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March 17, 2003

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Room TWB – 204
Washington, D.C. 20554

RE: Ex Parte: In re Applications 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

Dear Ms. Dortch:

The enclosed materials are being filed pursuant to Verizon Communications, Inc's ("Verizon") obligations under Appendix D, Section XXI, paragraph 55 (c) of the above referenced docket that requires an annual compliance report be filed with the Common Carrier Bureau's Audit Staff and for the public record no later than March 15, or the first business day thereafter, of the calendar year following the year covered by the report.

This letter provides notice that a copy of the report was filed with the Enforcement Bureau's Audit Staff.

Please include the enclosed document in the record of the above referenced proceeding.

Sincerely,

Jeffrey W. Ward

Enclosure

Jeffrey Wm Ward
Senior Vice President
Regulatory Compliance

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March 17, 2003

Mr. Hugh Boyle
Federal Communications Commission
Accounting Safeguards Division – Legal Branch
445 12th Street, S.W.
Room 6 – C217
Washington, D.C. 20554

Dear Mr. Boyle:

As the Verizon senior corporate regulatory compliance officer, I am submitting Verizon's 2002 Annual compliance Report. I have responsibility for all regulatory compliance activities, including compliance with merger - related conditions described in Appendix D, Section XXI, paragraph 55 (c) of Docket No. 98-184.

Sincerely,

Jeff Wm. Ward

Verizon Communications Inc.

Bell Atlantic/GTE Merger Conditions Annual Compliance Report

Jeffrey W. Ward
Senior Vice President
Regulatory Compliance
Verizon Communications Inc.

March 17, 2003

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Executive Summary
Verizon Annual Merger Compliance Report
March 17, 2003

The Bell Atlantic/GTE Merger Conditions ("Merger Conditions") require Verizon to submit a report annually by March 15 (or first business day thereafter) addressing the Company's compliance with the Merger Conditions for the preceding calendar year. Verizon submitted its first report on March 15, 2001, summarizing its compliance efforts from the merger closing date on June 30, 2000, through December 31, 2000, and its second report on March 15, 2002, summarizing compliance efforts from January 1, 2001, through December 31, 2001. This report summarizes compliance efforts from January 1, 2002, through December 31, 2002. Verizon has implemented required commitments for this reporting period and is in compliance with the Merger Conditions in all material respects as specified in this report.[1] Verizon continues to adjust its business processes, as needed, to sustain compliance and carefully monitors the processes established.

The Merger Conditions require Verizon to fulfill numerous comprehensive requirements by established due dates. Implementation of many of these requirements is complex, requiring the production of hundreds of thousands of data points and changes to Verizon's billing and reporting systems. As more fully described in the section on each Condition, the following provides a summary of the actions taken by Verizon and its subsidiaries during 2002 to comply with the Merger Conditions and achieve the five policy goals of the Merger Conditions:

a. Promoting Equitable and Efficient Advanced Services Deployment

1) Complied with Paragraph 12 of the Merger Order, which governs certain aspects of Verizon's provisioning of Advanced Services after the sunset of the Separate Affiliate requirement. Specifically, Verizon used the interfaces and processes available to unaffiliated providers of Advanced Services for a substantial majority of preorder inquires and orders for Advanced Services.[2]

[1] On July 1, 2002, July 31, 2002, and August 31, 2002, the Company completed the sale of wire line properties in Alabama, Kentucky and Missouri, respectively, and the Merger Conditions ceased to apply in those states.

[2] On September 26, 2001, the FCC accelerated the sunset of the separate affiliate Merger Condition. Verizon ceased applying the separate affiliate merger rules imposed by Condition I of the Merger Conditions to Verizon Advanced Data Inc. as of September 27, 2001. Concurrent with the sunset of the separate affiliate Merger Condition, Verizon began operating under paragraph 12 of the Merger Conditions.

2) Complied with the FCC's line sharing order.

3) Made interim loop conditioning rates available, implemented final rates, and obtained CLEC authorization for loop conditioning prior to performing work that would result in charges. Provided, at no charge, conditioning for eligible loops under 12,000 feet to meet minimum requirements for removal of load coils, excessive bridged taps, and/or voice grade repeaters.

4) Applied to qualifying lines, unless a CLEC opted not to receive the discount, a 25% discount on the recurring and non-recurring charges that otherwise would be applicable on unbundled local loops used to provide advanced services.

5) In each state where xDSL was deployed in at least 20 urban or 20 rural wire centers, at least 10% of the wire centers in which Verizon deployed were from the Low Income Urban Pool or the Low Income Rural Pool, respectively.

b. Ensuring Open Local Markets

1) Reported monthly carrier-to-carrier performance for the 17 measurement categories identified in Attachments A-1a and A-1b of the Merger Conditions.

2) Provided in each Bell Atlantic and GTE State the Bell Atlantic operating support system interface change management process originally developed as part of the New York section 271 proceeding.

3) Provided uniform transport and security protocols across the merged Bell Atlantic and GTE service areas.

4) Where requested by a CLEC, deployed in the Verizon service areas an electronic bonding interface that supports maintenance and repair of resold local services and unbundled network elements (UNEs) that meet the requirements of 47 U.S.C. §251(c)(3).

5) By June 30, 2002, the Company was required to implement uniform electronic OSS interfaces and business rules between the former Bell Atlantic and the former GTE service areas in Pennsylvania and Virginia for 40% of the obligated access lines in Pennsylvania and Virginia. Verizon converted approximately 48% of the obligated access lines in May 2002.

6) Made available operating support system teams to assist qualifying CLECs, provided notice of the teams' availability, held forums to discuss beneficial training and procedures, and communicated the training schedule.

7) Complied with the FCC's collocation rules and advanced services order released March 31, 1999, and the final rules as amended, through appropriate state tariff filings and interconnection agreement amendments.

8) Offered most-favored-nation ("MFN") interconnection agreements and completed appropriate requests.

9) Offered to provide multi-state interconnection/resale agreements and made available a generic multi-state interconnection and resale agreement covering all Verizon states.

10) Provided the required unbundled loop discounts used in the provision of residential service to carriers unless the carrier chose not to accept the discount.

11) Provided the required resale discounts to CLECs unless the carrier chose not to accept the discount.

12) Continued to make available the UNEs and UNE combinations required in the FCC's UNE and line sharing orders.

13) Offered to provide alternative dispute resolution through mediation as outlined in Attachment F of the Merger Order.

14) Offered owners and developers of multi-tenant properties, where required, the option to install a single point of interconnection at a minimum point of entry when the property owner or other party owns or maintains the cabling beyond the single point of interconnection.

c. Fostering out-of-region competition

1) From merger close through June 30, 2002, spent at least $300 million in qualified expenditures in out-of-region markets.

d. Improving residential phone service

1) Provided an interLATA services pricing plan with no minimum monthly or flat rate charge.

2) Continued to offer the enhanced lifeline plan in Illinois and Delaware.

3) Provided quarterly NARUC white paper retail service quality reports.

4) Provided quarterly local service quality Table 1 ARMIS 43-05 reports.

5) Reported monthly the service quality data required pursuant to paragraph 53 of the Merger Order separately showing the service level

provided to Genuity and other companies for special access and high capacity services.

6) Participated in meetings of the Network Reliability and Interoperability Council, including Focus Groups.

e. Ensuring full compliance with all Conditions

1) A senior corporate regulatory compliance officer oversaw the Merger Compliance program.

2) The audit committee of the board of directors oversaw the senior corporate regulatory compliance officer's work.

3) Independent auditors were selected to perform the required reviews and were subsequently approved by the FCC. In conjunction with the FCC's Accounting Safeguards Division Audit Branch, the independent auditors submitted their audit programs to the FCC for review and issued their reports for the appropriate periods.

4) Independent auditors were granted access to relevant Verizon books, records, operations, and personnel.

5) Verizon made the required voluntary performance payments to the U.S. Treasury within 30 days after the Carrier-to-Carrier Performance results became available.

The report that follows is divided into two sections. The Introduction provides a summary of the actions taken by Verizon to establish the control framework that provides reasonable assurance of overall compliance with the Merger Conditions. The second section, the Conditions, provides an update on each Merger Condition, per Appendix D of the Merger Order, and includes a separate section at the end of the report describing Verizon's compliance with the obligations relative to Genuity. This report describes Verizon's compliance with the Merger Conditions.

