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June 1, 2001

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th Street, S.W.
Room TWB-204
Washington, D.C. 20554

Dear Ms. Salas:

Re: Ex Parte:

In re Application of GTE Corp., Transferor, and Bell Atlantic Corporation, Transferee For Consent to Transfer Control of Domestic and International Sections 214 and 310 Authorizations and Application to Transfer Control of a Submarine Cable Landing License CC Docket No. 98-184

Pursuant to the instructions of Anthony Dale and Mark Stephens of the FCC Common Carrier Bureau Audit Staff, we submitted to their attention by fax and email a *redacted version* of our Independent Accountant's Reports on June 1, 2001.

The enclosed materials are *redacted copies* being filed pursuant to Verizon Communications, Inc.'s ("Verizon") obligations under Appendix D, Section XXII, Paragraph 56 (e) of the above referenced docket to obtain an independent audit of its compliance with Bell Atlantic/GTE's divestiture of Genuity. The accompanying material includes:

- Redacted copy of our two Independent Accountant's Reports
- Redacted copy of Verizon's Report of Management on Compliance with the Genuity Conditions
- Redacted copy of Verizon's Report of Management on the Effectiveness of Controls over Compliance

The original Independent Accountant's Report on Compliance with the Genuity Conditions set forth in FCC Order CC Docket No. 98-141 Appendix B approving the GTE/Bell Atlantic merger contains proprietary and confidential commercial information that is proprietary and confidential data that is exempt from disclosure pursuant to Exemption 4 to the Freedom of Information Act ("FOIA"), 5 U.S.C. § 552(b)(4), and 47 C.F.R. § 0.457(d) and 47 C.F.R. § 0.459. Verizon Communications, Inc. requests that the data redacted in the enclosed filing be treated as proprietary and confidential and not be available for public inspection.

Very truly yours,

By: 
Mitchell & Titus, LLP

Enclosures

cc: Ms. C. Matthey
Mr. H. Boyle
Mr. A. Dale
Mr. M. Stephens

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Independent Accountant's Report

To the Board of Directors of Verizon Communications, Inc. and
Federal Communications Commission:

We have examined Verizon management's assertion, included in the accompanying Report of Management on Compliance with the Genuity Conditions Set Forth in FCC Order Approving the GTE/Bell Atlantic Merger ("Verizon Report of Management"), that Verizon Communications, Inc. ("Verizon") complied with Federal Communications Commission's ("FCC") Memorandum Opinion and Order in CC Docket No. 98-184, FCC No. 00-221, released June 16, 2000 ("Order"), Appendix B: Conditions for Establishment of Genuity as a Separate Corporation and other related sections of the Order pertaining to conditions (i) for establishment of Genuity as a separate corporation and (ii) for the ongoing relationship between Verizon and Genuity, Inc. (collectively the "Genuity Conditions") during the period June 30, 2000 through December 31, 2000. The management of Verizon is responsible for their compliance with specified requirements of the Genuity Conditions. Our responsibility is to express an opinion on Verizon's compliance based on our examination.

Except as described below, our examination was made in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about Verizon's compliance with the Genuity Conditions and performing such other procedures, as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Verizon's compliance with specified requirements.

According to Verizon Report of Management, Verizon has provided service quality reports to the FCC and the independent auditor to assist in their assessment of whether Verizon has discriminated in favor of Genuity, Inc. ("Genuity") in the provision of high-speed special access and regular special access services. According to the FCC Common Carrier Bureau Audit Staff:

Evidence of Verizon's preference toward Genuity over other competitors can constitute discrimination and cause Verizon to be in violation of the Order. The failure of Verizon to comply with performance measurement standards is a strong indicator of discrimination. See, e.g., Merger Order at Appendix D, ¶ 53. Examples of discrimination include: (1) provisioning of access services to Genuity more quickly than similarly situated carriers; and (2) providing Genuity account support and technical assistance that is not offered to other competitors (e.g. help desk functions, account support for OSS information and documentation, etc.) Complaints filed by CLECs for services being offered in favor of Genuity may also indicate discriminatory behavior.

See also ¶ 490 of the UNE Remand Order: nondiscriminatory access in section 251(c)(3) means at least two things: first, the quality of an unbundled network element that an incumbent LEC provides, as well as the access provided to that element, must be equal between all carriers requesting access to that element; second, where technically feasible, the access and unbundled network element provided by an incumbent LEC must be provided in substantially the same time and manner to that which the incumbent provides to itself.

