Atlantic can expect that in a given month nearly every adult who lives or works in the District of Columbia will see or hear at least one ad, and probably several, for Bell Atlantic's DSL service. In addition, on information and belief, Bell Atlantic promoted its DSL services to ISPs, and promised extremely aggressive pricing, before Bell Atlantic filed tariffs for such pricing, and well before it could have provided such services in many locations.

190. Bell Atlantic's advertising pitch includes the slogans, "Everyone wants Infospeed DSL from Bell Atlantic," and "Infospeed DSL: It's the Internet you've been waiting for."

191. Bell Atlantic intentionally has used its massive advertising campaign to leave the impression that Bell Atlantic was ready, willing and capable of providing DSL services. But Bell Atlantic knew this was not true. For the many consumers who inquired about Infospeed DSL but did not qualify for the service – either because the loop was too long or DLC-fed or the central office was not equipped for DSL – Bell Atlantic used a "bait and switch." Bell Atlantic attempted to sell those end-users its existing, slower and more expensive "ISDN Anywhere" service, with the promise that Bell Atlantic would upgrade them to DSL when it was available.

192. There is no legitimate economic justification to spend advertising dollars on its Infospeed DSL at a time when Bell Atlantic knew that it could not deliver the service. Pre-announcing products Bell Atlantic is unable to sell, however, is an effective weapon to prevent DSL competitors such as Covad from capturing the first-mover advantage. With its massive name recognition and advertising resources, Bell Atlantic knew that it could leave the impression that it was, or soon would be, ready and able to provide DSL services. By leaving this false impression, Bell Atlantic could stifle competition either by capturing customers through a bait and switch, or (in any event) by delaying customers who otherwise would have gone to Covad

for services Bell Atlantic was advertising, and by increasing the costs Covad would have to bear in order to advertise the service it did have.

VI. BELL ATLANTIC'S REFUSALS TO DEAL AND PRIVACY VIOLATIONS

193. In areas where Bell Atlantic has not been prepared to offer DSL services, it has refused to provide Covad with access to facilities or loops, and thereby attempted to prevent Covad from getting to the market ahead of Bell Atlantic.

194. Even in areas where Bell Atlantic is providing DSL services, Bell Atlantic seeks to make Covad's services less attractive by refusing to deal with end-users. For example, because of Bell Atlantic's misconduct, a consumer ordering DSL service from a ISP using Covad DSL frequently must wait an inordinately long period of time for Bell Atlantic to deliver a working loop. If the consumer tries to order Infospeed DSL, however, Bell Atlantic forces the end-user to cancel the Covad DSL order before ordering Infospeed DSL service.

195. This refusal to deal is made even more predatory and pernicious because it takes advantage of information learned when Bell Atlantic provides wholesale services to competitors. This conduct contravenes the way in which Congress envisioned competition in this industry as well as the terms of the interconnection agreements. Indeed, the Telecom Act provides in part that "[a] telecommunications carrier that receives or obtains proprietary information from another carrier for purposes of providing any telecommunications service shall use such information only for such purpose, and shall not use such information for its own marketing efforts." 47 U.S.C. § 222(b) (emphasis added); see also, e.g., 47 U.S.C. § 222(a). For Bell Atlantic to use information Covad is required to provide to obtain wholesale products and services to benefit Bell Atlantic's own operations turns Congress's view of competition on its head.

VII. BELL ATLANTIC'S SHAM, "FEEL GOOD" NEGOTIATION STRATEGY

196. To create the illusion of working cooperatively with Covad and other CLECs, Bell Atlantic has engaged in bad faith, sham negotiations and "feel good" meetings.

197. Each time the FCC or a state commission rules against Bell Atlantic on an issue, such as cageless collocation, line sharing and remote terminal access, Covad typically must negotiate amendments to its interconnection agreements with Bell Atlantic. Even knowing that an adverse regulatory ruling is inevitable, Bell Atlantic initially drags out the process of implementing the ordered changes. Indeed, even if the ruling has been made, Bell Atlantic delays further by refusing to negotiate with Covad or other CLECs until after the order is published and final. Then, once the order is finalized, Bell Atlantic further delays implementation by requiring the CLECs to fight a state-by-state battle of amendments to interconnection agreements, changes to Bell Atlantic's tariffs and creation of Bell Atlantic "methods and procedures."

198. For example, when Covad first approached Bell Atlantic to negotiate interconnection agreements, Covad wanted to order ADSL-capable loops. Bell Atlantic responded that Bell Atlantic did not offer ADSL-capable loops. An "ADSL-capable" loop, however, is the same pair of copper wires Bell Atlantic typically uses for voice communication, with excess bridged taps and load coils removed in the minority of instances where they exist. Bell Atlantic then claimed that Bell Atlantic did not have "methods and procedures" for ordering and provisioning ADSL-capable loops. Notably, Bell Atlantic did not develop its purported "methods and procedures" until well after Covad began ordering loops for its DSL services.

199. Another example is forecasting. Bell Atlantic requires CLECs to provide detailed forecasts for Covad's loop, transport and collocation requests. Bell Atlantic has sometimes blamed its inability to deliver timely loops, transport and collocation on what it claims to be the

insufficiency of the CLECs' forecasts. Yet, on information and belief, Bell Atlantic has never used CLEC forecasts to make decisions about staffing any of its wholesale support centers, and, in fact, knew that Covad and other CLECs would need a large number of loops for their customers. The supposed lack of forecasts is a pretext.

200. Bell Atlantic has used various other tactics to delay Covad and other CLECs, such as: (1) holding multiple meetings about an issue without bringing the right people to the meetings, forcing Covad to explain an issue time and time again without ever speaking to someone capable of making a decision about the issue; (2) refusing to meet privately with Covad to resolve issues, preferring instead to grandstand in front of regulators and other public bodies; and, (3) misrepresenting the actual circumstances to suggest that feigned cooperation is real.

201. In short, Bell Atlantic's negotiations follow a consistent pattern. In phase one, Bell Atlantic refuses. It refuses to provide collocation unless Covad pays to build out separate space, separate entrances, even separate bathrooms. It refused to pre-qualify loops. It refuses to provide line sharing. Then, at or after the time the FCC forces Bell Atlantic not to refuse, Bell Atlantic switches to delay. It delays the new regime. It offers only the most expensive option. It makes the option as unattractive as possible and it keeps its eye focused on the goal of making sure that no competitor provides a service that Bell Atlantic is not prepared to or does not desire to offer itself. As a result, Covad has suffered, the ISPs and businesses with whom Covad would deal have suffered, and the end-users who are the ultimate beneficiaries of these services have, in particular, suffered.