Introduction
Verizon Merger Compliance Report
March 17, 2003

On June 16, 2000, the Federal Communications Commission (FCC) adopted and released its Memorandum Opinion and Order in CC Docket No. 98-184 granting the applications for transfer of licenses and lines pursuant to the merger of Bell Atlantic Corporation and GTE Corporation. The merger closing was subject to a number of Conditions including compliance with specified Genuity relationships and compliance with twenty-five (25) separate Conditions. The merger closing date was June 30, 2000.

Verizon is providing this Annual Compliance Report to the FCC Enforcement Bureau's Audit Staff as required by paragraph 55 (c) in Appendix D of the Order. The terms "former Bell Atlantic" and "former GTE" refer to the companies providing service in the "Bell Atlantic service area" and "GTE service area" as defined in Appendix D of the Order. The word "Company" or "Companies" used throughout this report refers to the former Bell Atlantic and former GTE companies.

This report is divided into two sections:

a. This Introduction outlines the overall internal control and compliance structure that Verizon has in place to communicate, track and monitor the timely satisfaction of these Merger Conditions. The Introduction also addresses the process to review internal and external reports of non-compliance.

b. The second section of the report provides the following information for each Merger Condition:

    1) Compliance Summary – Discussion of Verizon's compliance with the Condition;
    2) Responsible Executive – Identification of the Responsible Executive(s) accountable for that Condition;
    3) Additional Action Taken – The discussion in this section is provided for information purposes only and is not intended to address the materiality of compliance issues.

Verizon is committed to complying with all Merger Conditions and has done so in all material respects, as specified in this Merger Compliance Report.[3] Sufficient resources

[3] On July 1, 2002, July 31, 2002, and August 31, 2002, the Company completed the sale of wire line properties in Alabama, Kentucky and Missouri, respectively, and the Merger Conditions ceased to apply in those states.

have been and will continue to be dedicated and adequate processes have been created and will continue to be followed to comply with the Merger Conditions. Under the direction of the senior corporate regulatory compliance officer, Verizon managed an internal control and program management approach to provide reasonable assurance of its compliance with the Merger Conditions. The essential components of this approach are summarized below.

Merger Compliance Organization

Ivan Seidenberg, then President and Co-Chief Executive Officer, appointed Jeffrey W. Ward as Senior Vice President – Regulatory Compliance in June 2000. In this capacity, Mr. Ward is the senior corporate regulatory compliance officer with responsibility for regulatory compliance activities, including compliance with merger-related Conditions. The Verizon board of directors directed the audit committee of the board of directors to oversee the activities of the senior corporate regulatory compliance officer. During 2002, Mr. Ward reported to the audit committee of the board of directors on April 24, August 1, and November 7.

Mr. Ward established a Merger Compliance Organization, with ongoing compliance responsibilities that include merger issue identification and resolution; data and reporting integrity for merger compliance information; merger compliance document retention; external merger audit oversight; and FCC merger interface and reporting.

Responsible Executive/Compliance Manager Model

One or more Responsible Executives have been assigned to each Merger Condition. Each Responsible Executive has acknowledged and accepted this role and has led the development and execution of plans to satisfy the requirements associated with his/her assigned Conditions. The Responsible Executives have continued their active involvement to provide for ongoing merger compliance. As described in the Merger Compliance Plan, the Responsible Executives regularly reported to the Senior Vice President – Regulatory Compliance on the status of Merger Conditions and notified the Senior Vice President – Regulatory Compliance of any issues that impacted or had the potential to impact compliance with Merger Conditions. When a change of Responsible Executive for a Condition was necessary due to organizational changes, the Merger Compliance staff, with the approval of the Senior Vice President – Regulatory Compliance, carried out the training and transition of responsibilities to the new Responsible Executive. The Responsible Executives continue to report to Mr. Ward on a regular basis.

Each Responsible Executive has named one or more Compliance Managers within his/her organization, to manage the merger compliance activities. The Compliance Managers have coordinated the development of work plans with the individuals who performed the tasks and have monitored and reported progress toward the established

due dates. Once the FCC requirements were implemented, compliance-monitoring tasks were identified, tracked, and reported. When a change of Compliance Manager for a Condition was necessary due to organizational changes, the Merger Compliance staff supported the Responsible Executive with the training and transition of compliance management activities.

Executive Management Compliance Council (EMCC)

The Executive Management Compliance Council, chaired by the Vice President-Merger Compliance reporting to the Senior Vice President-Regulatory Compliance, continues to provide executive oversight and accountability for compliance with all Merger Conditions. Membership includes the Responsible Executives, the Compliance Managers, the Senior Vice President – Regulatory Compliance, the Senior Vice President – Deputy General Counsel for Domestic Telecom, and the Senior Leadership of the Regulatory Compliance Organization. The EMCC met regularly throughout 2002 to assess that proper resources and responsibilities were assigned to achieve and continue compliance, and that Conditions affecting multiple work groups were coordinated. Mr. Ward or his designee participated in each EMCC meeting.

In addition to each member's normal organizational responsibilities, the EMCC continued to provide the overall leadership for merger compliance and provided direct support to the Senior Vice President – Regulatory Compliance to provide accurate and timely implementation and reporting of Merger Conditions.

Internal Controls for Complying with the Merger Conditions

Verizon has implemented cost-effective internal controls designed to provide reasonable assurance that Condition compliance steps and sub-steps have been identified and implemented and those assigned actions have led to the intended compliance with the Condition. Internal controls do not provide complete assurance of compliance. The internal controls implemented across the program and specifically for each Condition provide reasonable assurance that assigned actions are completed fully, are timely executed, and are properly documented.

Program Management Approach

The structured, mechanized project management environment established after merger close was maintained and enhanced throughout 2002 to manage and track deliverables associated with each Condition. Using standard software tools and project management techniques, the Vice-President – Merger Compliance regularly monitored work plans to keep all levels of management informed as to timely progress toward meeting Merger Conditions.

The output of this project management process continued to provide the basis for reports used to facilitate the EMCC meetings. In addition, the Verizon internal merger website was maintained to provide access to current status and deliverables.

Methods and Procedures Assessment and Enhancement

Verizon's methods and procedures, i.e., the tools or materials used to document how a particular job or function is to be performed, or that are used to aid and direct day-to-day job tasks, were revised where appropriate in 2002 for new requirements. Staff support groups for those affected functional areas whose responsibilities are critical to achieving compliance with these Conditions will continue to maintain this job-specific information for the life of the requirements.

On August 16, 2002, Verizon and the Enforcement Bureau entered into a consent decree terminating an informal Bureau investigation into Verizon's compliance with the Merger Conditions. In addition to a voluntary contribution to the US Treasury of $260,000, Verizon committed to establishing a formal metrics compliance program, to include certain remedial actions described in the Condition 5, 19, and Genuity sections of this report.

General Employee Communication and Training

The Regulatory Compliance organization continues to emphasize the critical nature of compliance with federal rules and regulations and provided contact points for employees with questions or concerns regarding these matters.

Education and training sessions have continued to be held for Responsible Executives, Compliance Managers and other employees working on delivery of one or more of the Conditions. Individual Condition work plans included the development of departmental and job-specific training on the Conditions. This training is used to educate new and existing employees in affected work groups on how their job duties, tools and processes may have changed as a result of implementing the requirements associated with the Merger Conditions.

Document Retention Requirements

Each Responsible Executive identified the documentation to be retained and implemented appropriate document retention procedures. On October 28, 2002, the Merger Compliance Office sent a communication to all Responsible Executives reinforcing the importance of data retention and providing a retention schedule. In addition, the Merger Compliance staff maintains a copy of the completion

documentation associated with each Merger Condition. The types of documents maintained include: required notices to regulators and CLECs; monthly and quarterly external reports; internal tracking reports; bill verifications; methods and procedures; and other completion and compliance documentation. The independent auditors utilized the documentation, maintained by the merger compliance library, in the course of their audit of General Merger Conditions.

Non-Compliance Reporting

As described above, the EMCC meetings and project management tools enabled the Vice President-Merger Compliance to identify and resolve possible instances of non-compliance with Merger Conditions. Responsible Executives were directed to report instances of non-compliance and any potential non-compliance situations to the Senior Vice President-Regulatory Compliance and the Vice President-Merger Compliance. The Responsible Executives provided this information and discussions took place as needed, to identify areas of potential non-compliance and to establish appropriate action plans. In addition, merger compliance issues identified by the independent auditors were evaluated, suitable action plans were developed, and implementation was monitored under the Responsible Executives.