Verizon management did not provide, in the Verizon Report of Management, an assertion regarding Verizon's discrimination in favor of Genuity in the provision of high-speed access and regular special access services. According to Verizon management, no assertion was required by the Order.

Based on date of receipt, we were unable to test the following contracts for commercial reasonableness: First Amendment & First Addendum to Capacity Agreement – GTE California Incorporated (Provider) / GTE Global Networks Incorporated (Recipient); TIPS Support and Maintenance – GTE laboratories Incorporated (Provider) / Genuity Networks Inc. (Recipient); Advanced Services for Wireless Support – GTE laboratories Incorporated (Provider) / Genuity Networks Inc. (Recipient); Web Content Transformation Technology Evaluation Services – GTE laboratories Incorporated (Provider) / Genuity Networks Inc. (Recipient); Billing Services – Revision; Master Agreement for IS-GTE Wholesale E-Mail; Master Agreement for Wholesale ISP-DSL Services; Master Agreement for Dial Access Services; PVC Remapping; Global Service Provider Agreement; Billing System Agreement for Global Service Provider Agreement and Brand, Technology and Co-Marketing Agreement between TELUS Corporation, an affiliate of Verizon, and Genuity. Verizon has a similar Brand, Technology and Co-Marketing Agreement with TELUS Corporation. We received from Verizon the following contracts: Support for Computing Infrastructure Services; Computing Infrastructure Services and Information Technology - Business Application Support Services. These contracts provide for information technology transition services from Genuity to Verizon. We were unable to obtain sufficient evidence from Genuity's management to test these contracts for commercial reasonableness.

According to the Order, all commercial interactions between Verizon and Genuity will be pursuant to commercially reasonable contracts.

- According to the FCC Common Carrier Bureau Audit Staff: All commercial contracts between Verizon and Genuity are subject to the Order and, therefore, shall be priced at commercially reasonable rates. Fully Distributed Cost, which includes a profit margin, may or may not approximate fair market value. The services at issue are readily available on the open market and should provide a basis for determining commercially reasonable pricing. Furthermore, any contract termination dates must be in compliance with the agreements that were established by Verizon and Genuity as a condition of the Bell Atlantic/GTE Merger.
- As more fully described in the Verizon Report of Management, during the term of the Transition Services, IT (Information Technology) Transition Services, Network Monitoring Services, Intellectual Property, Purchase, Resale and Marketing, Real Estate and Pre-Merger agreements, Verizon charged commercially reasonable rates (fees), except in certain cases as noted in Sections 7, 9 and 13 of the Verizon Report of Management.

Attachment I provides a partial list of "Known Genuity Agreements" as of May 17, 2001. The agreements listed in Attachment I are categorized by: (i) Agreements effective prior to the Order date (June 16, 2000), not provided to the FCC; (ii) Agreements effective between the Order date (June 16, 2000) and December 31, 2000, not provided to the FCC; (iii) Agreements effective after December 31, 2000, not provided to the FCC and (iv) Agreements provided to the FCC after the Order date (June 16, 2000).

Our examination disclosed the following material noncompliance with the Genuity Conditions applicable to Verizon for the period June 30, 2000 through December 31, 2000:

- Based on 63 of 157 agreements and statements of work tested, out of [REDACTED] billed to Genuity related to the 63 contracts tested, we noted 11 instances where Verizon submitted bills, that aggregate approximately [REDACTED] and [REDACTED] between forty-five and sixty days and sixty-one and 120 days, respectively, after the services were provided. In certain cases, these bills were not submitted in accordance with the periodic billing terms stated in the agreements or statements of work. We noted that this matter was not disclosed in the 2000 Annual Compliance Report submitted to the FCC on March 15, 2001.
- Based on 63 of 157 agreements and statements of work tested, out of [REDACTED] billed to Genuity related to the 63 contracts tested, we noted 17 instances where Verizon did not collect, on services rendered between June 30, 2000 and December 31, 2000, within four months after the services were rendered of approximately [REDACTED] and by April 24, 2001 of approximately [REDACTED]. We noted that this matter was not disclosed in the 2000 Annual Compliance Report submitted to the FCC on March 15, 2001.

In our opinion, except for the effect of matters we may have discovered had we been able to obtain sufficient evidence regarding the matters described above and noncompliance matters noted above, Verizon complied, in all material respects, with the Genuity Conditions during the period June 30, 2000 through December 31, 2000.