VIII. BELL ATLANTIC'S RETALIATORY PATENT LAWSUIT

202. Covad provides its DSL services by utilizing DSLAMs manufactured by such reputable suppliers as Nokia High-Speed Access Products, Inc. ("Nokia") and Cisco Systems, Inc. ("Cisco"). When Covad purchases such equipment, it acquires its suppliers' intellectual

property rights in the equipment and its use. Nokia and Cisco also offer and sell their DSLAMs to other DSL providers.

203. For over a year before this lawsuit was filed, Bell Atlantic knew that Covad uses Nokia and Cisco DSLAMs as well as the material operating characteristics of that equipment. But until May 13, 1999, Bell Atlantic never suggested to Covad that it was infringing any Bell Atlantic patent.

204. On May 13, 1999, however, just fifteen days after Covad filed this antitrust suit, Bell Atlantic singled Covad out as the lone defendant in a patent action brought in the Eastern District of Virginia, styled Bell Atlantic Network Services, Inc. v. Covad Communications Group, Inc., et al., Civil Action No. 2-99-CV-712. In its patent complaint, Bell Atlantic alleged that Covad has infringed United States Patent No. 5,812,786, entitled "Variable Rate and Variable Mode Transmission System" ("the '786 patent"). Even though Bell Atlantic contended that the '786 patent is widely used by DSL providers, including other ILECs, Bell Atlantic has not filed a patent infringement suit against any other company that provides DSL services. Nor did it sue the companies that actually manufacture the equipment.

205. Bell Atlantic had virtually no factual support for its complaint. For example, the complaint did not state what claim of the '786 patent Covad is supposed to have infringed, what Covad product or service is supposed to have infringed that claim, or even whether the infringing "thing" is a product or a service.

206. Nonetheless, on June 2, 1999, Bell Atlantic then used the patent action as the vehicle for serving discovery requests on Covad seeking comprehensive information about Covad's customers, prices, costs, revenues, profits, business plans, analyses of competitors (expressly including Bell Atlantic), economic forecasts, revenue projections, financial data,

technical operations (including specifications for every service that Covad provides, irrespective of whether Bell Atlantic could claim in good faith that any, let alone all, of Covad's services would infringe its patent), sales, licensing and other agreements, marketing relationships, organizational structure, sales, marketing, technical and scientific literature and materials, and a host of other information. Most of this information had little or nothing to do with whether Covad violated a patent and was requested as a fishing expedition through which Bell Atlantic sought to obtain confidential information about a competitor.

207. In fact, the '786 patent, as Bell Atlantic sought to construe and enforce it, is invalid because Bell Atlantic failed to present a patentable improvement over the prior art.

208. In addition, the '786 patent, as Bell Atlantic sought to construe and enforce it, is unenforceable because during the prosecution of the '786 patent, Bell Atlantic failed to disclose to the United States Patent and Trademark Office material prior art – in particular, American National Standards Institute draft standard Asymmetric Digital Subscriber Line Metallic Interface, T1E1.4/94-007R7. One of the participants in that draft standard, Kamran Sistanizadeh, was a named inventor on the '786 patent.

209. Covad in no way infringed the '786 patent.

210. On April 3, 2000, the United States District Court for the Eastern District of Virginia granted Covad's motion for summary judgment in the patent case. The court rejected all of Bell Atlantic's arguments of infringement and went on to state: "It is the opinion of this Court that Bell Atlantic's arguments are an attempt to abuse the privileges of the patent by extending the 'right to exclude' beyond the scope of the patent itself." Opinion and Order, Bell Atlantic Network Servs., Inc. v. Covad Communications Group, Inc., No. 2:99cv712, slip op. at 20 (E.D. Va. Apr. 3, 2000), [Bell Atlantic] appeal pending.

211. Bell Atlantic's patent action was objectively meritless and a sham. When it brought the patent action, Bell Atlantic knew, or deliberately and recklessly chose not to learn, that there was no reasonable interpretation of the '786 patent under which the patent was valid, enforceable, and infringed by Covad.

212. Bell Atlantic's bad-faith filing of the patent action was a pretext. Bell Atlantic did not bring the patent action out of any desire to protect its purported intellectual property. It brought this action to interfere with competition in the relevant markets and to retaliate against Covad for asserting its rights in this lawsuit against Bell Atlantic.

IX. BELL ATLANTIC'S VIOLATIONS OF LAW

213. In short, Bell Atlantic has engaged in anticompetitive and predatory conduct, including but not limited to the following:

- Intentional refusals to deal, including but not limited to, refusals to allow Covad to collocate in Bell Atlantic central offices and at remote locations, and loop provisioning restrictions;
- Fraudulent representations about the space and cost required for physical collocation;
- Raising Covad's and other CLECs' costs to compete with Bell Atlantic's own services;
- Denial of essential facilities;
- Discrimination against Covad and other CLECs in Bell Atlantic's own favor in terms and conditions of service;
- Price squeezing;
- Unlawful tying of provisioning of loops and other facilities to the purchase of Bell Atlantic's own Internet and local area network access services;
- Pre-announcement;
- Violation of the Telecom Act's privacy provisions; and
- Patent misuse.

Causes of Action

FIRST CAUSE OF ACTION – MONOPOLIZATION

(Sherman Act, Section 2, Clayton Act, Sections 4 and 16; District of Columbia Antitrust Act of 1980)

214. Covad incorporates the preceding paragraphs by reference as though fully set forth here.

215. Between its control of POTS and ISDN for voice and fax applications, dial-up Internet access, T1 and frame relay for dedicated data services and its massive advertising of DSL services, Bell Atlantic has monopoly power in all relevant local telecommunications services markets, including the Local Internet Access Market, Local Telecommuting Market and Local Voice Services Market in each of the local service areas in which it is the ILEC.

216. Bell Atlantic originally obtained much of its market power at the expense of ratepayers in a regulated environment that protected the ILECs from competition. Since Congress enacted the Telecom Act, Bell Atlantic has sustained and enhanced that power through anticompetitive and predatory means. Bell Atlantic's conduct has delayed and prevented Covad's entry into the relevant markets. Despite Congress' mandate in the Telecom Act and the FCC's efforts to open up Bell Atlantic's local service monopolies to competition, Bell Atlantic continues to dominate those markets through unlawful conduct, to the detriment of consumers and competition.

217. Bell Atlantic's conduct violates section 2 of the Sherman Act, 15 U.S.C. § 2, and sections 4 and 16 of the Clayton Act, 15 U.S.C. §§ 15, 26, as well as the District of Columbia Antitrust Act of 1980, D.C. Code §§ 28-4503, 4508.