Internal Auditing Consultation

Verizon's Internal Auditing group served the EMCC in an advisory and consultative capacity throughout the planning and execution of the merger deliverables with respect to internal controls. This group's knowledge of former Bell Atlantic and GTE business processes and current control environments combined with its professional knowledge of internal controls qualifies it to serve in this administrative and consultative capacity. Verizon Internal Auditing representatives participated regularly in the EMCC meetings, and contributed to the resolution of issues identified. In addition, Internal Auditing representatives identified possible areas where internal controls could be enhanced and worked with the Regulatory Compliance staff and the Compliance Managers to assist in internal control evaluations. Responsible Executives and Compliance Managers contacted Internal Auditing to request internal control advice, and the Merger Compliance staff utilized the expertise of Internal Auditing in the evaluation of specific Merger Compliance processes established. In addition, Internal Auditing provided internal controls consultation for service quality reporting and access to cabling in multi-unit properties.

Merger Efficiencies

Activities prior to June 30, 2000, centered on organizational analysis and the inventorying of business practices and systems for the identification of possible “Best Practices”. Activities following merger close focused on implementing the new

combined Verizon organizational structure for the former Bell Atlantic and GTE entities and executing operational plans by the individual business units (lines of business) for integrating major functions.

The lines of business and staff groups undertook reviews designed to identify functional changes and, following approval, implemented efforts to eliminate redundancy and generate savings. Post merger staffing reductions began for the most part in the fourth quarter 2000, continued in 2001, and were completed in 2002.

I. Separate Affiliate for Advanced Services

Section 1: Compliance Summary

The Company complied with the requirements of this Condition in the following manner and as described in Section 3: Additional Action Taken. Verizon operated in compliance with the requirements of Paragraph 12 of Condition I, which govern certain aspects of Verizon's provisioning of Advanced Services after the sunset of the Separate Affiliate requirement.[4]

Section 2: Responsible Executives

Name	Title
Virginia Ruesterholz	President – Wholesale Markets
Keiko Harvey	Senior Vice President representing Verizon Advanced Data Inc., NYNEX Long Distance d.b.a. Verizon Enterprise Solutions, and Verizon Global Networks Inc.
William Wallace	Chief Executive Officer – Verizon Avenue
Stephen Micciche	Executive Director representing Verizon Select Services Inc.

Section 3: Additional Action Taken

On September 26, 2001, the FCC accelerated the sunset of the separate Advanced Services affiliate requirement. Paragraph 12 of Condition I continues to govern certain aspects of Verizon's provisioning of Advanced Services after the sunset of the Separate Affiliate requirement. Specifically, it requires Verizon to use the interfaces, processes, and procedures available to unaffiliated providers of Advanced Services for a substantial majority of preorder inquires and orders for Advanced Services. In a December 18, 2000, letter to Dorothy Atwood, Chief of the Common Carrier Bureau, Verizon petitioned for an extension of the separate affiliate requirement in New Jersey until state approval was obtained to transfer Advanced Services assets to the separate affiliate. Such state approval was never obtained. Verizon's petition was not approved or denied by the FCC. Pursuant to the Merger Order, during the pendency of this petition, Verizon was not required to transition advanced services to a separate affiliate

[4] On September 26, 2001, the FCC accelerated the sunset of the separate affiliate merger requirements. After this date, Condition 1 obligations in Appendix D, Paragraph 12 apply.

in New Jersey. The extensive conversion process was deferred in New Jersey due to the lack of approval and orders were not processed using the standard interfaces. Accordingly, Verizon New Jersey was not in the position to immediately transition to the systems necessary to allow it to operate in accordance with Paragraph 12 following the September 26, 2001, order. The transitions needed to operate under Paragraph 12 in New Jersey were completed in July 2002.

II. Discounted Surrogate Line Sharing Charges

Section 1: Compliance Summary

The provisions of this Condition will apply only if the FCC line sharing rules are overturned on a final and non-appealable judicial decision. No implementation was necessary given the effectiveness of the FCC's line sharing rules.

Section 2: Responsible Executive

Name	Title
Virginia Ruesterholz	President – Wholesale Markets

Section 3: Additional Action Taken

None.

III. Loop Conditioning Charges and Cost Studies

Section 1: Compliance Summary

The Company complied with the requirements of this Condition as described herein. The Company continued to make interim loop conditioning rates available in those states where permanent rates had not been approved by a state commission. These rates are subject to true up once a state has approved the individual state-level cost studies. Permanent rates for loop conditioning were implemented in Delaware, New Jersey, North Carolina, Rhode Island, New Hampshire, and Maine in 2002. True-ups were done as needed. The Company did not charge for conditioning of eligible loops less than 12,000 feet to meet minimum requirements through the removal of load coils, excessive bridged taps, and/or voice grade repeaters, and obtained telecommunication carrier authorization prior to proceeding with any conditioning that would result in charges to the telecommunications carrier.

On April 12, 2002, the FCC granted the Company's request to withdraw its application to sell certain local exchange properties in Arizona, and these properties became subject to the Merger Order. The Company filed proposed rates for xDSL conditioning with the Arizona Corporation Commission on September 27, 2002.

On April 10, 2002, the FCC granted the Company's request to withdraw its application to sell certain local exchange properties in California, and these properties became subject to the Merger Order. On September 27, 2002, the Company requested that the California Public Utility Commission allow the rates for xDSL conditioning proposed by Verizon California on December 29, 2000, and revised on January 23, 2001, to become effective in Verizon West Coast Inc.

Section 2: Responsible Executive

Name	Title
Virginia Ruesterholz	President – Wholesale Markets

Section 3: Additional Action Taken

None.

IV. Non-Discriminatory Rollout of xDSL Services

Section 1: Compliance Summary

Verizon complied with the requirements of this Condition as described herein. In particular:

a. In each state where xDSL had been deployed in at least 20 urban or 20 rural wire centers, at least 10% of the wire centers Verizon deployed were from the Low Income Urban Pool or the Low Income Rural Pool, respectively;

b. Verizon filed the 2002 quarterly status reports demonstrating compliance with this Condition on April 29, 2002, July 31, 2002, October 31, 2002, and January 31, 2003. The fourth quarter 2002 report was re-filed on February 19, 2003, due to a minor omission. An additional minor revision to the fourth quarter 2002 report will be filed within the next few days;

c. On April 12, 2002, the FCC granted the Company's request to withdraw its application to sell certain local exchange properties in Arizona, and these properties became subject to the Merger Order. The Company offered on May 9, 2002, to consult with the Arizona Corporation Commission to classify wire centers as urban or rural. The Company added Arizona to its xDSL deployment reports as of July 31, 2002; and

d. On April 10, 2002, the FCC granted the Company's request to withdraw its application to sell certain local exchange properties in California, and these properties became subject to the Merger Order. On May 3, 2002, in a letter to the California Public Utility Commission (CPUC), the Company resubmitted its wire center classification to include these properties and offered to discuss the classification with the CPUC. On July 31, 2002, the Company began reporting California's xDSL deployment based on the revised urban/rural classification.

Section 2: Responsible Executive

Name	Title
Andrea Custis	President and Chief Operations Officer- Verizon Avenue

Section 3: Additional Action Taken

None.

V. Carrier-to-Carrier Performance Plan (Including Performance Measurements)

Section 1: Compliance Summary

The Company complied with the requirements of this in the following manner and as described in Section 3: Additional Action Taken. In particular, the Company carried out the following activities:

a. On February 25, 2002, March 25, 2002, April 25, 2002, May 28, 2002, June 25, 2002, July 25, 2002, August 23, 2002**,** September 25, 2002, October 25, 2002, November 25, 2002, December 24, 2002, and January 27, 2003, the Company provided the FCC with the required monthly performance reports for each of the required states in the 17 measurement categories identified in Attachments A-1a and A-1b of the Merger Conditions, for the prior month. By the 25th of each month, Verizon provided these reports via web posting. Such performance measurement data contained in these performance reports are complete and accurate except as described in Section 3.

b. On June 14, 2002, (an Errata to May 29, 2002, filing) and November 25, 2002, Verizon provided notice that the New York Public Service Commission adopted certain changes to the New York Carrier-to-Carrier Guidelines. There were no changes to the California plan during 2002. The Company proposed an implementation schedule of Verizon recommended changes as required by the Consent Decree (FCC 02-119) released April 23, 2002.

c. The Company made voluntary performance payments for 2002 results in accordance with Attachments A, A-3, A-4, A-5a, A-5b, A-6, A-7a and A-7b of the Merger Conditions on March 25, 2002, April 25, 2002, May 24, 2002, June 25, 2002, July 25, 2002, August 23, 2002, September 25, 2002, October 25, 2002, November 25, 2002, December 24, 2002, January 24, 2003, and February 25, 2003.

   Notices were provided to the FCC within five business days after such payments were made.

