



October 17, 2003

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

Dear Ms. Dortch:

**Re: Ex Parte:**

**In re: Application of GTE Corp. and Bell Atlantic Corporation 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**

The enclosed materials are 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 independent examinations of its compliance with the merger conditions and its controls over compliance with the merger conditions. The accompanying material includes:

- Independent Accountants' Report on the Effectiveness of Internal Control Over Compliance with the Specified Merger Conditions, as defined
- Report of Management on the Effectiveness of Controls over Compliance with Merger Conditions II, III, VIII, IX, XIII, XIV, XV, and XX
- Independent Accountants' Report on Compliance with Specified Merger Conditions, as defined
- Report of Management on Compliance with Merger Conditions II, III, VIII, IX, XIII, XIV, XV, and XX

Please place a copy of the attached independent accountants' reports in the Ex Parte file of the above referenced proceeding.

Very truly yours,

A handwritten signature in cursive script that reads "Deloitte &amp; Touche LLP".

Enclosures

cc: Ms. M. Del Duca  
Mr. H. Boyle  
Mr. P. Young  
Mr. J. Ward



## INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors  
Verizon Communications Inc.

We have examined the effectiveness of Verizon Communications Inc.'s (the "Company" or "Verizon") internal control over compliance with the following conditions set forth in Appendix D of the Federal Communications Commission's (the "FCC") Memorandum Opinion and Order in Common Carrier Docket No. 98-184<sup>1</sup> approving the Bell Atlantic/GTE Merger (the "Merger Order"):

Condition II, *Discount Surrogate Line Sharing Charges*, Condition III, *Loop Conditioning Charges and Cost Studies*, Condition VIII, *Collocation, Unbundled Network Elements, and Line Sharing Compliance*, Condition XX, *NRIC Participation*, all of which terminated on June 30, 2003, except for the requirement to refund the non-recurring charge if Verizon misses the collocation due date by more than 60 calendar days, which terminated on August 30, 2003;

Condition XIII, *Offering of UNEs*, which terminated on March 24, 2003;

Condition XV, *Access to Cabling in Multi-Unit Properties*, which terminated on July 6, 2003;  
and

Condition IX, *Most-Favored-Nation Provisions for Out-of-Region and In-Region Arrangements*, and Condition XIV, *Alternative Dispute Resolution through Mediation*, both of which terminated on July 17, 2003

(the "Specified Merger Conditions"), for the period from January 1, 2003 through the respective date of termination referenced above, based on the criteria for effective internal control over compliance established in the Merger Order. We also examined management's assertion included in the accompanying Report of Management on the Effectiveness of Controls Over Compliance with Specified Merger Conditions. Verizon management is responsible for maintaining effective internal control over compliance with the Merger Conditions and its assertion thereon. Our responsibility is to express an opinion of the effectiveness of internal control over compliance with the Specified Merger Conditions based on our examination.

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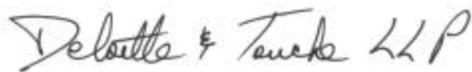
<sup>1</sup> *Application of GTE Corporation, Transferor, and Bell Atlantic Corporation, Transferee, for Consent to Transfer Control of Domestic and International Sections 214 and 310 Authorizations and Application to Transfer Control of a Submarine Cable Landing License*, CC Docket No. 98-184, Memorandum Opinion and Order, FCC 00-221 (rel. June 16, 2000).

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 control over compliance with the Specified Merger Conditions, testing, and evaluating the design and operating effectiveness of the internal control 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 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 control over compliance with the Specified Merger 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 policies or procedures may deteriorate.

In our opinion, the Company maintained effective internal control over compliance with the Specified Merger Conditions during the period from January 1, 2003 through the respective termination date for each condition referenced above based on the criteria established in the Merger Order.

This report is intended solely for the information and use of the management of the Company and the FCC and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Deloitte & Touche LLP".

