with what's going on."

10. Future plans

"As we look to the future, certainly nothing changes in terms of the demand for increased bandwidth. If anything, every day that becomes greater and greater, so I would see that we will certainly be looking at ways that we can expand the bandwidth to our branches and facilities.

Another area that we're in the process of doing a pilot on is voice over IP, and we're doing that pilot in one of our districts so that we can then come back and demonstrate to the business the actual benefits.

You know, we've identified what we think the benefits are potentially to the business; now we want to be able to

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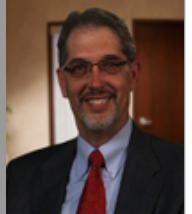
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demonstrate those benefits and bring that back to the business, show them these benefits, and then I think we'll receive approval--assuming that we can demonstrate that, we'll receive approval to move forward with rolling that out to other parts of the business, other areas of the business.

And the third thing that we're looking at and very interested in has to do with video. We're doing some things with video conferencing, with video presentations not only from our executives to the field, but also in some instances live video from location to location, from our training group, from our executives.

So we think there's a lot of benefit there--video conferencing and things of that sort. So we're just starting to get our feet in the water and testing that out, but I see that as an area where we definitely will be looking to expand our footprint."

11. Recommendations and advice

"Well, certainly I think it's critical as you're evaluating the direction that you're going to take, that you make sure that you have a trusted company; someone that you feel comfortable with, someone that you're confident can deliver on the capabilities that they're presenting to you.

I think communication is extremely important. As part of our implementation, I think we were successful partly because there was a lot of collaboration going back and forth; there was instant communication back and forth. Time is of the essence; making quick decisions, being willing to make rapid decisions I think is essential to keep things moving and to keep yourself on schedule.

I think taking advice is important, whether it's using a consultant or, in our case, using engineering services. I know oftentimes we think we know it better, but that isn't the case, and so I think it's important that you look at that advice and that you take that advice and that direction and I think you'll be much more successful as a result of that."