   In addition, for performance measurement data that are reported as means or averages, in calculating the percentage difference between the actual average and the calculated average (or benchmark value for benchmark measurements), which is a required step in the payment calculation, the Company applied a cap of 100%. The Company calculates data points for means or averages in a manner that limits the number of CLEC occurrences to which the per occurrence voluntary payment calculations in Attachment A-3 of Appendix D to the Merger Conditions apply and should not exceed the number of observations in a given

month. The Company has requested a review of this interpretation in a September 20, 2002, letter to the Chief of the Enforcement Bureau.

d. Before the beginning of 2002, the Company was authorized to provide in-region interLATA service in New York, Massachusetts, Connecticut, and Pennsylvania, and in accordance with paragraph 17 of the Merger Conditions did not report performance measurements in those states during 2002.

e. On January 8, 2002, the Wireline Competition Bureau found that the Ohio and Illinois state performance plans were comprehensive and qualified for removal from the merger plan. Verizon did not report in those states during 2002.

f. On the dates listed below, the FCC issued orders authorizing the Company to provide in-region interLATA service, and in accordance with paragraph 17 of the Merger Conditions, the Company discontinued reporting the performance measurements.

State	Order Date
Rhode Island	2/22/02
Vermont	4/17/02
Maine	6/19/02
New Jersey	6/24/02
New Hampshire	9/25/02
Delaware	9/25/02
Virginia	10/30/02

g. On January 10, 2002, Verizon requested that the Chief of the Common Carrier Bureau approve a temporary suspension of the performance data and other quality data reporting for the former GTE service areas in Pennsylvania and Virginia during the three-month transition periods during which Verizon will implement OSS uniformity as required under Merger Condition VI. This request was approved by the Commission on April 11, 2002, and accordingly, Verizon suspended the reporting of former GTE Virginia performance data required under Condition V of the merger order for the three-month period of March to May 2002, and made payments consistent with the approval granted.

h. On April 12, 2002, the FCC granted the Company's request to withdraw its application to sell certain local exchange properties in Arizona, and these properties became subject to the Merger Order. Verizon began reporting performance measurements in Arizona effective with the May 2002 data month.

i. On April 10, 2002, the FCC granted the Company's request to withdraw its application to sell certain local exchange properties in California, and these properties became subject to the Merger Order. Verizon began reporting performance measurements in these exchanges effective with the May 2002 data month.

j. On December 23, 2002, the Wireline Competition Bureau found that the Nevada state performance plan was comprehensive and qualified for removal from the merger plan. Verizon ceased reporting Nevada under the merger plan.

Section 2: Responsible Executive

Name	Title
Virginia Ruesterholz	President – Wholesale Markets

Section 3: Additional Action Taken

During 2002, certain errors were identified in the carrier-to-carrier performance metrics reports. Verizon detected a substantial majority of these errors as a result of its internal controls and quality assurance plan. As errors were identified, corrections were made using a change control process. Approved change control requests were scheduled for implementation and closely managed throughout the implementation process. In addition, the Wholesale Quality Assurance Team conducts periodic reviews of metrics. Verizon notifies the Wireline Competition Bureau monthly as issues are detected.

A majority of the errors identified fall into one of the following two categories:

a. Data Extraction, not correctly identifying and pulling the appropriate data from a source system to be used in the calculation of the metric;
b. Data Calculation, using an algorithm that is incorrect.

In addition, there were some errors due to other issues, such as incorrect report mapping and web posting caused by isolated clerical error and the time required for system development and to implement system enhancements.

Because the types of errors described above could affect performance payments, Verizon maintained a process to evaluate the impact on the metric reports and performance payments based on the adjusted data, where Verizon had the ability to adjust the data on a retroactive basis. As of the date of this report, the results of the payment adjustments have been de minimis.

During 2002, Verizon continued to implement new processes and procedures to identify and minimize errors. Verizon performs root cause analysis on Change Controls that are issued for corrections. To strengthen internal controls and provide adherence to the Change Control process, root cause analysis is also performed for deviations from the process. Corrective action plans are developed and implemented for both of these analyses to minimize reoccurrence. Regular Vice President data provider meetings provide executive level attention on issues and place emphasis on adherence to the guidelines.

On August 16, 2002, Verizon and the Enforcement Bureau entered into a consent decree terminating an informal Bureau investigation into Verizon's compliance with the Merger Conditions. Verizon committed to establish a formal metrics compliance program, to include a Vice Presidential steering committee, implementation of an error tracking and prevention process, refresher training of data providers, and annual communication of data retention requirements. In addition, Verizon committed to establish a data warehouse to store and retain data used in the calculation of Merger Condition V reports. Verizon committed to report to the Chief – Enforcement Bureau on these remedial actions and on December 23, 2002, Verizon provided the required report. The remedial actions have been implemented as agreed, and have been effective in better ensuring compliance with this Merger Condition.

The Company has established and maintains adequate internal controls concerning metric accuracy. In Verizon's March 15, 2002, Annual Merger Compliance Report, the Company reported that, to reduce the effects of human error, implementation of both a data warehouse and a third party metric replication process had begun. During 2002, implementation of the data warehouse continued, and the Company began applying the results from third party replication in its quality process.

VI. Uniform and Enhanced OSS and Advanced Services OSS

Section 1: Compliance Summary

The Company complied with the requirements of this Condition in the following manner and as described in Section 3: Additional Action Taken. In particular, the Company carried out the following activities:

a. The Company continued to provide in each Bell Atlantic and GTE state the Bell Atlantic change management process originally developed as part of the New York Proceeding. The Company offered to include a commitment to follow the uniform change management process in its interconnection agreements with CLECs.

b. Uniform transport and security protocols continued to be offered across the merged Bell Atlantic and GTE service areas, as described in Section 3 below.

c. The Company offered to develop and deploy electronic bonding interface (EBI) within 12 months of an executed contract.

d. The Company provided 25% discounts on recurring and nonrecurring charges for unbundled local loops used to provide advanced services to all carriers unless a carrier proactively chose not to accept the discount in accordance with the Merger Conditions and as follows:

    1) The Company did not offer the discount in Connecticut, Delaware, Maine, Massachusetts, New Hampshire, New York, Pennsylvania (former BA), Rhode Island, and Vermont during 2002. The discount was terminated during 2001 upon certification that Verizon Advanced Data Inc. was using the same OSS interfaces as non-affiliates for more than 75% of the pre-ordering and ordering transactions in those states.

    2) The Company filed an ex parte on March 22, 2002, with the Chief of the Common Carrier Bureau that Verizon had developed and deployed standard OSS interfaces for pre-ordering and ordering unbundled network elements used to provide xDSL and other Advanced Services and certifying that Verizon Advanced Data Inc. was using those OSS interfaces for more than 75% of the pre-ordering and ordering transactions for Advanced Services components it submits in West Virginia, Virginia, Maryland, District of Columbia, and all of the former GTE states. On February 26, 2003, Verizon filed a correction to this ex parte advising that Nevada had been inadvertently left off list of states terminating the discount. This discount was terminated on May 18,

2002, in West Virginia, Virginia, Maryland, and District of Columbia, and on April 15, 2002, in the former GTE states.

3) The notification of the discount was posted on Verizon's Wholesale Website.

e. By June 30, 2002, the Company was required to implement uniform electronic OSS interfaces and business rules between the former Bell Atlantic and the former GTE service areas in Pennsylvania and Virginia for 40% of the obligated access lines in Pennsylvania and Virginia. Verizon converted approximately 48% of the obligated access lines in May 2002.

f. The Company implemented the changes to the OSS interfaces and business rules proposed in the Plan of Record (POR) within 24 months after the completion of the collaborative process in the Bell Atlantic Service Areas, within 24 months after the completion of the collaborative process in the GTE Service Areas, and as described in Section 3 below.

g. The Company implemented the OSS functions and product ordering capabilities specified in the Plan of Record by September 30, 2002.

Section 2: Responsible Executives

Name	Title
Shaygan Kheradpir	Chief Information Officer – Information Technology
Barry Paulson (PA/VA Uniformity only)	Senior Vice President – Engineering and Planning
Virginia Ruesterholz (Discount only)	President – Wholesale Markets

Section 3: Additional Action Taken

As reported in the Company's March 15, 2002, Compliance Report, Verizon implemented the POR provisions relative to Uniform Transport and Security on September 28, 2001, except for two isolated circumstances where implementation was completed in June 2002. The two circumstances were as follows:

a. The first instance is the security protocol used in the former GTE service area to access dedicated Common Object Request Broker Architecture (CORBA).