October 17, 2003

Jeffrey Wm Ward  
Senior Vice President  
Regulatory Compliance



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**Report of Management on the Effectiveness of  
Controls over Compliance with Merger Conditions  
II, III, VIII, IX, XIII, XIV, XV, and XX**  
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Management of Verizon Communications Inc. (“Verizon” or the “Company”<sup>1</sup>) is responsible for establishing and maintaining effective internal controls over the Company’s compliance with the Conditions set forth in Appendix D (the “Merger 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.<sup>2</sup> The internal controls

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<sup>1</sup> The word “Company” or “Companies” used throughout this assertion refers to the Verizon telephone companies operating as incumbent local exchange carriers (“ILECs”), collectively as follows: Contel of Minnesota, Inc. d/b/a Verizon Minnesota, Contel of the South, Inc. d/b/a Verizon Mid-States, GTE Arkansas Incorporated d/b/a Verizon Arkansas, GTE Midwest Incorporated d/b/a Verizon Midwest, GTE Southwest Incorporated d/b/a Verizon Southwest, The Micronesian Telecommunications Corporation, Verizon California Inc., Verizon Delaware Inc., Verizon Florida Inc., Verizon Hawaii Inc., Verizon Maryland Inc., Verizon New England Inc., Verizon New Jersey Inc., Verizon New York Inc., Verizon North Inc., Verizon Northwest Inc., Verizon Pennsylvania Inc., Verizon South Inc., Verizon Virginia Inc., Verizon Washington, DC Inc., Verizon West Coast Inc., Verizon West Virginia Inc., provided that, with regard to the Micronesian Telecommunications Corporation, these assertions only apply to Merger Condition IV (see Merger Conditions, n.3). On July 1, 2002, July 31, 2002 and August 31, 2002, the Companies completed the sale of its wireline properties in Alabama, Kentucky and Missouri, respectively, and the Merger Conditions ceased to apply in those states.

<sup>2</sup> *Application GTE Corp, and Bell Atlantic Corp. 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, Memorandum Opinion and Order, FCC 00-221 (rel. June 16, 2000).

**Report of Management on the Effectiveness of Controls over Compliance with Merger Conditions II, III, VIII, IX, XIII, XIV, XV, and XX**

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are designed to provide reasonable assurance to the Company's management and Board of Directors that the Company is in compliance with the Merger Conditions.

Management's assertions that follow relate to compliance with the Merger Conditions as follows:

Condition XIII (Offering of UNEs), which sunset on March 24, 2003;

Condition II (Discounted Surrogate Line Sharing Charges), Condition III (Loop Conditioning Charges and Cost Studies), and Condition XX (NRIC Participation), each of which sunset on June 30, 2003;

Condition VIII (Collocation, Unbundled Network Elements and Line Sharing Compliance), sunset on June 30, 2003, except for the requirement to credit or refund non-recurring costs for collocation if the collocation due date is missed by more than 60 days, unless the Company can demonstrate that the miss was solely caused by equipment vendor delay beyond the Company's control. This requirement to credit or refund sunset August 30, 2003;

Condition XV (Access to Cabling in Multi-Unit Properties), which sunset on July 6, 2003, 36 months after implementation; and,

Condition IX (Most-Favored-Nation Provisions for Out-of-Region and In-Region Arrangements) and Condition XIV (Alternative Dispute Resolution through Mediation), which sunset on July 17, 2003, 36 months after implementation.

These Conditions are collectively referred to as the "Specified Merger Conditions."

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

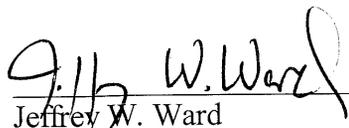
The Company has determined that the objective of the internal controls with respect to compliance with the Specified Merger Conditions is to provide reasonable, but not absolute, assurance that compliance has been achieved.

**Report of Management on the Effectiveness of Controls over Compliance with  
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The Company has assessed its internal controls over compliance with the Specified Merger Conditions. Based on this assessment, the Company asserts that during the period starting January 1, 2003, through the sunset dates as described above, its internal controls over compliance with the Specified Merger Conditions were effective in providing reasonable assurance that the Company has complied with the Specified Merger Conditions.

Verizon Communications Inc.

  
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Jeffrey W. Ward

Senior Vice President Regulatory Compliance  
October 17, 2003



## INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors  
Verizon Communications Inc.

We have examined Verizon Communications Inc.'s (the "Company" or "Verizon") compliance, during the period from January 1, 2003 through the respective termination date of each condition referenced below, with the following conditions set forth in Appendix D of the Federal Communications Commission's (the "FCC") Memorandum Opinion and Order in Common Carrier Docket No. 98-184<sup>1</sup> approving the Bell Atlantic/GTE Merger:

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<sup>1</sup> Merger Conditions are set forth in Appendix D of the FCC's Order approving the Bell Atlantic/GTE Merger (*Application of GTE Corporation, 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, Memorandum Opinion and Order, FCC 00-221 (rel. June 16, 2000). Condition VIII, *Collocation, Unbundled Network Elements, and Line Sharing Compliance*, of the Merger Conditions requires the Company to provide collocation consistent with the FCC's rules as defined in *Implementation of Local Competition Provisions of the Telecommunications Act of 1996*, First Report and Order and Fourth Notice of Proposed Rulemaking, CC Docket No. 96-98, (FCC 96-325) 11 FCC Rcd 15499 (1996) ("Local Competition Order"), *Deployment of Wireline Service Offering Advanced Telecommunications Capability*, CC Docket No. 98-147, First Report and Order (FCC 99-48), 14 FCC Rcd 4761 (1999) ("Advanced Services Order"), as modified by *GTE Services Corporation v. FCC*, 205 F.3d 416 (D.C. Cir. 2000) ("GTE Services Corporation"), and as modified and expanded by *Deployment of Wireline Service Offering Advanced Telecommunications Capability and Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, CC Docket Nos. 98-147 and 96-98, Order on Reconsideration And Second Further Notice of Proposed Rulemaking in CC Docket 98-147 And Fifth Further Notice of Proposed Rulemaking in CC Docket 96-98 (FCC 00-297), 15 FCC Rcd 17806 (2000), including collocation rules codified in 47 CFR Sections 51.321 and 51.323 as modified by the waiver granted to Verizon Communications Inc. in *Deployment of Wireline Service Offering Advanced Telecommunications Capability*, CC Docket No. 98-147, Memorandum Opinion and Order (DA 00-2528) 16 FCC Rcd 3748 (2000) and as modified and expanded by *Deployment of Wireline Service Offering Advanced Telecommunications Capability*, CC Docket No. 98-147, Fourth Report and Order, (FCC 01-204) 16 FCC Rcd 15435 (2001) and *In the Matter of Verizon Communications Inc., Order and Consent Decree*, (DA 01-2079) 16 FCC Rcd 16270 (2001) and *Deployment of Wireline Services Offering Advanced Telecommunications Capability*, CC Docket No. 99-147, (FCC 02-234), 17 FCC Rcd 16960 (2002). Condition VIII also requires the Company to provide unbundled network elements and line sharing consistent with the FCC's rules as defined in the Local Competition Order, *Implementation of Local Competition Provisions of the Telecommunications Act of 1996*, Third Report and Order and Fourth

Condition II, *Discount Surrogate Line Sharing Charges*, Condition III, *Loop Conditioning Charges and Cost Studies*, Condition VIII, *Collocation, Unbundled Network Elements, and Line Sharing Compliance*, Condition XX, *NRIC Participation*, all of which terminated on June 30, 2003, except for the requirement to refund the non-recurring charge if Verizon misses the collocation due date by more than 60 calendar days, which terminated on August 30, 2003;

Condition XIII, *Offering of UNEs*, which terminated on March 24, 2003;

Condition XV, *Access to Cabling in Multi-Unit Properties*, which terminated on July 6, 2003; and

Condition IX, *Most-Favored-Nation Provisions for Out-of-Region and In-Region Arrangements*, and Condition XIV, *Alternative Dispute Resolution through Mediation*, both of which terminated on July 17, 2003, and

Providing the FCC with timely and accurate notices pursuant to specific notification requirements relating to such conditions,

(the “Specified Merger Conditions”). We also examined management’s assertion included in the accompanying Report of Management on Compliance with the Specified Merger Conditions. Management is responsible for the Company’s compliance with the Merger Conditions and its assertion thereon. Our responsibility is to express an opinion on the Company’s compliance with the Specified Merger Conditions based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Company’s compliance with the Specified Merger 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 the Company’s compliance with specified requirements.

In applying the provisions of Condition VIII, it is the Company’s understanding that, under Title 47 Parts 51.321(h) of the Code of Federal Regulations, the Company satisfies its obligation by maintaining a publicly available Internet site indicating all central offices that are full. The Company’s Internet site does not list other premises as “full” because the Company believes that the FCC has not established