218. As a direct and proximate result of Bell Atlantic's monopolistic conduct, competition in the relevant markets has been injured, and Covad has been damaged in that (i) its

ability to offer services competitive to those provided by Bell Atlantic has been frustrated and delayed, causing Covad to lose potential customers and profits and harming Covad's goodwill and reputation, and (ii) its costs of operation have increased. Covad has sustained damages and continues to sustain damages in an amount to be determined at trial.

SECOND CAUSE OF ACTION – ATTEMPTED MONOPOLIZATION

(Sherman Act, Section 2, Clayton Act, Sections 4 and 16; District of Columbia Antitrust Act of 1980)

219. Covad incorporates the preceding paragraphs by reference as though fully set forth here.

220. Bell Atlantic has engaged in the anticompetitive conduct described above.

221. Bell Atlantic has engaged in this anticompetitive conduct with the specific intent to gain and/or sustain a monopoly in the Local Internet Access Market, Local Telecommuting Market and Local Voice Services Market.

222. Bell Atlantic has demonstrated a dangerous probability of success in its efforts to gain, to perpetuate or to enhance a monopoly in the relevant markets. Despite Congress' mandate in the Telecom Act and the FCC's efforts to open up Bell Atlantic's local service monopolies to competition, Bell Atlantic continues to dominate those markets through unlawful conduct, to the detriment of consumers and competition.

223. Bell Atlantic's conduct violates section 2 of the Sherman Act, 15 U.S.C. § 2, and sections 4 and 16 of the Clayton Act, 15 U.S.C. §§ 15, 26, as well as District of Columbia Antitrust Act of 1980, D.C. Code §§ 28-4503, 4508.

224. As a direct and proximate result of Bell Atlantic's monopolistic conduct, competition in the relevant markets has been injured, and Covad has been damaged in that (i) its ability to offer services competitive to those provided by Bell Atlantic has been frustrated and

delayed, causing Covad to lose potential customers and profits and harming Covad's goodwill and reputation, and (ii) its costs of operation have increased. Covad has sustained damages and continues to sustain damages in an amount to be determined at trial.

THIRD CAUSE OF ACTION – DENIAL OF ESSENTIAL FACILITIES AND INTENTIONAL REFUSAL TO DEAL

(Sherman Act, Section 2, Clayton Act, Sections 4 and 16; District of Columbia Antitrust Act of 1980)

225. Covad incorporates the preceding paragraphs by reference as though fully set forth here.

226. Bell Atlantic has monopoly power over the telecommunications facilities essential to complete communications in each of the local service areas in which it is an ILEC. These facilities include central offices, switches, transport, local loops and OSS.

227. Covad cannot reasonably duplicate these facilities. Barriers to entry faced by competitors like Covad wishing to provide any local telecommunications services are exorbitantly high because Bell Atlantic controls the facilities necessary for any CLEC to provide those services. The costs of replicating the necessary portions of Bell Atlantic's telephone network are prohibitively high, and it would take an extremely long period of time to replicate the necessary portions of that existing network. Further, alternative means of reaching local telecommunications consumers either do not exist or are not practicable.

228. Bell Atlantic has denied Covad access to these facilities on fair, reasonable and non-discriminatory terms. Despite Congress' mandate in the Telecom Act and the FCC's efforts to open up Bell Atlantic's local service monopolies to competition, Bell Atlantic continues to deny Covad access to central offices, transport, local loops, OSS, and other parts of Bell Atlantic's network that Covad requires to provide its services.

229. Bell Atlantic's denial of access is without legitimate or sufficient business justification. Bell Atlantic feasibly could have granted, and legally was obliged to grant, Covad access to these facilities.

230. Bell Atlantic has also engaged in the predatory refusals to deal described above with the intent and effect of obtaining or maintaining monopoly power in the relevant markets.

231. Bell Atlantic's conduct violates section 2 of the Sherman Act, 15 U.S.C. § 2, and sections 4 and 16 of the Clayton Act, 15 U.S.C. §§ 15, 26, as well as section District of Columbia Antitrust Act of 1980, D.C. Code §§ 28-4503, 4508.

232. As a direct and proximate result of Bell Atlantic's monopolistic conduct, competition in the relevant markets has been injured, and Covad has been damaged in that (i) its ability to offer services competitive to those provided by Bell Atlantic has been frustrated and delayed, causing Covad to lose potential customers and profits and harming Covad's goodwill and reputation, and (ii) its costs of operation have increased. Covad has sustained damages and continues to sustain damages in an amount to be determined at trial.

FOURTH CAUSE OF ACTION – MONOPOLY LEVERAGING
(Sherman Act, Section 2, Clayton Act, Sections 4 and 16;
District of Columbia Antitrust Act of 1980)

233. Covad incorporates the preceding paragraphs by reference as though fully set forth here.

234. Bell Atlantic has monopoly power over the telecommunications facilities essential to complete communications in each of the local service areas in which it is an ILEC. These facilities include central offices, switches, transport, local loops and OSS.

235. Historically, although Bell Atlantic has been a monopolist, Bell Atlantic also has been regulated as a utility. Through regulation, Bell Atlantic has been prevented from exacting monopoly rents for local exchange service.

236. Through the predatory acts described above, however, Bell Atlantic has used and attempted to use its monopoly power in the regulated local telecommunications markets to stifle competition in the unregulated market for DSL services, and thereby to extract monopoly rent from this downstream market. Bell Atlantic's use of monopoly power is unlawful in that it has excluded or delayed competitors like Covad from the market rather than promoting the efficiency of production.

237. Bell Atlantic's conduct violates section 2 of the Sherman Act, 15 U.S.C. § 2, and sections 4 and 16 of the Clayton Act, 15 U.S.C. §§ 15, 26, as well as District of Columbia Antitrust Act of 1980, D.C. Code §§ 28-4503, 4508.

238. As a direct and proximate result of Bell Atlantic's monopolistic conduct, competition in the relevant markets has been injured, and Covad has been damaged in that (i) its ability to offer services competitive to those provided by Bell Atlantic has been frustrated and delayed, causing Covad to lose potential customers and profits and harming Covad's goodwill and reputation, and (ii) its costs of operation have increased.

FIFTH CAUSE OF ACTION – INTERFERENCE WITH PROSPECTIVE BUSINESS ADVANTAGE

239. Covad incorporates the preceding paragraphs by reference as though fully set forth here.

240. Covad has had and continues to have economic relationships with its customers encompassing the probability of future economic benefit to Covad.

241. At all relevant times, Bell Atlantic had knowledge of these relationships.

242. By the conduct described above, Bell Atlantic has knowingly, wrongfully and willfully engaged in wrongful conduct that was designed to and that did in fact disrupt these relationships.