We were requested by the FCC Common Carrier Bureau Audit Staff to examine Genuity's compliance with the Genuity Conditions specifically as it relates to the:

- Incentive compensation for Genuity managers being tied to the performance of Genuity and the value of Genuity's publicly traded stock and not to the financial performance or stock value of Verizon;
- Election process and conduct of the Board of Directors for Genuity in accordance with the Order and
- Commercial interactions, where Genuity provides services to Verizon, being pursuant to commercially reasonable contracts.

In the process of conducting these procedures Genuity management did not provide (i) sufficient evidence for us to determine whether the commercial interactions were pursuant to commercial reasonable contracts and (ii) written representations acknowledging responsibility for its compliance with the specified requirements noted above.

This report is intended solely for the information and use of the Board of Directors of Verizon Communications, Inc. and Federal Communications Commission and is not intended and should not be used by anyone other than these specified parties. Since this report is a matter of public record, its distribution is not limited.

Mitchell & Titus LLP

New York, New York
May 31, 2001

Attachment I

Partial List of “Known Genuity Agreements”

According to the effective date stated in the commercial contracts and the list of “Known Genuity Agreements” as of May 17, 2001, prepared by Verizon, we noted the following:

- Agreements effective prior to the Order date (June 16, 2000), not provided to the FCC:
 - Master Agreement for Internet Services & Service Schedule for GTE Wholesale E-mail – GTE Net LLC / BBN Corporation d/b/a Genuity Solutions
 - GSP Billing Services Agreement – Verizon Internet Services Inc. / Genuity Solutions Inc.
 - Global Service Provider Agreement
 - Capacity Agreement Associated With Asset Transfer, CA No. ST01 – GTE Communications Corp (Supplier) / Genuity Networks Inc (GTE Intelligent Networks Services Inc) (Customer)
 - Capacity Agreement Associated With Asset Transfer, CA No. ST02 – GTE Telecom Inc (Supplier) / GTE Communications Corp (Customer)
 - Capacity Agreement Associated With Asset Transfer, CA No. ST03 – GTE Communications Corp (Supplier) / GTE Telecom Inc (Customer)
 - Collocation License Agreement Associated With Asset Transfer – GTE Telecom Incorporated (Licensor) / GTE Communications Corporation (Licensee)
 - Collocation Schedule Number 1, [REDACTED] - GTE Telecom Incorporated (Licensor) / GTE Communications Corporation (Licensee)
 - Collocation Schedule Number 2, [REDACTED] - GTE Telecom Incorporated (Licensor) / GTE Communications Corporation (Licensee)
 - Collocation Schedule Number 3, [REDACTED] - GTE Telecom Incorporated (Licensor) / GTE Communications Corporation (Licensee)
 - Collocation License Agreement Associated With Asset Transfer – GTE Communications Corporation (Licensor) / GTE Telecom Incorporated (Licensee)
 - Collocation Schedule Number 1, [REDACTED] - GTE Communications Corporation (Licensor) / GTE Telecom Incorporated (Licensee)
 - TIPS Support and Maintenance – GTE laboratories Incorporated (Provider) / Genuity Networks Inc. (Recipient)
 - Service Quotation and Order Form – GTE Internetworking (Provider) / GTE Media Ventures Inc (Recipient)
 - Lease – [REDACTED] General Partnership of Verizon Realty Corp. and GTE-TCCA Inc. (Landlord) / GTE Internetworking (Tenant)

- Agreements effective between the Order date (June 16, 2000) and December 31, 2000, not provided to the FCC:
 - Billing Services (SOW) – Amendment Number 1
 - Smallworld Change Request – (SOW) GEN00016YSDVC1
 - Subscription and Recapitalization Agreement
 - Technical Efforts to Provide Support and Maintenance Services (SOW) – Verizon Technology Organization (Provider) / Genuity Solutions Inc (Recipient)
 - Financial Support Agreement – Provided to CEP Second Street Investors LLC

Partial List of “Know Genuity Agreements”