Secure Socket Layer (SSL) and digital certificates were implemented in the former GTE as specified in the POR. Only one CLEC uses this access method, generating less than 0.1% of all local service transactions, and that CLEC has not requested that this change be made.

b. The second instance involves the carrier services gateway, where a small list of products are requested by CLECs through an Internet-based access service request to place orders instead of the usual local service request process. Per the POR, SSL and digital certificates will be the security method used. Verizon built an access method to extend the SSL and digital certificate process to former BA CLECs. Only 0.16% of all wholesale order activity occurs on the carrier services gateway.

Since these changes were CLEC impacting, they were communicated through Verizon's Change Management Process. The CORBA changes were communicated on March 28, 2002, April 26, 2002, and June 10, 2002. The carrier services gateway changes were communicated on May 31, 2002.

With regard to uniform system availability hours, Verizon agreed to provide a core set of hours for systems availability by function. Verizon has determined that the hours of availability for two isolated functions are slightly different from the hours described in the POR. Appropriate changes are underway.

VII. OSS Assistance to Qualifying CLECs

Section 1: Compliance Summary

The Company complied with the requirements of this Condition as described herein. In particular, the Company assisted qualifying telecommunications carriers in using the Company's operating support systems. The Company informed telecommunications carriers of the self-certification process allowing telecommunications carriers to assert that they qualify for assistance and of the availability, free of charge, of OSS expert teams. In addition, the Company made available OSS support teams, provided web-based training, and held training workshops to discuss training and procedures that would be beneficial to qualifying telecommunications carriers. The Company provided notice of such training and procedures to qualifying Competitive Local Exchange Carriers on the Verizon Wholesale Website.

Section 2: Responsible Executive

Name	Title
Virginia Ruesterholz	President – Wholesale Markets

Section 3: Additional Action Taken

None.

VIII. Collocation, Unbundled Network Elements, and Line Sharing Compliance

Section 1: Compliance Summary

The Company complied with the requirements of this Condition as described herein. The Company complied with the FCC's Collocation, Unbundled Network Element, and Line Sharing rules and the final rules as amended through appropriate state tariff filings and interconnection agreement amendments and as described in Section 3: Additional Action Taken.

Where applicable, the Company waived, credited or refunded non-recurring costs for collocation if the collocation due date was missed by more than 60 days, unless the Company could demonstrate that the miss was solely caused by equipment vendor delay beyond the Company's control.

On April 12, 2002, the FCC granted the Company's request to withdraw its application to sell certain local exchange properties in Arizona, and these properties became subject to the Merger Order. The Company filed a collocation tariff with the Arizona Corporation Commission on September 30, 2002.

On April 10, 2002, the FCC granted the Company's request to withdraw its application to sell certain local exchange properties in California, and these properties became subject to the Merger Order. The Company filed tariff concurrence documents with the California Public Utilities Commission on September 27, 2002.

Section 2: Responsible Executive

Name	Title
Virginia Ruesterholz	President – Wholesale Markets

Section 3: Additional Action Taken

In limited instances, Verizon's bills for Unbundled Network elements contained nominal errors, which are promptly corrected. Verizon has a rigorous on-going process in place to detect and resolve billing discrepancies.

During 2002, a small number of offices that were not previously shown as full on the website were determined to be full and the web postings were updated. There were no CLEC requests for collocation space in any of these offices. During 2002, Verizon did

not deny collocation space to any CLEC unless the office was already posted as full on the web when the request was made.

There are two open interpretive issues relative to this Condition, for which the auditor has requested FCC Staff interpretation, as follows:

a. UNE/line sharing – the 2001 PricewaterhouseCoopers audit noted that the Company's standard proposed Interconnection agreement contains a clause limiting the requesting carrier to leasing a maximum of 25% of the dark fiber in any given segment of the Company's network during any two-year period. The audit report found that Verizon uses this "model" agreement as the starting point for negotiations, and no CLEC was required to accept it. If Verizon and the CLEC voluntarily agreed to this provision, Section 252(a)(1) allows them to do so notwithstanding the Commission's requirements under Section 251(c). Moreover, any CLEC could adopt an agreement without such a limitation under the "most favored nations" provisions of the Merger Order, as the audit report found that Verizon had voluntarily entered into several post-merger agreements that did not contain this 25% dark fiber limitation. PricewaterhouseCoopers requested the FCC Staff to provide its interpretation on the matter in a letter dated May 9, 2002. No such interpretation has been received as of the date of this report.

b. Collocation – the 2001 PricewaterhouseCoopers audit noted that the Company's publicly available Internet site only lists central offices as "full", but does not list other premises. The Company believes that the FCC has not established minimum space requirements for collocation in premises other than central offices and that it cannot rule out potential means of collocation that are technically feasible in such premises. PricewaterhouseCoopers requested the FCC Staff to provide its interpretation on the matter in a letter dated August 13, 2002. No such interpretation has been received as of the date of this report.

IX. Most-Favored-Nation (MFN) Provisions for Out-of-Region and In-Region Arrangements

Section 1: Compliance Summary

The Company complied with the requirements of this Condition as described herein and in Section 3: Additional Action Taken. In particular, the Company made available to requesting telecommunications carriers in the former Bell Atlantic and GTE service areas interconnection arrangements, unbundled network elements, or provisions of an interconnection agreement (including an entire agreement) subject to 47 U.S.C. 251(c) and Paragraph 39 of the Merger Conditions as follows:

a. Out-of-region – as of December 31, 2002, Verizon had not received any CLEC requests for Verizon affiliate Out-of-Region MFN arrangements. In addition, during 2002, Verizon, when acting outside its incumbent service area, did not enter into any interconnection arrangements or obtain UNEs from an incumbent LEC that were not previously made available by the non-Verizon incumbent.

b. In-region, post merger – subject to the requirements of the Merger Conditions, the Company made available any in-region interconnection arrangement or unbundled network element that was voluntarily negotiated by the Company with a requesting telecommunications carrier after the Merger Close Date.

c. In-region, pre-merger – subject to the requirements of the Merger Conditions, the Company made available any in-region interconnection arrangement or unbundled network element that was voluntarily negotiated by Bell Atlantic or GTE with a requesting carrier prior to the merger, but limited to the states within the same pre-merger Bell Atlantic or GTE serving areas, respectively.

   These offers were on the same terms exclusive of price and state-specific performance measures.

   Where a competing carrier seeks to adopt, in an in-region Company service area, any agreements, provisions or unbundled network elements that resulted from an arbitration arising in another Verizon service area after the merger closing date, the Merger Conditions require the Company to allow other parties to submit the arbitrated agreements, provisions, or unbundled network elements to immediate arbitration in the "importing" state without waiting for the statutory negotiation period of 135 days to expire, where the state consented to conducting arbitration immediately. During November 2002, two requests were received to obtain immediate arbitration. These requests have not yet been resolved.

d. Each Verizon out-of-region local exchange affiliate posted on the Verizon web site agreements entered into with non-affiliated incumbent local exchange carriers.

Section 2: Responsible Executives

Name	Title
Virginia Ruesterholz	President – Wholesale Markets
William Wallace	Chief Executive Officer – Verizon Avenue
Robert Barrish	Vice President – Verizon Select Services Inc.

Section 3: Additional Action Taken

In applying the provisions of Condition IX*, Most-Favored-Nation Provision for Out-of-Region and In-Region Arrangements*, the FCC found, as detailed in the Memorandum Opinion and Order released February 28, 2002, addressing a complaint filed against the Company by a CLEC, that CLECs have the right in certain circumstances to adopt in one state an entire interconnection agreement that Verizon had entered into in another state, including provisions that provide compensation for Internet-bound traffic. The FCC also found that, under paragraph 32 of the Merger Conditions, only those provisions of interconnection agreements that are consistent with state laws and regulatory requirements can be adopted across state lines and therefore it is the responsibility of state commissions to determine whether Internet compensation provisions are allowable. The FCC decision said it expected the CLEC to submit the Rhode Island agreement to the Virginia and Massachusetts commissions for approvals to determine applicability of the provision in those states. The Massachusetts Commission issued a decision on June 24, 2002, denying the CLEC reciprocal compensation for internet traffic. The Virginia commission has not yet acted on this matter.

X. Multi-State Interconnection and Resale Agreements

Section 1: Compliance Summary

The Company complied with the requirements of this Condition as described herein. In particular, the Company made available a generic multi-state interconnection and resale agreement covering all BA/GTE service areas that was available, upon request, for negotiation to cover interconnection and resale agreements for any two or more states in the Verizon service area.