243. Bell Atlantic actually has disrupted these relationships. In the absence of this wrongful conduct, Covad would have entered into new agreements with numerous customers who were Covad's customers, or with whom Covad had an economic relationship containing the probability of future economic benefit to Covad, but which became Bell Atlantic's customers as a result of Bell Atlantic's wrongdoing.

244. By the conduct described above, Bell Atlantic intentionally, maliciously and unlawfully interfered with the prospective economic advantage previously enjoyed by Covad.

245. As a direct and proximate cause of Bell Atlantic's wrongful conduct, Covad has suffered damages in an amount to be determined at trial.

SIXTH CAUSE OF ACTION – FRAUD

246. Covad incorporates the preceding paragraphs by reference as though fully set forth here.

247. From the time that Bell Atlantic was told that it must provide collocation to CLECs on just, reasonable and nondiscriminatory terms, Bell Atlantic knew that physical collocation space could be made available in every central office if Bell Atlantic did not impose unreasonable space demands. Bell Atlantic knew that making space available to CLECs for physical collocation would not require tremendous cost or build-out. For example, prior to the Telecom Act, AT&T collocated in Bell Atlantic's central offices with only tape or paint on the floor to separate AT&T's equipment from Bell Atlantic's. Bell Atlantic also knew that even if it were authorized to require unnecessary build-outs, there still would be a substantial number of offices where space existed for physical collocation that could be achieved at a reasonable cost.

248. Instead of adopting a fair and reasonable system based on legitimate, shared central office security concerns, actual space needs and justifiable construction costs, however,

Bell Atlantic instituted a policy that involved at least the following acts designed to conceal from CLECs the availability of space for physical collocation at a reasonable price:

- Declaring build-outs to be necessary when they were not;
- Declaring central offices to be "no-space" offices without checking or confirming the no-space determination, making it the responsibility of the CLEC to challenge it;
- Quoting extravagant prices for physical collocation without providing cost back-up, again making it the responsibility of the CLEC to challenge the price quote and hope that it goes down;
- Refusing to allow CLECs to tour central offices to verify no-space determinations or the need to pay the exorbitant quoted construction costs;
- Requiring CLECs who did receive tours to sign non-disclosure agreements, thereby preventing the CLECs from notifying regulators and other authorities about Bell Atlantic's false no-space claims or unjustifiable price quotes;
- Misrepresenting the physical dimensions and other characteristics of central office space to the regulators, thereby securing or attempting to secure approval of no-space claims;
- Seeking to impose an additional deterrent on CLEC collocation by using inflated price quotes to misrepresent the total collocation cost for which each collocator could properly be held responsible;
- Misrepresenting the funding needs for construction, for example, by requiring multiple CLECs to pay a deposit of 50% of the quoted construction costs, resulting in multiple collection of even the alleged actual construction costs;
- Misrepresenting the timing of construction and the necessity of the 50% deposit, for example, by representing that construction will <u>begin</u> upon receipt of the deposit even <u>after construction was completed</u>; and
- In fact collecting more than 100% of even the inflated costs by double-, triple- or quadruple-billing multiple CLECs.

249. In addition to those already alleged above, Covad already is aware of numerous examples of this fraudulent scheme, including the following:

250. Bell Atlantic incurred collocation costs totaling $62,389.00 for its Bethesda, Maryland central office. Bell Atlantic demanded, and received on or about June 2, 1997, a

$36,875.00 deposit from the first collocator.[4] Bell Atlantic demanded, and received on or about March 18, 1998, a $31,194.50 deposit from another collocator. Bell Atlantic demanded, and received on or about August 6, 1998, a $44,756.00 deposit from a third collocator. Bell Atlantic demanded, and received on or about August 11, 1998, a $44,756.00 deposit from Covad. Bell Atlantic demanded, and received on or about September 9, 1998, a $23,437.00 deposit from a fifth collocator. Bell Atlantic demanded, and received on or about September 24, 1998, an $18,872.00 deposit from a sixth collocator. Bell Atlantic demanded, and received on or about October 9, 1998, an $18,872.00 deposit from a seventh collocator. Bell Atlantic demanded, and received on or about February 11, 1999, a $17,123.38 deposit from an eighth collocator. Bell Atlantic demanded, and received on or about January 19, 1999, a $20,760.88 deposit from a ninth collocator. Bell Atlantic demanded, and received on or about April 9, 1999, a $31,707.90 deposit from a tenth collocator. Bell Atlantic demanded, and received on or about April 20, 1999, a $31,707.90 deposit from an eleventh collocator. Thus, Bell Atlantic falsely represented, with knowledge of the falsity and intent to deceive Covad and the other CLECs, that its collocation costs totaled at least $320,062.56 for its Bethesda, Maryland central office. By demanding that sum, Bell Atlantic not only created a barrier to market entry for CLECs such as Covad, but also collected more than five times the total collocation costs actually incurred.

251. Bell Atlantic incurred collocation costs totaling $67,531.00 for its Moorestown, New Jersey central office. Bell Atlantic demanded, and received on or about October 14, 1997, a $29,580.50 deposit from the first collocator. Bell Atlantic demanded, and received on or about August 17, 1998, a $35,900.50 deposit from another collocator. Bell Atlantic demanded, and

[4] To protect information that Bell Atlantic considers proprietary, the collocators' names have been omitted.

received on or about December 17, 1998, a $49,746.48 deposit from Covad. Bell Atlantic demanded, and received on or about April 15, 1999, a $49,746.48 deposit from a fourth collocator. Bell Atlantic demanded, and received on or about May 25, 1999, a $35,764.60 deposit from a fifth collocator. Thus, Bell Atlantic falsely represented, with knowledge of the falsity and intent to deceive Covad and the other CLECs, that its collocation costs totaled at least $200,738.56 for its Moorestown, New Jersey central office. By demanding that sum, Bell Atlantic not only created a barrier to market entry for CLECs such as Covad, but also collected more than three times the total collocation costs actually incurred.

252. Bell Atlantic incurred collocation costs totaling $61,000.00 for its Hackensack, New Jersey central office. Bell Atlantic demanded, and received on or about November 6, 1997, a $22,315.00 deposit from the first collocator. Bell Atlantic demanded, and received on or about May 18, 1998, a $43,250.00 deposit from the next collocator. Bell Atlantic demanded, and received on or about October 2, 1998, a $29,866.66 deposit from Covad. Bell Atlantic demanded, and received on or about April 20, 1999, a $38,300.25 deposit from a fourth collocator. Bell Atlantic demanded, and received on or about May 3, 1999, a $48,280.00 deposit from a fifth collocator. Bell Atlantic demanded, and received on or about May 5, 1999, a $37,175.25 deposit from a sixth collocator. Bell Atlantic demanded, and received on or about May 11, 1999, a $48,280 deposit from a seventh collocator. Bell Atlantic demanded, and received on or about May 21, 1999, a $7,196.67 deposit from an eighth collocator. Thus, Bell Atlantic falsely represented, with knowledge of the falsity and intent to deceive Covad and the other CLECs, that its collocation costs totaled at least $274,663.83 for its Hackensack, New Jersey central office. By demanding that sum, Bell Atlantic not only created a barrier to market

entry for CLECs such as Covad, but also collected more than four times the total collocation costs actually incurred.