- Financial Support Agreement – Provided to Westlake North Associates, LLC
- Financial Support Agreement – Provided to 100 Wall Street LLC
- Financial Support Agreement – Provided to HMS Office L.P.
- Amendment 3 to the CSA – GTE Telecom Incorporated (Provider) / GTE Arkansas Incorporated, GTE Midwest Incorporated and GTE North Incorporated (Recipient)
- Amendment 4 to the CSA – GTE Telecom Incorporated (Provider) / GTE Arkansas Incorporated, GTE Midwest Incorporated and GTE North Incorporated (Recipient)
- First Amendment & First Addendum to Capacity Agreement – GTE California Incorporated (Provider) / GTE Global Networks Incorporated (Recipient)
- Advanced Services for Wireless Support – GTE laboratories Incorporated (Provider) / Genuity Networks Inc. (Recipient)
- Web Content Transformation Technology Evaluation Services – GTE laboratories Incorporated (Provider) / Genuity Networks Inc. (Recipient)
- Consultant Agreement – Genuity Solutions, Inc. (Consultant) / GTE Communications Systems Corporation acting through its Verizon Logistics Division (Customer)
- Special Construction Charge Case #2000-158687 – Verizon (Provider) / Genuity Solutions Inc. (Recipient)
- Special Construction Charge Case #2000-145877 (rev #2001-171326) – Verizon (Provider) / Genuity Solutions Inc. (Recipient)
- Billing Services – Revision
- Sublease – GTE Service Corporation (Sublessor) / Genuity Solutions (Sublessee)
- Lease – Verizon New York Inc (Landlord) / Genuity Solutions (Tenant)
- Network Collocation License Agreement – Genuity Solutions Inc. (Licensor) / Verizon Global Networks Inc. (Licensee)
- Collocation Schedule Number 1, [REDACTED] - Genuity Solutions Inc. (Licensor) / Verizon Global Networks Inc. (Licensee)
- Network Collocation License Agreement – Verizon Global Networks Inc. (Licensor) / Genuity Solutions Inc. (Licensee)
- Collocation Schedule Number 1, [REDACTED] - Verizon Global Networks Inc. (Licensor) / Genuity Solutions Inc. (Licensee)
- ICB# CA0004335 – Verizon California Inc (Provider) / Genuity Solutions Inc (Recipient)
- Service Quotation and Order Form – Genuity Solutions Inc (Provider) / Verizon Media Ventures Inc. (Recipient)
- Amendment 1 to Computing Infrastructure Services
- Extension of 2nd Sublease at [REDACTED] – GTE North Incorporated (Sublessor) / Genuity Solutions Inc. (Sublessee)
- Second Amendment to Capacity Agreement – GTE California Incorporated (Provider) Genuity Solutions Inc. (Recipient)
- Remapping of Permanent Virtual Circuits (ICB#OR0001326) – GTE Northwest Incorporated (Provider) / Genuity Solutions Inc. (Recipient)
- Amendment No. 1 to Global Service Provider Agreement – Genuity Solutions Inc. (Provider) / Verizon Global Networks Inc. (Recipient)
- Amendment No. 1 to Billing Service Agreement – Verizon Internet Solutions (Provider) / Genuity Solutions Inc. (Recipient)

Attachment I

Partial List of “Know Genuity Agreements”

- Agreements effective after December 31, 2000, not provided to the FCC:
 - Credit Arrangement – Verizon Investments Inc. (Lender) / Genuity Inc. (Borrower)
 - Amendment 5 to the CSA – GTE Telecom Incorporated (Provider) / GTE Arkansas Incorporated, GTE Midwest Incorporated and GTE North Incorporated (Recipient)
 - Amendment 6 to the CSA – GTE Telecom Incorporated (Provider) / GTE Arkansas Incorporated, GTE Midwest Incorporated and GTE North Incorporated (Recipient)
 - Amendment 7 to the CSA – GTE Telecom Incorporated (Provider) / GTE Arkansas Incorporated, GTE Midwest Incorporated and GTE North Incorporated (Recipient)
 - Sublease – Verizon Data Services, Inc. (Sublessor) / Genuity Solutions, Inc. (Sublessee)
 - Lease – GTE Southwest Incorporated d/b/a Verizon Southwest (Landlord) / Genuity Solutions (Tenant)
 - Capacity Agreement – Verizon Northwest Inc (Provider) / Genuity Solutions Inc (Recipient)
 - ICB# WA0001606 – Verizon Northwest Inc (Provider) / Genuity Networks Inc (Recipient)