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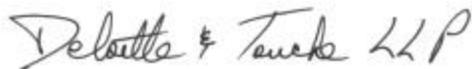
Notice of Proposed Rulemaking, CC Docket No. 96-98, (FCC 99-238) 15 FCC Rcd 3696 (1999) (“UNE Remand Order”) and *Deployment of Wireline Services Offering Advanced Telecommunications Capability and Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, Third Report and Order in CC Docket No. 98-147 and Fourth Report and Order in CC Docket No. 96-98, (FCC 99-355) 14 FCC Rcd 20912 (1999) (“Line Sharing Order”), *Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, CC Docket No. 96-98, (FCC 00-183) 15 FCC Rcd 9587 (2000) and *Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, CC Docket 96-98, 16 FCC Rcd 2101 (2001), including unbundled network elements and line sharing rules codified in 47 CFR Sections 51.230; 51.231; 51.232; 51.233; 51.305 (except (a)(4)); 51.307; 51.309; 51.311(a)-(b) and (d)-(e); 51.313; 51.315; 51.317; and 51.319. Effective February 27, 2003, the rules adopted in the UNE Remand Order and the Line Sharing Order were vacated by the Court in *USTA v. FCC*, 290 F.3d 415 (D.C. Cir. 2002), *cert. denied sub nom. WorldCom, Inc., AT&T Corp., and Covad Communications Company v. United States Telecom Assoc., et al.*, Case No. 02-858, 123 S. Ct. 1571 (Mar. 24, 2003).

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. The FCC staff has been requested to provide their interpretation of this matter in a letter sent by prior independent accountants to the Assistant Chief, Investigations and Hearings Division of the Enforcement Bureau, of the FCC dated August 13, 2002. The Company's compliance with this specific collocation rule is primarily a legal determination, and as discussed above, we are unable to make a legal determination of the Company's compliance with this specific rule.

In applying the provisions of Condition VIII, the Company offers a standard interconnection agreement that 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 Company does not require CLECs to accept this clause, and any CLEC can adopt an agreement without such limitation under the "most favored nation" provisions of Merger Condition IX, *Most-Favored-Nation Provisions for Out-of-Region and In-Region Arrangements*. Verizon has entered into several post-merger agreements that do not contain the 25% dark fiber limitation. The FCC staff has been requested to provide their interpretation of this matter in a letter sent by prior independent accountants to the Assistant Chief, Investigations and Hearings Division of the Enforcement Bureau, of the FCC dated May 9, 2002. The Company's compliance with this specific interconnection rule is primarily a legal determination, and as discussed above, we are unable to make a legal determination of the Company's compliance with this specific rule.

In our opinion, the Company complied, in all material respects, with the Specified Merger Conditions as interpreted above during the period from January 1, 2003 through the respective termination date for each condition referenced above and to provide the FCC with timely and accurate notices pursuant to specific notification requirements relating to the Specified Merger Conditions for such period.

This report is intended solely for the information and use of the management of the Company and the FCC and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Deloitte & Touche LLP".

October 17, 2003

Jeffrey Wm Ward  
Senior Vice President  
Regulatory Compliance



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## **Report of Management on Compliance With Merger Conditions II, III, VIII, IX, XIII, XIV, XV, and XX**

October 17, 2003

Management of Verizon Communications Inc. (“Verizon” or the “Company<sup>1</sup>”) is responsible for ensuring that Verizon complies with the conditions set forth in Appendix D (“the Merger 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.<sup>2</sup> Management’s assertions that follow relate to compliance with the following conditions set forth in Appendix D:

Condition II (Discounted Surrogate Line Sharing Charges), Condition III (Loop Conditioning Charges and Cost Studies), Condition VIII (Collocation, Unbundled Network Elements and Line Sharing Compliance), Condition IX (Most-Favored-Nation Provisions for Out-of-Region and In-Region Arrangements), Condition XIII (Offering of UNEs), Condition XIV (Alternative Dispute Resolution through Mediation), Condition XV (Access to Cabling in Multi-Unit Properties), and Condition XX (NRIC Participation) (the “Specified Merger Conditions”).<sup>3</sup>

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<sup>1</sup> The word “Company” or “Companies” used throughout this assertion refers to the Verizon telephone companies operating as incumbent local exchange carriers (“ILECs”), collectively as follows: Contel of Minnesota, Inc. d/b/a Verizon Minnesota, Contel of the South, Inc. d/b/a Verizon Mid-States, GTE Arkansas Incorporated d/b/a Verizon Arkansas, GTE Midwest Incorporated d/b/a Verizon Midwest, GTE Southwest Incorporated d/b/a Verizon Southwest, The Micronesian Telecommunications Corporation, Verizon California Inc., Verizon Delaware Inc., Verizon Florida Inc., Verizon Hawaii Inc., Verizon Maryland Inc., Verizon New England Inc., Verizon New Jersey Inc., Verizon New York Inc., Verizon North Inc., Verizon Northwest Inc., Verizon Pennsylvania Inc., Verizon South Inc., Verizon Virginia Inc., Verizon Washington, DC Inc., Verizon West Coast Inc., Verizon West Virginia Inc., provided that, with regard to the Micronesian Telecommunications Corporation, these assertions only apply to Merger Condition IV (see Merger Conditions, n.3). On July 1, 2002, July 31, 2002 and August 31, 2002, the Companies completed the sale of its wireline properties in Alabama, Kentucky and Missouri, respectively, and the Merger Conditions ceased to apply in those states.