253. Bell Atlantic incurred collocation costs totaling $43,663.00 for its Columbia, Maryland central office. Bell Atlantic demanded, and received on or about April 29, 1997, a $53,500.00 deposit from the first collocator. Bell Atlantic demanded, and received on or about July 10, 1998, a $25,791.50 deposit from the next collocator. Bell Atlantic demanded, and received on or about January 11, 1999, a $32,304.33 deposit from a third collocator. Bell Atlantic demanded, and received on or about January 13, 1999, an $18,296.00 deposit from Covad. Bell Atlantic demanded, and received on or about January 19, 1999, an $18,696.00 deposit from a fifth collocator. Thus, Bell Atlantic falsely represented, with knowledge of the falsity and intent to deceive Covad and the other CLECs, that its collocation costs totaled at least $148,587.83 for its Columbia, Maryland central office. By demanding that sum, Bell Atlantic not only created a barrier to market entry for CLECs such as Covad, but also collected more than three times the total collocation costs actually incurred.

254. Bell Atlantic could not have incurred collocation costs totaling more than $130,000.00 for its Alexandria, Virginia central office. Bell Atlantic demanded, and received on or about March 18, 1998, a $52,500.00 deposit from the first collocator. Bell Atlantic demanded, and received on or about July 21, 1998, a $59,750.00 deposit from the next collocator. Bell Atlantic demanded, and received on or about August 11, 1998, a $59,750.00 deposit from Covad. Bell Atlantic demanded, and received on or about October 26, 1998, a $23,708.50 deposit from a fourth collocator. Bell Atlantic demanded, and received on or about November 13, 1998, a $47,417.00 deposit from a fifth collocator. Bell Atlantic demanded, and received on or about January 19, 1999, a $34,590.20 deposit from a sixth collocator. Bell

Atlantic demanded $47,417.00 from a potential seventh collocator. Thus, Bell Atlantic falsely represented, with knowledge of the falsity and intent to deceive Covad and the other CLECs, that its collocation costs totaled at least $325,132.70 for its Alexandria, Virginia central office. By demanding that sum, Bell Atlantic not only created a barrier to market entry for CLECs such as Covad, but in receiving $277,715.70 Bell Atlantic also collected more than two times the total collocation costs actually incurred.

255. Bell Atlantic incurred collocation costs totaling $154,904 for its Laurel, Maryland central office. Bell Atlantic demanded, and received on or about April 29, 1997, a $67,500.00 deposit from the first collocator. Bell Atlantic demanded, and received on or about September 15, 1998, a $77,702.00 deposit from the next collocator. Bell Atlantic demanded, and received on or about October 1, 1998, a $78,677.00 deposit from Covad. Bell Atlantic demanded, and received on or about November 24, 1998, a $40,526.00 deposit from a fourth collocator. Bell Atlantic demanded, and received on or about April 14, 1999, a $67,543.40 deposit from a fifth collocator. Bell Atlantic demanded, and received on or about April 20, 1999, a $46,722.00 deposit from a sixth collocator. Thus, Bell Atlantic falsely represented, with knowledge of the falsity and intent to deceive Covad and the other CLECs, that its collocation costs totaled at least $378,670.80 for its Laurel, Maryland central office. By demanding that sum, Bell Atlantic not only created a barrier to market entry for CLECs such as Covad, but also collected more than two times the total collocation costs actually incurred.

256. Bell Atlantic incurred collocation costs totaling $66,125.30 for its Marlton, New Jersey central office. Bell Atlantic demanded, and received on or about August 29, 1997, a $34,349.50 deposit from the first collocator. Bell Atlantic demanded, and received on or about October 23, 1998, a $36,662.00 deposit from Covad. Bell Atlantic demanded, and received on

or about January 8, 1999, a $24,775.00 deposit from a third collocator. Bell Atlantic demanded, and received on or about April 15, 1999, a $34,275.10 deposit from a fourth collocator. Bell Atlantic demanded, and received on or about May 18, 1999, a $23,605.00 deposit from a fifth collocator. Thus, Bell Atlantic falsely represented, with knowledge of the falsity and intent to deceive Covad and the other CLECs, that its collocation costs totaled at least $153,666.60 for its Marlton, New Jersey central office. By demanding that sum, Bell Atlantic not only created a barrier to market entry for CLECs such as Covad, but also collected more than two times the total collocation costs actually incurred.

257. Bell Atlantic received collocation applications from three different CLECs for its Plainfield, New Jersey central office on May 28, 1998, July 7, 1998 (Covad), and July 28, 1998. On or about August 10, 1998, Bell Atlantic concluded that "access to collocation area from within building is not feasible. . . Exterior access therefore required with new exterior stair." The cost was estimated at $252,300.00. As a result, on or about August 28, 1998, Bell Atlantic demanded a deposit in the amount of $126,150.00 (50%) from Covad in order to begin construction. Covad did not submit the deposit. On or about January 8, 1999, Bell Atlantic demanded a $126,150.00 deposit from another CLEC. It appears that CLEC also did not submit a deposit.

258. The third CLEC did, however, pay $174,144.00 to collocate, which included the cost of the exterior stairway Bell Atlantic required. The second CLEC then collocated and was charged only $5,020.00 for its cage; it does not appear that the first CLEC received a pro-rated refund. Despite the presence of the collocation space made accessible by the exterior stairway, on or about January 8, 1999, Bell Atlantic decided that it was necessary to construct a "corridor to give access through the main entrance of the building" at a cost of $81,802.00, thus undoing

Bell Atlantic's rationale for requiring the CLECs to build the outside stairway. Covad decided to collocate in this office and was charged $85,315.33 – an amount equal to one-third the cost of the stairway and the corridor, plus costs associated with both collocation projects ($174,144.00 + $81,802.00 = $255,946.00). Thus, Bell Atlantic falsely represented, with knowledge of the falsity and intent to deceive Covad and the other CLECs, that (1) an exterior stairway had to be built in order to collocate, (2) an interior corridor also must be built to collocate, and (3) Covad and the other CLECs were being charged for the fair and actual, rather than grossly inflated, cost to collocate in the Plainfield, New Jersey central office.