Section 2: Responsible Executive

Name	Title
Virginia Ruesterholz	President – Wholesale Markets

Section 3: Additional Action Taken

None.

XI. Carrier-to-Carrier Promotions: Unbundled Loop Discount

Section 1: Compliance Summary

The Company complied with the requirements of this Condition as described herein. The Company provided the required unbundled loop discounts to all carriers unless the carrier proactively chose not to accept the discount, in accordance with the Merger Conditions, as described in Section 3: Additional Action Taken, and as listed in a. through e. below:

a. This discount was not effective during 2002 in New York, Massachusetts, Connecticut, or Pennsylvania, where approval to provide in-region interLATA services was received prior to January 1, 2002.

b. On February 22, 2002, the FCC issued an order authorizing the Company to provide in-region interLATA services in Rhode Island; the offering window was subsequently closed.

c. In 2002, Virginia (former Bell Atlantic) reached 50% of the maximum quantity of promotional loops specified in Attachment E to the Merger Conditions and notifications were sent to CLECs operating in that state on February 1, 2002.

d. On February 7, 2002, Verizon made its initial filing with the FCC providing documentation of its out of region expenditures allowing Verizon to end the offering window period for the unbundled loop promotional discount. Subsequent information was filed with the FCC on March 7, 2002, March 19, 2002, March 25, 2002, and May 24, 2002. On April 7, 2002, the offering window was closed in the former GTE states except Ohio, which continued to provide the offering window for a promotional discount in accordance with the state merger requirements, and former GTE Virginia where the closing of the offering window was timed to correspond with the closing of the offering window in the former Bell Atlantic. On June 15, 2002, the offering window was closed in Maine, New Hampshire, Delaware, District of Columbia, Maryland, Virginia (both former GTE and Bell Atlantic), New Jersey, Vermont, and West Virginia. The FCC issued an Order approving the expenditures on June 24, 2002, and finding that Verizon properly terminated the offering window for the associated discounts.

e. Notification of the discount was posted on the Wholesale Internet Website during the time the offering window was open.

Section 2: Responsible Executive

Name	Title
Virginia Ruesterholz	President – Wholesale Markets

Section 3: Additional Action Taken

In limited circumstances during 2002, Verizon provided an incorrect discount amount, or provided the discount outside the 60-day requirement. In some instances, the charges eligible for the discount were billed incorrectly. Additional training has been provided to employees involved in discount processes and additional system edits were implemented. Verizon took corrective actions to issue credits to the affected CLECs effective to the date the error occurred for a qualifying line during the promotional period.

XII. Carrier-to-Carrier Promotions: Resale Discount

Section 1: Compliance Summary

The Company complied with the requirements of this Condition as described herein. The Company provided the required resale discount to all carriers unless the carrier proactively chose not to accept the discount, in accordance with the Merger Conditions, as described in Section 3: Additional Action Taken, and as listed below. Notification of the discount was posted on the Wholesale Internet Website and CLECs were notified, on a state-by-state basis, when 50%, 80%, and 100% of the maximum required number of resold loops was reached. Notifications were also provided to FCC and state commissions when 100% thresholds were reached.

a. During the 2002, the Company was authorized to provide the discount at 1.1 times the standard wholesale rate in New York, Massachusetts, Connecticut, and Pennsylvania, where approval to provide in-region interLATA services was received prior to January 1, 2002.

b. On February 22, 2002, the FCC issued an order authorizing the Company to provide in-region interLATA services in Rhode Island; the discount was subsequently lowered to 1.1 times the standard wholesale rate.

c. Prior to January 1, 2002, the number of promotional resold lines reached 100% of the specified number in Attachment E to the Merger Conditions in Alabama and South Carolina and the offering window for this discount was closed.

d. During 2002, the following states reached 100% of the maximum quantity of promotional resold lines specified in Attachment E to the Merger Conditions: Kentucky, Texas, Florida, North Carolina, District of Columbia, and Maryland. The notifications to CLECs, state commissions, and FCC are described below.

    1) On March 7, 2002, notification was sent to CLECs doing business in Kentucky that 100% of the promotional resold lines specified in Attachment E to the Merger Conditions, was met and the offering window would be closed on or about March 19, 2002. On March 13, 2002, the Kentucky Public Service Commission was provided notice of the offering window closure. The FCC was provided notice on March 12, 2002.

    2) On April 3, 2002, notification was sent to CLECs doing business in Texas that 100% of the promotional resold lines specified in Attachment E to the Merger Conditions was met and the offering window would be closed on or about April 12, 2002. On April 3,

2002, the Public Utility Commission of Texas was provided notice of the offering window closure. The FCC was provided notice on April 2, 2002.

3) On August 7, 2002, notification was sent to CLECs doing business in Florida that 100% of the promotional resold lines specified in Attachment E to the Merger Conditions was met and on or about August 16, 2002, the offering window would be closed. On August 5, 2002, the Florida Public Service Commission was provided notice of the offering window closure. The FCC was provided notice on August 5, 2002.

4) On August 7, 2002, notification was sent to CLECs doing business in North Carolina that 100% of the promotional resold lines specified in Attachment E to the Merger Conditions was met and on or about August 16, 2002, the offering window would be closed. On August 1, 2002, the North Carolina Public Utilities Commission was provided notice of the offering window closure. The FCC was provided notice on August 5, 2002.

5) On August 2, 2002, notification was sent to CLECs doing business in the District of Columbia that 100% of the promotional resold lines specified in Attachment E to the Merger Conditions was met and on or about December 1, 2002, the offering window would be closed. On August 8, 2002, the Public Service Commission of District of Columbia was provided notice of the offering window closure. The FCC was provided notice on August 5, 2002.

6) On December 23, 2002, notification was sent to CLECs doing business in the Maryland that 100% of the promotional resold lines specified in Attachment E to the Merger Conditions was met and on or about April 1, 2003, the offering window would be closed. On January 7, 2003, the Public Service Commission of Maryland was provided notice of the offering window closure. The FCC was provided notice on January 7, 2003. On March 7, 2003, a corrected notice was sent to CLECs doing business in Maryland informing them that the offering window would be closing no sooner March 15, 2003. Corrected notices were sent to the Public Service Commission of Maryland on March 6, 2003, and to the FCC on March 5, 2003.

e. The following states reached 80% of the maximum quantity of promotional resold lines specified in Attachment E to the Merger Conditions and notifications were sent to CLECs operating in those states as follows: Florida and North Carolina on April 2, 2002, District of Columbia on

February 1, 2002, Maryland on August 2, 2002, Virginia (former Bell Atlantic) on November 14, 2002, and Indiana on December 19, 2002.

f. The following states reached 50% of the maximum quantity of promotional resold lines specified in Attachment E to the Merger Conditions and notifications were sent to CLECs operating in those state as follows: Virginia (former Bell Atlantic) on April 2, 2002, California on June 25, 2002, Indiana on April 2, 2002, Delaware on July 11, 2002, New Jersey on August 2, 2002, and West Virginia on December 23, 2002.

g. On February 7, 2002, the Company made its initial filing with the FCC providing documentation that Verizon had met the required out of region expenditures allowing Verizon to reduce the resale promotional discount to 1.1 times the standard wholesale rate. Subsequent filings were made on March 7, 2002, March 19, 2002, March 25, 2002, and May 24, 2002. On April 7, 2002, the merger discount was reduced to 1.1 times the standard wholesale state approved rate in the former GTE states except Ohio, which continued to provide a promotional discount in accordance with the state merger requirements, and former GTE Virginia where the lowering of the discount occurred on an individual CLEC basis and took place between June 17, 2002, and July 13, 2002. Effective with bill periods closing on or after June 15, 2002, the discount was lowered to 1.1 times the standard wholesale state approved rate in Maine, New Hampshire, Vermont, Maryland, Delaware, District of Columbia, New Jersey, Virginia (former Bell Atlantic), and West Virginia. On June 24, 2002, the Commission issued an Order approving the out of region expenditures and finding that Verizon properly lowered the associated discounts.

Section 2: Responsible Executive

Name	Title
Virginia Ruesterholz	President – Wholesale Markets

Section 3: Additional Action Taken

In limited instances, Verizon provided an incorrect discount amount, or provided the discount outside the 60-day requirement during 2002. In some instances, the charges eligible for the discount were billed incorrectly. Additional training has been provided to employees involved in discount processes and additional system edits were implemented. Verizon took corrective actions to issue credits to the affected CLECs effective to the date the error occurred for a qualifying line during the promotional period.

XIII. Offering of UNEs

Section 1: Compliance Summary

Verizon continued to make available the UNEs and UNE combinations required in the FCC's UNE and line sharing orders as described in Condition VIII Collocation, Unbundled Networks Elements and Line Sharing compliance.