- Agreements provided to the FCC after the Order date (June 16, 2000):
 - Master Agreement for Wholesale ISP DSL Services – Genuity Solutions Inc. (Provider) / GTE.Net LLC (Recipient)
 - Master Agreement for Wholesale Dial Access Service – Genuity Solutions Inc. and Genuity Inc. (Providers) / Verizon Internet Services, Inc. and GTE.Net LLC d/b/a Verizon Internet Solutions Inc. (Recipients)
 - Quitclaim Deed – BBN Corporation (Grantor) / BBNT Solutions LLC (Grantee)
 - Quitclaim Deed – Realtech Corporation (Grantor) / BBNT Solutions LLC (Grantee)
 - Floor Space and Power – Contel of Illinois, Inc. (Provider) / GTE Telecom Incorporated (Recipient)
 - Floor Space and Power – Contel System of Missouri, Inc. (Provider) / GTE Telecom Incorporated (Recipient)
 - Floor Space and Power – Contel of Missouri, Inc. (Provider) / GTE Telecom Incorporated (Recipient)
 - Floor Space and Power – Kansas State Telephone Company d/b/ Contel of Eastern Missouri, Inc. (Provider) / GTE Telecom Incorporated (Recipient)
 - Floor Space and Power – Contel of Arkansas, Inc. (Provider) / GTE Telecom Incorporated (Recipient)
 - Facility Maintenance and Administrative Services Agreement – GTE North Incorporated (Provider) / GTE Telecom Incorporated (Recipient)
 - Facility Maintenance and Administrative Services Agreement – GTE Midwest Incorporated (Provider) / GTE Telecom Incorporated (Recipient)
 - Specialized Services Agreement – GTE Telecom Incorporated (Provider) / GTE Hawaiian Tel International Incorporated (Recipient)
 - Capacity Agreement – GTE Northwest Incorporated (Provider) / GTE Global Networks Incorporated (Recipient)

Attachment I

Partial List of “Know Genuity Agreements”

- Capacity Agreement – GTE Northwest Incorporated (Provider) / GTE Global Networks Incorporated (Recipient)
- Capacity Agreement – GTE California Incorporated (Provider) / GTE Global Networks Incorporated (Recipient)
- Advanced Services Agreement – GTE California Incorporated (Provider) / GTE Global Networks Incorporated, assigned by GTE Communications Corporation effective 1/1/99 (Recipient)

Report of Management on Compliance with the Genuity Conditions Set Forth in FCC Order Approving the GTE/Bell Atlantic Merger

Management of Verizon Communications Inc. ("Verizon") is responsible for complying with the conditions set forth in Appendix B ("Genuity Conditions") of the Federal Communications Commission's ("FCC's") Memorandum Opinion and Order in CC Docket No. 98-184 approving the Bell Atlantic/GTE Merger released June 16, 2000.

Management has performed an evaluation of Verizon's compliance with the requirements of the Genuity Conditions for the period of June 30, 2000 ("Merger Close Date") through December 31, 2000. Based on this evaluation, we assert that Verizon complied with all requirements. In addition, as summarized below, Verizon provides further information regarding compliance.

1. Service Quality

Verizon complied with the requirements of this condition. In particular, Verizon provided service quality reports to the FCC and the independent auditor to assist in their assessment of whether Verizon discriminated in favor of Genuity in the provision of high-speed special access and regular special access services.

2. IPO of Genuity

Verizon complied with the requirements of this condition. In particular:

- a. Before the Merger Close Date, Verizon exchanged common stock for Class B common stock representing a 9.5% equity interest in Genuity.
- b. After the Merger Close Date, and without exercising any conversion rights, Verizon held an interest in the form of shares of Class B common stock that represented no more than a 9.5% equity interest or the equivalent thereof in Genuity.
- c. Before the Merger Close Date, Verizon transferred to Genuity all of GTE's Internet backbone and related data business, including the nationwide Global Network Infrastructure, the BBN Planet backbone and related backbone operations, GTE Internetworking's Internet connectivity services for business customers and national modem and frame relay networks, its Web hosting and Internet security services, and various other interLATA data transport services and operations.

3. Conversion Rights

Verizon complied with the requirements of this condition. In particular, Verizon has not converted any Class B stock or increased its equity interest in Genuity at this time.

4. Investor Safeguards

Verizon complied with the requirements of this condition. In particular, Verizon has voted Class B shares in accordance with investor safeguards and Verizon was not asked by Genuity to consent, and did not consent, to Genuity's acquisition of a traditional voice long-distance provider.