259. On or about July 20, 1998, Bell Atlantic informed Covad that it must pay $94,225.00 to collocate in the Southwest Washington, DC central office. That figure apparently was derived from totaling four different build-outs: a build-out for the first collocator costing $28,754.68, and three planned build-outs costing $26,000.00, $26,180.00, and $13,290.00, respectively. Bell Atlantic received payments (1) from the first collocator for $28,754.68 on August 22, 1996 (for its build-out), (2) from the next collocator for $27,377.34 on November 6, 1997, (3) from a third collocator for $47,112.50 on July 21, 1998, and (4) from Covad for $94,225.00 on August 17, 1998. As a result, Bell Atlantic received $197,469.52 for its Southwest Washington, DC central office. Thus, Bell Atlantic falsely represented, with knowledge of the falsity and intent to deceive Covad and the other CLECs, that Bell Atlantic had incurred collocation costs totaling $197,469.52 in its Southwest Washington, DC central office. Moreover, Covad was charged for all collocation costs Bell Atlantic had ever incurred in this central office.

260. On or about June 20, 1998, in a letter to Covad responding to Covad's request for physical collocation space at Bell Atlantic's Sterling Park, Virginia central office, Bell Atlantic

falsely represented to Covad that the Sterling Park central office had insufficient space to accommodate physical collocation arrangements. In fact, Bell Atlantic knew that there was sufficient space available for physical collocation at the Sterling Park central office, yet made this representation with the intent to deceive Covad.

261. On or about June 24, 1998, in a letter to Covad responding to Covad's request for physical collocation space at Bell Atlantic's Centreville, Virginia central office, Bell Atlantic falsely represented to Covad that the Centreville central office had insufficient space to accommodate physical collocation arrangements. In fact, Bell Atlantic knew that there was sufficient space available for physical collocation at the Centreville central office, yet made this representation with the intent to deceive Covad.

262. On or about June 24, 1998, in a letter to Covad responding to Covad's request for physical collocation space at Bell Atlantic's Herndon, Virginia central office, Bell Atlantic falsely represented to Covad that the Herndon central office had insufficient space to accommodate physical collocation arrangements. In fact, Bell Atlantic knew that there was sufficient space available for physical collocation at the Herndon central office, yet made this representation with the intent to deceive Covad.

263. On or about June 29, 1998, in a letter to Covad responding to Covad's request for physical collocation space at Bell Atlantic's McLean, Virginia central office, Bell Atlantic falsely represented to Covad that the McLean central office had insufficient space to accommodate physical collocation arrangements. In fact, Bell Atlantic knew that there was sufficient space available for physical collocation at the McLean central office, yet made this representation with the intent to deceive Covad.

264. On or about July 20, 1998, in a letter to Covad responding to Covad's request for physical collocation space at Bell Atlantic's Germantown, Maryland central office, Bell Atlantic falsely represented to Covad that the Germantown central office had insufficient space to accommodate physical collocation arrangements. In fact, Bell Atlantic knew that there was sufficient space available for physical collocation at the Germantown central office, yet made this representation with the intent to deceive Covad.

265. On or about July 20, 1998, in a letter to Covad responding to Covad's request for physical collocation space at Bell Atlantic's Olney, Maryland central office, Bell Atlantic falsely represented to Covad that the Olney central office had insufficient space to accommodate physical collocation arrangements. In fact, Bell Atlantic knew that there was sufficient space available for physical collocation at the Olney central office, yet made this representation with the intent to deceive Covad.

266. On or about July 20, 1998, in a letter to Covad responding to Covad's request for physical collocation space at Bell Atlantic's Silver Spring, Maryland central office, Bell Atlantic falsely represented to Covad that the Silver Spring central office had insufficient space to accommodate physical collocation arrangements. In fact, Bell Atlantic knew that there was sufficient space available for physical collocation at the Silver Spring central office, yet made this representation with the intent to deceive Covad.

267. On or about July 30, 1998, in a letter to Covad responding to Covad's request for physical collocation space at Bell Atlantic's Oakland, New Jersey central office, Bell Atlantic falsely represented to Covad that the Oakland central office had insufficient space to accommodate physical collocation arrangements. In fact, Bell Atlantic knew that there was

sufficient space available for physical collocation at the Oakland central office, yet made this representation with the intent to deceive Covad.

268. On or about July 30, 1998, in a letter to Covad responding to Covad's request for physical collocation space at Bell Atlantic's South River, New Jersey central office, Bell Atlantic falsely represented to Covad that the South River central office had insufficient space to accommodate physical collocation arrangements. In fact, Bell Atlantic knew that there was sufficient space available for physical collocation at the South River central office, yet made this representation with the intent to deceive Covad.

269. On or about July 30, 1998, in a letter to Covad responding to Covad's request for physical collocation space at Bell Atlantic's Fairfield-Essex, New Jersey central office, Bell Atlantic falsely represented to Covad that the Fairfield-Essex central office had insufficient space to accommodate physical collocation arrangements. In fact, Bell Atlantic knew that there was sufficient space available for physical collocation at the Fairfield-Essex central office, yet made this representation with the intent to deceive Covad.

270. On or about July 30, 1998, in a letter to Covad responding to Covad's request for physical collocation space at Bell Atlantic's Bedminster, New Jersey central office, Bell Atlantic falsely represented to Covad that the Bedminster central office had insufficient space to accommodate physical collocation arrangements. In fact, Bell Atlantic knew that there was sufficient space available for physical collocation at the Bedminster central office, yet made this representation with the intent to deceive Covad.

271. On or about August 1, 1998, in a letter to Covad responding to Covad's request for physical collocation space at Bell Atlantic's Haledon, New Jersey central office, Bell Atlantic falsely represented to Covad that the Haledon central office had insufficient space to

accommodate physical collocation arrangements. In fact, Bell Atlantic knew that there was sufficient space available for physical collocation at the Haledon central office, yet made this representation with the intent to deceive Covad.

272. On or about August 1, 1998, in a letter to Covad responding to Covad's request for physical collocation space at Bell Atlantic's Robertsville, New Jersey central office, Bell Atlantic falsely represented to Covad that the Robertsville central office had insufficient space to accommodate physical collocation arrangements. In fact, Bell Atlantic knew that there was sufficient space available for physical collocation at the Robertsville central office, yet made this representation with the intent to deceive Covad.

273. On or about August 5, 1998, in a letter to Covad responding to Covad's request for physical collocation space at Bell Atlantic's Hopewell Mercer, New Jersey central office, Bell Atlantic falsely represented to Covad that the Hopewell Mercer central office had insufficient space to accommodate physical collocation arrangements. In fact, Bell Atlantic knew that there was sufficient space available for physical collocation at the Hopewell Mercer central office, yet made this representation with the intent to deceive Covad.