Section 2: Responsible Executive

Name	Title
Virginia Ruesterholz	President – Wholesale Markets

Section 3: Additional Action Taken

None.

XIV. Alternative Dispute Resolution through Mediation

Section 1: Compliance Summary

The Company complied with the requirements of this Condition as described herein. In particular, the Company implemented, subject to state commission approval and participation, an alternative dispute resolution mediation process to resolve carrier-to-carrier disputes regarding the provision of local services, including disputes relating to interconnection agreements. The Company kept the new alternative dispute resolution process posted on its Internet Websites.

On April 12, 2002, the FCC granted the Company's request to withdraw its application to sell certain local exchange properties in Arizona, and these properties became subject to the Merger Order. On April 19, 2002, the Company offered to implement a specific alternative dispute resolution mediation process subject to the Arizona Corporation Commission approval and participation.

As of December 31, 2002, Verizon has received no formal Alternative Dispute Resolution mediation requests.

Section 2: Responsible Executive

Name	Title
Virginia Ruesterholz	President – Wholesale Markets

Section 3: Additional Action Taken

None.

XV. Access to Cabling in Multi-Unit Properties

Section 1: Compliance Summary

The Company complied with the requirements of this Condition in the following manner and as described in Section 3: Additional Action Taken:

The Company made available the model interconnection agreements that provide CLECs with access to or interconnection with House and Riser cabling controlled by Verizon in Multi-Dwelling Units and multi-tenant units throughout 2002.

Where appropriate and consistent with state law and regulation, Verizon offered owners and developers of multi-tenant properties, in writing, the option to install a single point of interconnection at a minimum point of entry when the property owner or other party owns or maintains the cabling beyond the single point of interconnection. Verizon installed new cables in a manner to provide telecom carriers a single point of interconnection, where Verizon had the right to do so without consent of another party. Verizon also provided written notice for multi-tenant property owners that Verizon will install and provide new cables that permit a single point of interconnection in states where the demarcation point is not already at a minimum point of entry.

Section 2: Responsible Executive

Name	Title
Barry Paulson	Senior Vice President – Engineering and Planning

Section 3: Additional Action Taken

As a result of an internal review, Verizon further clarified some of the instructions to network engineers and initiated additional training. Subsequently, approximately 3,690 engineers and staff were trained or retrained on the requirements of paragraph 42 of the Merger Conditions.

XVI. Out-of-Territory Competitive Entry

Section 1: Compliance Summary

Verizon complied with the requirements of this Condition in the following manner:

During the 24-month period ending June 30, 2002, Verizon spent at least $300 million in qualified expenditures in Out-of-Region markets. At least 20% of these expenditures were used to provide Competitive Local Service to residential customers or to provide Advanced Services.

Section 2: Responsible Executive

Name	Title
Lawrence R. Whitman	Senior Vice President and CFO – Verizon Services

Section 3: Additional Action Taken

None.

XVII. InterLATA Services Pricing

Section 1: Compliance Summary

Verizon complied with the requirements of this Condition as described herein. In particular, each Verizon subsidiary providing interLATA long distance service to wireline residential customers within the United States during 2002 continued to have in effect an interLATA long distance offering that did not include mandatory, minimum monthly, or flat rate charges for interLATA service. Ongoing compliance includes each state in which Verizon secured 271 authorization.

Section 2: Responsible Executive

Name	Title
John Havens	Vice President – Long Distance

Section 3: Additional Action Taken

None.

XVIII. Enhanced Lifeline Plans

Section 1: Compliance Summary

The Company complied with the requirements of this Condition by maintaining Enhanced Lifeline Plans in Delaware and Illinois that were comparable to the Ohio Universal Service Assistance (USA) Lifeline Plan in the areas of subscriber eligibility, discounts and eligible services.

On April 12, 2002, the FCC granted the Company's request to withdraw its application to sell certain local exchange properties in Arizona, and these properties became subject to the Merger Order. The Company offered to file an Enhanced Lifeline tariff in an April 19, 2002, letter to the Arizona Corporation Commission. Notice of the offer to the Arizona Corporation Commission was made to the Secretary of the FCC on May 13, 2002.

Section 2: Responsible Executive

Name	Title
Robert E. Ingalls, Jr.	Senior Vice President and Chief Operations Officer – Retail Markets Group

Section 3: Additional Action Taken

None.

XIX. Additional Service Quality Reporting

Section 1: Compliance Summary

The Company complied with the requirements of this Condition in the following manner and as described in Section 3: Additional Action Taken:

The Company provided, through an Internet Website, the four quarterly NARUC retail service quality reports relating to calendar year 2002 on May 13, 2002, August 14, 2002, November 15, 2002, and February 12, 2003. Upon agreement between the Company and the FCC staff, Ernst & Young LLP was requested to perform procedures and report on the completeness and accuracy of eight NARUC White Paper service quality measures, as listed below, included on the quarterly NARUC Service Quality Reports:

a. Line 120, Number of Orders for Basic Service Delayed over 30 Days;

b. Line 135, Number of Installation Orders with Missed Installation Commitments;

c. Line 230, Number of Out-of-Service Repeat Trouble Reports;

d. Line 300, Switch/Line Concentrator Outages exceeding 2 minutes;

e. Line 350, Interoffice Transmission Facility Service Affecting Outages: – T3 Outages over 6 hours;

f. Line 360, Interoffice Transmission Facility Service Affecting Outages: Outages over 10 minutes over 500 T1 message trunks;

g. Line 370, Interoffice Transmission Facility Service Affecting Outages: Outages over 2 minutes totally isolating a central office or community; and

h. Line 510, Average Waiting Time Total for Call Live-Answered by Attendants

The eight NARUC retail service quality data were based on information contained in the operating support systems used by the Company for installation, maintenance and repair. This data was calculated in accordance with the definitions in the NARUC Service Quality White Paper and the application of these definitions and the Company's calculation of these data are complete and accurate as described below in Section 3.

The Company provided, through an Internet Website or directly to the relevant state commission, quarterly local service quality data relating to calendar year 2002 from

Table 1, ARMIS Report 43-05, carriers. These reports were provided on May 13, 2002, August 14, 2002, November 14, 2002, and February 13, 2003.

The Company reported to the Commission, to Mitchell & Titus, LLP, the independent auditor engaged to perform the Genuity Merger Compliance Engagement, and to Ernst & Young LLP, the independent auditor engaged to perform Merger Condition XIX of the Merger Compliance Engagement, service quality data described in Table 1 of ARMIS Report 43-05 showing the service level provided to Genuity compared to other companies for Special Access and High Capacity services (Genuity Reports). Reports were issued monthly throughout 2002, reflecting the business rules approved by the Common Carrier Bureau on September 19, 2000, February 11, 2002, and April 3, 2002. Such service quality data is complete and accurate as described below in Section 3.

Section 2: Responsible Executive

Name	Title
Christopher Creager	Senior Vice President – National Operations

Section 3: Additional Action Taken

There were instances during 2002 where data were incorrectly reported due to issues such as data extraction, or administrative error. Restated results are provided as errors are identified.

On August 16, 2002, Verizon and the Enforcement Bureau entered into a consent decree terminating an informal Bureau investigation into Verizon's compliance with the Merger Conditions. In the compliance plan included in the consent decree, Verizon agreed to establish a formal metrics compliance program, to include a Vice Presidential steering committee, implementation of an error tracking and prevention process, refresher training of data providers and annual communication of data retention requirements. On December 23, 2002, Verizon provided the required report on these remedial actions to the Chief – Enforcement Bureau. This report described that the remedial actions have been implemented as agreed, have been effective in better ensuring compliance with this Merger Condition, and no additional remedial actions are needed.

In addition, as a result of an internal review, Verizon strengthened internal controls surrounding the change control and archiving processes. Verizon also improved the written procedures and approval documentation required. Additional training was provided to communicate these improved controls.

There are two open interpretive issues relative to this Condition, for which FCC Staff interpretation has been or will be requested, as follows:

Verizon submits service quality results in the reports required by paragraph 53 of Condition XIX for those months and jurisdictions where Genuity had relevant installation or repair activity in that month. The FCC staff has been requested to provide its interpretation of this matter in a letter dated May 14, 2002 to the Assistant Chief, Investigations and Hearings Division, Enforcement Bureau, FCC. No such interpretation has been received as of the date of this report.