5. Independence of Genuity

Verizon is independent of Genuity and has complied with the requirements of this condition. In particular:

- a. Before the Merger Close Date, Class B shareholders elected only one director, Michael Masin, to the Genuity board.
- b. The remaining Genuity directors are independent with no prior relationship with GTE, Bell Atlantic, or their affiliates, except for Genuity's Chief Executive Officer.
- c. At no time did the Class B director, who represents Verizon vote at Genuity board meetings until Genuity had at least 10 directors. The Class B director, Mr. Masin, has at no time served as the chairman of the board (the chairman is Paul R. Gudonis).

6. Financing

Verizon complied with the requirements of this condition. In particular, Verizon did not provide more than 25% of the aggregate debt financing that Genuity is permitted to incur.

7. Commercial Contracts between Verizon and Genuity - Agreement for Transition Services

Verizon complied with the requirements of this condition. In particular:

- a. Verizon has provided transition services in accordance with Attachment 2 of Appendix B of the FCC's Genuity Conditions.

- b. Verizon has terminated all services to Genuity due to be terminated during calendar year 2000 on or prior to the timeframes set forth in Attachment 2 of Appendix B to the Genuity Conditions.
- c. Verizon has no role in hiring or firing employees for Genuity.
- d. During the term of the Agreement for Transition Services, Verizon charged commercially reasonable rates for the services purchased by Genuity under such agreement, except in some cases where rates may have been established by agreement of the parties before the Genuity spin off under affiliate transaction rules. In such excepted cases, Verizon charged rates based on such affiliate transaction rules whether or not such rates were commercially reasonable.

8. Commercial Contracts between Genuity and Verizon - Agreement for IT (Information Technology) Transition Services

Verizon complied with the requirements of this condition. In particular:

- a. Verizon provided the IT transition services in accordance with Attachment 2 of Appendix B.
- b. Verizon terminated all services to Genuity on or prior to the timeframes set forth in Attachment 2 of Appendix B to the Genuity Conditions.
- c. During the term of the Agreement for IT Transition Services, Verizon charged commercially reasonable rates for the services it purchased under such agreement.

9. Commercial Contracts between Genuity and Verizon - Network Monitoring Agreement

Verizon complied with the requirements of this condition. In particular:

- a. Verizon has provided the network monitoring services in accordance with Attachment 2 of Appendix B.
- b. Verizon terminated all services to Genuity on or prior to the timeframes set forth in Attachment 2 to the Genuity Conditions.
- c. During the term of the Network Monitoring Agreement, Verizon charged commercially reasonable rates for the services Genuity purchased under the agreement, except in some cases where rates may have been established by agreement of the parties before the Genuity spin off under affiliate transaction rules. In such excepted cases, Verizon charged rates

based on such affiliate transaction rules whether or not such rates were commercially reasonable.

10. Commercial Contracts between Genuity and Verizon - Intellectual Property Agreements

Verizon complied with the requirements of this condition. In particular:

- a. Verizon executed the apportionment or license of all patents, patent applications and other types of intellectual property in accordance with the intellectual property agreements.
- b. During the terms of the Software License Agreement or the Software Development and Technical Services Agreement, Verizon charged commercially reasonable rates for the services Genuity purchased or software Genuity licensed from Verizon under such agreements.

11. Commercial Contracts between Genuity and Verizon - Purchase, Resale and Marketing Agreement

Verizon complied with the requirements of this condition. In particular:

- a. Verizon jointly marketed Genuity's services as and where permitted by law.
- b. During the term of the Agreement, Genuity charged and Verizon paid to Genuity commercially reasonable rates for the services it purchased, if any, under service schedules to the Agreement for private line and ATM transport, IP services, and capacity on undersea cables.

12. Commercial Contracts between Genuity and Verizon - Real Estate Agreements

Verizon complied with the requirements of this condition. In particular:

- a. Verizon entered into real estate agreements on a commercially reasonable basis.
- b. Verizon ceased issuing guarantees for real estate transactions on the earlier of six months after the IPO or the date when Standard & Poor's and Moody's published a Genuity credit rating.
- c. Verizon charged Genuity a commercially reasonable guarantee fee during the time the real estate agreements were in force.