274. On or about August 5, 1998, in a letter to Covad responding to Covad's request for physical collocation space at Bell Atlantic's Neshanic, New Jersey central office, Bell Atlantic falsely represented to Covad that the Neshanic central office had insufficient space to accommodate physical collocation arrangements. In fact, Bell Atlantic knew that there was sufficient space available for physical collocation at the Neshanic central office, yet made this representation with the intent to deceive Covad.

275. On or about August 5, 1998, in a letter to Covad responding to Covad's request for physical collocation space at Bell Atlantic's Millington, New Jersey central office, Bell

Atlantic falsely represented to Covad that the Millington central office had insufficient space to accommodate physical collocation arrangements. In fact, Bell Atlantic knew that there was sufficient space available for physical collocation at the Millington central office, yet made this representation with the intent to deceive Covad.

276. On or about August 5, 1998, in a letter to Covad responding to Covad's request for physical collocation space at Bell Atlantic's Keyport, New Jersey central office, Bell Atlantic falsely represented to Covad that the Keyport central office had insufficient space to accommodate physical collocation arrangements. In fact, Bell Atlantic knew that there was sufficient space available for physical collocation at the Keyport central office, yet made this representation with the intent to deceive Covad.

277. On or about August 5, 1998, in a letter to Covad responding to Covad's request for physical collocation space at Bell Atlantic's Middletown-Monmouth, New Jersey central office, Bell Atlantic falsely represented to Covad that the Middletown-Monmouth central office had insufficient space to accommodate physical collocation arrangements. In fact, Bell Atlantic knew that there was sufficient space available for physical collocation at the Middletown-Monmouth central office, yet made this representation with the intent to deceive Covad.

278. On or about August 5, 1998, in a letter to Covad responding to Covad's request for physical collocation space at Bell Atlantic's Blackwood, New Jersey central office, Bell Atlantic falsely represented to Covad that Blackwood central office had insufficient space to accommodate physical collocation arrangements. In fact, Bell Atlantic knew that there was sufficient space available for physical collocation at the Blackwood central office, yet made this representation with the intent to deceive Covad.

279. On or about August 5, 1998, in a letter to Covad responding to Covad's request for physical collocation space at Bell Atlantic's Glassboro, New Jersey central office, Bell Atlantic falsely represented to Covad that the Glassboro central office had insufficient space to accommodate physical collocation arrangements. In fact, Bell Atlantic knew that there was sufficient space available for physical collocation at the Glassboro central office, yet made this representation with the intent to deceive Covad.

280. On or about August 15, 1998, in a letter to Covad responding to Covad's request for physical collocation space at Bell Atlantic's Dorrs Corner, Maryland central office, Bell Atlantic falsely represented to Covad that the Dorrs Corner central office had insufficient space to accommodate physical collocation arrangements. In fact, Bell Atlantic knew that there was sufficient space available for physical collocation at the Dorrs Corner central office, yet made this representation with the intent to deceive Covad.

281. On or about August 16, 1998, in a letter to Covad responding to Covad's request for physical collocation space at Bell Atlantic's Owings Mills, Maryland central office, Bell Atlantic falsely represented to Covad that the Owings Mills central office had insufficient space to accommodate physical collocation arrangements. In fact, Bell Atlantic knew that there was sufficient space available for physical collocation at the Owings Mills central office, yet made this representation with the intent to deceive Covad.

282. On or about August 16, 1998, in a letter to Covad responding to Covad's request for physical collocation space at Bell Atlantic's Winter's Run, Maryland central office, Bell Atlantic falsely represented to Covad that the Winter's Run central office had insufficient space to accommodate physical collocation arrangements. In fact, Bell Atlantic knew that there was

sufficient space available for physical collocation at the Winter's Run central office, yet made this representation with the intent to deceive Covad.

283. On or about August 17, 1998, in a letter to Covad responding to Covad's request for physical collocation space at Bell Atlantic's 37th Street central office in New York, New York, Bell Atlantic falsely represented to Covad that the 37th Street central office had insufficient space for physical collocation. In fact, Bell Atlantic knew that there was sufficient space for physical collocation at the 37th Street central office, yet made this representation with the intent to deceive Covad.

284. On or about August 28, 1998, in an Application for Exemption from Physical Collocation (with attachments) publicly filed with the State Corporation Commission of Virginia (as required by federal law), Bell Atlantic falsely represented to Covad and to the State Commission that the space available for physical collocation in the Lewinsville, Virginia central office was "exhausted" and that all existing floor space in the building was "in use or reserved for future main frame and switching equipment growth." In fact, Bell Atlantic knew that the Lewinsville central office had space available for physical collocation including space not then in use or reserved for future main frame and switching equipment growth, yet made this representation with the intent to deceive Covad.

285. On or about August 28, 1998, in an Application for Exemption From Physical Collocation (with attachments) publicly filed with the State Corporation Commission of Virginia (as required by federal law), Bell Atlantic falsely represented to Covad and to the State Commission that the Crystal City, Virginia central office contained approximately 14,150 square feet of floor space, that the space available for physical collocation in the Crystal City central office was "exhausted" and that all existing space in the Crystal City central office was

"currently in use or reserved for future switching and power equipment additions scheduled over the next four years as shown in floor plan Drawings T-9R6T-00 and T-9R6T-01." In fact, Bell Atlantic knew that the Crystal City central office had approximately 40,000 feet of floor space, contained ample space available for physical collocation and (contrary to the representations in the above-mentioned floor plans) contained large amounts of space not then in use or legitimately reserved for future switching and power equipment additions, yet made this representation with the intent to deceive Covad.

286. On or about August 30, 1998, in a letter to Covad responding to Covad's request for physical collocation space at Bell Atlantic's Crystal City, Virginia central office, Bell Atlantic falsely represented to Covad that the Crystal City central office had insufficient space to accommodate physical collocation arrangements. In fact, Bell Atlantic knew that there was sufficient space available for physical collocation at the Crystal City central office, yet made this representation with the intent to deceive Covad.

287. On or about August 30, 1998, in a letter to Covad responding to Covad's request for physical collocation space at Bell Atlantic's Dulles Corner, Virginia central office, Bell Atlantic falsely represented to Covad that the Dulles Corner central office had insufficient space to accommodate physical collocation arrangements. In fact, Bell Atlantic knew that there was sufficient space available for physical collocation at the Dulles Corner central office, yet made this representation with the intent to deceive Covad.

288. On or about October 1, 1998, in a letter to Covad responding to Covad's request for physical collocation space at Bell Atlantic's Ashburn, Virginia central office, Bell Atlantic falsely represented to Covad that the Ashburn central office had insufficient space to accommodate a physical collocation arrangement. In fact, Bell Atlantic knew that there was

sufficient space available for physical collocation at the Ashburn central office, yet made this representation with the intent to deceive Covad.