For the purpose of reporting Line 510, Average Waiting Time Total for Call Live-Answered by Attendants, Verizon uses the reporting rules based on the individual state PUC requirements. Some states require Verizon to include Interactive Voice Response calls, which are handled through a mechanized response, in this measure. We understand the auditors will request an FCC staff interpretation on this issue.

XX. NRIC Participation

Section 1: Compliance Summary

The Company complied with requirements of this Condition by continuing to participate in the Network Reliability and Interoperability Council (NRIC) VI meetings.

Section 2: Responsible Executive

Name	Title
Mark Wegleitner	Senior Vice President – Technology and Chief Technology Officer

Section 3: Additional Action Taken

None.

XXI. Compliance Program

Section 1: Compliance Summary

Verizon complied with the requirements of this Condition as described herein. In particular, Verizon provided accurate and timely reports to the FCC, as required by the Condition, including its Annual Compliance Report that was filed on March 15, 2002, which disclosed issues known at that time.

A senior corporate officer appointed as Senior Vice President – Regulatory Compliance oversaw implementation of, and compliance with, the Merger Conditions. The Senior Vice President – Regulatory Compliance presented merger compliance status to the audit committee of the Verizon board of directors on April 24, 2002, August 1, 2002, and November 7, 2002. Verizon consulted with the FCC staff on an ongoing basis regarding Verizon's compliance. Verizon provided accurate and timely notices to the FCC and state public utilities commissions pursuant to specific notification requirements of the Merger Conditions. These notices were provided to Deloitte & Touche LLP and Ernst & Young LLP in a timely manner.

Section 2: Responsible Executive

Name	Title
Jeffrey W. Ward	Senior Vice President – Regulatory Compliance

Section 3: Additional Action Taken

None.

XXII. Independent Auditor

Section 1: Compliance Summary

Verizon complied with the requirements of this Condition as described herein. In particular, Verizon engaged independent auditors deemed acceptable to the FCC for the 2002 Merger audits as follows:

a. Genuity engagement – Mitchell & Titus, LLP:

b. Advanced Services agreed-upon procedures engagement – Mitchell & Titus, LLP:

c. General Merger Conditions, V, XVI, and XIX – Ernst & Young LLP; and

d. All remaining General Merger Conditions – Deloitte & Touche LLP.

The auditors selected have not been instrumental during the past 24 months in designing all or substantially all of the systems and processes under examination in the attestation engagement.

The 2001 Advanced Services agreed-upon procedures report was filed on May 1, 2002. The 2001 General Merger Conditions audit report, exclusive of Conditions V, VIII, and XIX was filed with the FCC on June 3, 2002. The 2001 Genuity audit report, exclusive of service quality results, was filed on June 3, 2002. The service quality results Genuity audit report and the General Merger Conditions audit report for Conditions V, VIII, and XIX were filed on September 30, 2002, the date specified in the extension granted by the Wireline Competition Bureau on May 28, 2002. Work papers were made available at a Washington, D.C. location.

On July 31, 2002, Verizon and the Audit Staff met to confer regarding changes to the detailed audit programs. The Company kept the FCC informed of matters required under the Merger Conditions. Verizon granted the independent auditors access to all books, records, operations, and personnel relevant to the Conditions addressed in this report.

Section 2: Responsible Executive

Name	Title
Jeffrey W. Ward	Senior Vice President – Regulatory Compliance

Section 3: Additional Action Taken

None.

XXIII. Enforcement

Section 1: Compliance Summary

There has been no determination by the Chief of the Enforcement Bureau that Verizon failed to comply with the Merger Conditions during the effective period of any Condition. As described in Condition V, Section 1: Compliance Summary, Verizon made voluntary payments to the U.S. Treasury on March 25, 2002, April 25, 2002, May 24, 2002, June 25, 2002, July 25, 2002, August 23, 2002, September 25, 2002, October 25, 2002, November 25, 2002, December 24, 2002, January 24, 2003, and February 25, 2003, related to 2002 performance measurement requirements.

Section 2: Responsible Executive

Name	Title
Jeffrey W. Ward	Senior Vice President – Regulatory Compliance

Section 3: Additional Action Taken

None.

XXIV. Sunset

Section 1: Compliance Summary

There was no sunset of a Merger Condition during 2002 except for the discontinuance of reporting the performance measurements for certain states described in Condition V, and the billing discount termination dates described in Conditions VI, XI, and XII.

On January 21, 2003, the Company provided notice to the Deputy Chief, Investigations and Hearing Division, that the requirements contained in paragraph 53 of the Bell Atlantic/GTE Merger Conditions to submit special access service quality reports have automatically terminated by their own terms. The Company ceased submitting these service quality reports after the January 2003 report (which provided data for December 2002).

Section 2: Responsible Executive

Name	Title
Jeffrey W. Ward	Senior Vice President – Regulatory Compliance

Section 3: Additional Action Taken

None.

XXV. Effect of Conditions

Section 1: Compliance Summary

Verizon followed the guidance of this Condition in interpreting and applying the Merger Conditions and the relationship to state law.

Section 2: Responsible Executive

Name	Title
Jeffrey W. Ward	Senior Vice President – Regulatory Compliance

Section 3: Additional Action Taken

None.

Genuity

Section 1: Compliance Summary

Verizon has complied with the requirements of this Condition as described herein. In particular, from January 1, 2002, through December 31, 2002, Verizon complied as follows:

a. 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.

b. From January 1, 2002, through July 23, 2002, Verizon did not convert any Class B stock, and from January 1, 2002, through December 31, 2002, Verizon did not increase its equity interest in Genuity above 10%. On July 24, 2002, Verizon converted all but one of its Class B shares into Class A shares in Genuity resulting in an equity interest of approximately 9.99%. On December 18, 2002, Verizon sold all of its Class A shares in Genuity. Verizon's remaining equity interest in Genuity is less than 1%.

c. 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.

d. Verizon has complied with the requirement that Genuity be independent. In particular:

    1) The Genuity directors, other than the director elected by the Class B shareholder, are independent with no prior relationship with GTE, Bell Atlantic, or their affiliates, except for Genuity's Chief Executive Officer; and

    2) The Class B director has not served as the chairman of the board of Genuity.

e. Verizon did not provide more than 25% of the aggregate debt financing that Genuity is permitted to incur.

f. Relative to commercial contracts with Genuity, Verizon has:

    1) Provided transition services in accordance with Attachment 2 of Appendix B of the FCC's Genuity Conditions;

    2) Terminated all transition services to Genuity due to be terminated during calendar year 2001 on or prior to the timeframes set forth in Attachment 2 of Appendix B to the Merger Order;

3) Charged commercially reasonable rates for services purchased by Genuity under agreements with Verizon. In some cases, rates may have been established by agreement of the parties before the Genuity spin off under affiliate transaction rules. Verizon paid Genuity commercially reasonably rates for services provided by Genuity to Verizon; and

4) Verizon jointly marketed Genuity's services as and where permitted by law.

g. On November 27, 2002, Verizon filed a motion before the Commission to remove the Merger Conditions relating to Verizon's relationship with Genuity, because Verizon has relinquished its right, under specified circumstances, to convert its equity into a controlling interest in Genuity. This motion is unopposed and is before the Commission for decision.

Section 2: Responsible Executives

Name	Title
Jeannie Diefenderfer	Vice President – Network Process Assurance Retail
William Heitmann	Senior Vice President & Treasurer
Dermott Murphy	Vice President – International Finance

Section 3: Additional Action Taken

On August 16, 2002, Verizon and the Enforcement Bureau entered into a consent decree terminating an informal Bureau investigation into Verizon's compliance with the Merger Conditions. On December 23, 2002, Verizon filed the year-end 2002 report on the effectiveness of the remedial measures, including those relating to the Genuity Merger Condition as set forth in the Compliance Plan and Consent Decree attached to the Order released on August 20, 2002, by the FCC Enforcement Bureau. The Company has implemented remedial measures as agreed, including the provision of written reinforcement to Verizon's Genuity management group of the requirement to timely submit transactions between Verizon and Genuity to the independent auditors.

Verizon has provided all Verizon/Genuity contracts, of which we are aware based on our records, to the auditors for their information and review in the 2002 Genuity Audit. Among these contracts are five contracts that were in effect before the 2002 audit period but were discovered by or brought to the attention of Verizon's audit management team during the 2002 audit cycle. In addition, on or about January 27, 2003, Genuity provided Verizon notice of certain transactions of which Verizon was not aware in connection with Genuity's pending bankruptcy case under Chapter 11 of the

U.S. Bankruptcy Code. Verizon is investigating these transactions. Those that are subject to audit under the Merger Conditions for the 2002 Genuity Audit will be provided promptly to the auditors for review.