13. Commercial Contracts between Genuity and Verizon - Pre-Merger Agreements

Verizon complied with the requirements of this condition. In particular:

- a. Before the merger, business units now owned by Verizon entered into agreements for Specialized Services Arrangement, Capacity Arrangement, Floor Space and Power, and Facility Management and Administrative Services on a commercially reasonable basis.
- b. Verizon charged Genuity a commercially reasonable fee during the time these agreements were in force, except in some cases where rates may have been established by agreement of the parties before the Genuity spin off under affiliate transaction rules. In such excepted cases, Verizon charged Genuity rates based on such affiliate transaction rules whether or not such rates were commercially reasonable.



Steven E. Zipperstein

Dated: May 31, 2001

Independent Accountant's Report

To the Board of Directors of Verizon Communications, Inc. and
Federal Communications Commission

We have examined Verizon management's assertion, included in the accompanying Report of Management on the Effectiveness of Controls over Compliance with the Genuity Conditions set forth in FCC order approving GTE/Bell Atlantic merger, that Verizon Communications, Inc. ("Verizon"), maintained effective internal controls over its compliance with Federal Communications Commission's ("FCC") Memorandum Opinion and Order in CC Docket No. 98-184, FCC No. 00-221, released June 16, 2000 ("Order"), Appendix B: Conditions for Establishment of Genuity as a Separate Corporation ("Genuity Conditions") during the period June 30, 2000 through December 31, 2000. The management of Verizon is responsible for maintaining effective internal controls over compliance with those requirements. Our responsibility is to express an opinion on management's assertion based on our examination. According to Verizon's Report of Management on Compliance with the Order, Appendix D ("Merger Conditions"), Condition XXI – *Compliance Program*, Verizon complied with the requirements of this condition. Verizon filed its Compliance Program with the FCC on August 29, 2000, which includes a separate section describing Verizon's compliance with the Genuity Conditions. We did not examine management's assertion regarding Condition XXI – *Compliance Program*. Other accountants, whose report, pursuant to the Order, will be furnished to Verizon and FCC on June 1, 2001, examined this assertion.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included obtaining an understanding of the internal controls over compliance with the Genuity Conditions, testing and evaluating the design and operating effectiveness of the internal controls, and performing such other procedures, as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Because of the inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal controls over compliance with the Genuity Conditions to future periods are subject to the risk that the internal control may become inadequate because of changes in conditions, or that the degree of compliance with the internal controls may deteriorate.

In our opinion, based on our examination of management's assertion and the examination of Condition XXI – *Compliance Program* by other accountants, Verizon maintained, in all material respects, effective internal controls over compliance with the Genuity Conditions during the period from June 30, 2000 through December 31, 2000.

This report is intended solely for the information and use of the Board of Directors of Verizon Communications, Inc. and Federal Communications Commission and is not intended to be and should not be used by anyone other than these specified parties. Since this report is a matter of public record, its distribution is not limited.

Mitchell & Titus LLP

New York, New York
May 31, 2001

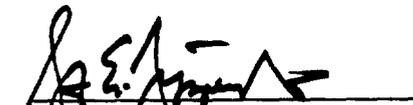
Report of Management on the Effectiveness of Controls over Compliance with the Genuity Conditions Set Forth in FCC Order Approving the GTE/Bell Atlantic Merger

Management of Verizon is responsible for establishing and maintaining effective internal controls over its compliance with the Federal Communications Commission's ("FCC's") Genuity Conditions set forth in the FCC's order approving the transfer of control of GTE to Bell Atlantic. *In re Application of GTE Corporation and Bell Atlantic Corporation for Consent to Transfer Control of Domestic and International Sections 214 and 310 Authorizations and Application to Transfer Control of Submarine Cable Landing License*, CC Docket No. 98-184, Memorandum Opinion and Order (rel. June 16, 2000) ("Merger Order").

Verizon's internal controls have been designed to comply with the Genuity Conditions. There are inherent limitations in any control, including the possibility of human error and the circumvention or overriding of the controls. Accordingly, even effective controls can provide only reasonable assurance with respect to the achievement of the objectives of controls. Further, because of changes in conditions, the effectiveness of controls may vary over time.

Verizon has determined that the objectives of the internal controls with respect to compliance with the Genuity Conditions are to provide reasonable, but not absolute, assurance that compliance with the Genuity Conditions has been achieved.

Verizon has assessed its internal controls over compliance with the Genuity Conditions. Based on this assessment, the Company asserts that for the period June 30 through December 31, 2000 (the "Evaluation Period"), its internal controls over compliance with the Genuity Conditions were effective in providing reasonable assurance that Verizon has complied with the Genuity Conditions.


Steven R. Zipperstein

Dated: May 31, 2001