289. On or about October 2, 1998, in a letter to Covad responding to Covad's request for physical collocation space at Bell Atlantic's Great Falls, Virginia central office, Bell Atlantic falsely represented to Covad that Great Falls central office had insufficient space to accommodate physical collocation arrangements. In fact, Bell Atlantic knew that there was sufficient space available for physical collocation at the Great Falls central office, yet made this representation with the intent to deceive Covad.

290. On or about October 14, 1998, in a Petition for Exemption From Physical Collocation and Supporting Affidavit (with attachments) publicly filed with the Pennsylvania Public Utility Commission, as required by federal law, Bell Atlantic falsely represented to Covad and to the State Commission that the space available for physical collocation in the Collegeville, Pennsylvania central office was "exhausted," that there was insufficient space for physical collocation at the Collegeville central office and that all existing floor space in the building was "either in use or reserved for switching equipment and maintenance area growth and rearrangement." In fact, Bell Atlantic knew that the Collegeville central office had sufficient space available for physical collocation including space not then in use or reserved for switching equipment and maintenance area growth and rearrangement, yet made this representation with the intent to deceive Covad.

291. On or about January 6, 1999, in a letter to Covad responding to Covad's request for physical collocation space at Bell Atlantic's Perry Hall, Maryland central office, Bell Atlantic falsely represented to Covad that the Perry Hall central office had insufficient space to accommodate physical collocation arrangements. In fact, Bell Atlantic knew that there was

sufficient space available for physical collocation at the Perry Hall central office, yet made this representation with the intent to deceive Covad.

292. On or about January 6, 1999, in a letter to Covad responding to Covad's request for physical collocation space at Bell Atlantic's Sykesville, Maryland central office, Bell Atlantic falsely represented to Covad that the Sykesville central office had insufficient space to accommodate physical collocation arrangements. In fact, Bell Atlantic knew that there was sufficient space available for physical collocation at the Sykesville central office, yet made this representation with the intent to deceive Covad.

293. The false representations alleged in the preceding paragraphs were all made in reference to a material fact, in that the false representations all related to the space available for physical collocation or the cost of physical collocation in response to Covad's applications. Successful, timely and reasonably priced physical collocation is essential to Covad's business of providing high-speed digital Internet and telecommuting services. Without successful, timely and reasonably priced physical collocation, Covad is unable to effectively compete with other CLECs or with Bell Atlantic in the provision of high-speed digital Internet and telecommuting services.

294. Covad took actions (and failed to take actions) in reasonable reliance upon the above false representations as follows: With respect to the false representations concerning the Crystal City, Dulles Corner and Great Falls, Virginia central offices, Covad was forced to apply for virtual collocation in these offices because Bell Atlantic falsely represented that there was insufficient or no space available for physical collocation. Covad, in reliance on the false representation concerning the 37th Street, New York central office, was forced to relocate its planned hub site and to reconfigure its network. Covad, in reliance upon Bell Atlantic's false

representations concerning the Crystal City, Virginia central office, cancelled a planned bid to connect Arlington County's schools, libraries, police stations and youth centers with high-speed data connections. Covad, in reliance upon all of the above misrepresentations, delayed its plans for physical collocation and refrained from seeking state and federal regulatory and judicial relief against Bell Atlantic.

295. As a direct and proximate result of Bell Atlantic's fraud, Covad suffered damages because, among other things: (i) it was forced to incur costs that it never actually owed; (ii) it was forced to expend funds in order to relocate its hub center and reconfigure its network in the New York metropolitan area; (iii) it lost reputation and goodwill through inability to provide, or delay in providing, services to customers; (iv) it lost profits due to denied or delayed service to customers; and (v) it lost future profits due to inability to establish or delay in establishing early penetration of the Local Internet and Local Telecommuting Markets.

296. As a direct and proximate result of Bell Atlantic's fraudulent actions and Covad's reliance thereon, Covad sustained damages in an amount to be determined at trial.

SEVENTH CAUSE OF ACTION – NEGLIGENT MISREPRESENTATION

297. Covad incorporates the preceding paragraphs by reference as though fully set forth here.

298. Bell Atlantic has repeatedly made material misrepresentations to Covad concerning the availability of central office space for physical collocation, the necessity of cages, separate rooms and other unnecessary facilities for security purposes, the costs associated with physical collocation and loop provisioning, the availability of long loops and other items related to Bell Atlantic's network.

299. Bell Atlantic's material misrepresentations were negligently made in that Bell Atlantic had no reasonable basis for making these material misrepresentations.

300. Bell Atlantic made these misrepresentations knowing that Covad would rely to its detriment on the misrepresentations.

301. Covad reasonably relied on these misrepresentations and as a direct and proximate result of this reliance Covad suffered injuries and was damaged through increased cost of operations, reduced profits and loss of future profits.

302. As a direct and proximate result of Bell Atlantic's negligent misrepresentations, Covad sustained damages in an amount to be determined at trial.

PRAYER FOR RELIEF

Wherefore, Covad prays that the Court award relief as follows:

1. Judgment in favor of Covad on all claims;

2. Damages in an amount to be finally determined at trial;

3. Treble damages on Covad's antitrust claims;

4. Punitive damages as permitted by the laws of the District of Columbia and/or the laws of any other jurisdictions that may be deemed to apply to this action;

5. Covad's reasonable attorneys' fees and costs;

6. Divestiture of Bell Atlantic's Internet and network access operations from its wholesale operations to CLECs; and

7. Such other and further relief as the Court deems just and proper.

JURY DEMAND

Plaintiff Covad requests a trial by jury of all claims so triable.

Dated: August 10, 2000

Respectfully submitted,

John R. Gerstein, D.C. Bar No. 913228
Charles I. Hadden, D.C. Bar No. 277855
Merril Hirsh, D.C. Bar No. 366952
ROSS, DIXON & BELL, L.L.P.
601 Pennsylvania Avenue, N.W.
North Building
Washington, DC 20004-02688
(202) 662-2000 (phone)
(202) 662-2190 (facsimile)

Sharon T. Maier, D.C. Bar No. 431177
James W. Stubblefield, admitted *pro hac vice*
ROSS, DIXON & BELL, L.L.P.
550 West "B" Street, Suite 400
San Diego, CA 92101
(619) 235-4040 (phone)
(619) 231-8796 (facsimile)

Of Counsel:

Brad M. Sonnenberg, admitted *pro hac vice*
Covad Communications Company
4250 Burton Street
Santa Clara, California 95054

Susan Jin Davis
Covad Communications Company
Hamilton Square
600 14th Street, N.W., Suite 750
Washington, D.C. 20005

Attorneys for Plaintiffs