<sup>2</sup> *Application of GTE Corp. and Bell Atlantic Corp. 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, Memorandum Opinion and Order, FCC 00-221 (rel. June 16, 2000).

<sup>3</sup> This report does not address immaterial matters, including any immaterial matters that may be included in Verizon’s Annual Compliance Report that will be filed with the FCC on March 15, 2004.

## **Report of Management on Compliance With Merger Conditions**

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Management has performed an evaluation of Verizon's compliance with the requirements of the Specified Merger Conditions for the time period during 2003 during which these Conditions were operative, as indicated in Management's assertions which follow (the "Evaluation Period"). Based on this evaluation, we assert that, during the Evaluation Period, Verizon has complied with all requirements of the Specified Merger Conditions in all material respects as described below. In addition, Verizon provides the following information regarding compliance with the Merger Conditions.

#### II. Discounted Surrogate Line Sharing Charges

No implementation was necessary given that the Company continued to offer line sharing in accordance with the FCC's line sharing rules.

This Condition sunset on June 30, 2003, 36 months after the merger close date.<sup>4</sup>

#### III. Loop Conditioning Charges and Cost Studies

The Company complied with the requirements of this Condition by continuing 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, and true-ups were done as needed. Permanent rates for loop conditioning became effective in Oregon and in the former Bell Atlantic service area in Pennsylvania during the evaluation period. 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 or voice grade repeaters, and obtained telecommunication carrier authorization prior to proceeding with any conditioning that would result in charges to the telecommunications carrier.

This Condition sunset on June 30, 2003, 36 months after the merger close date.

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

The Company complied with the requirements of this Condition in the following manner:

- a. 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.
- b. 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.

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<sup>4</sup> The merger close date was June 30, 2000.

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- c. In limited instances, Verizon's bills for Unbundled Network elements contained nominal errors, which are or will be corrected.
- d. In limited instances, Verizon's collocation web site postings contained nominal errors, which have been corrected.

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.

This Condition sunset on June 30, 2003, 36 months after merger close, except for the requirement to credit or refund non-recurring costs for collocation if the collocation due date is missed by more than 60 days, unless the Company can demonstrate that the miss was solely caused by equipment vendor delay beyond the Company's control, which sunset August 30, 2003.

#### IX. Most-Favored-Nation Provisions for Out-of-Region and In-Region Arrangements

The Company complied with the requirements of this Condition by making available to requesting telecommunications carriers in the former Bell Atlantic and GTE service areas interconnection arrangements, unbundled network elements or provisions of an

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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 July 17, 2003, Verizon had not received any CLEC requests for Verizon affiliate Out-of-Region MFN arrangements. In addition, through July 17, 2003, Verizon, when acting outside its incumbent service area, did not specifically request and obtain any interconnection arrangements or 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, and as described in paragraph e below, 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 were withdrawn on June 13, 2003.

- d. Each Verizon Out-of-Region local exchange affiliate posted on the Verizon website agreements entered into with non-affiliated incumbent local exchange carriers.
- e. In applying the provisions of Condition IX, the FCC found that a CLEC had the right in certain circumstances to adopt in one state an entire interconnection agreement that Verizon had entered into in another state, including a provision governing compensation for Internet-bound traffic (*Global NAPs, Inc. v. Verizon Communications et. al*, 17 FCC Rcd 4031, ¶ 12 (2002)). The FCC also found that "only the relevant state commission may ultimately decide whether particular terms of the agreement should be adopted in that state, and if so, what those terms mean" (*id.* at ¶ 19). The FCC decision said it expected Verizon and the CLEC to submit the Rhode Island agreement, including the provision relating to compensation for Internet-bound traffic if the CLEC so chose, to the Virginia and Massachusetts

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commissions for approval, pursuant to section 252 (e)(1) of the Act (id at ¶ 20). Pursuant to the FCC's order, Verizon submitted the Rhode Island agreement to the Virginia State Corporation Commission and to the Massachusetts Department of Telecommunications and Energy under cover letters dated April 18, 2002 and March 26, 2002, respectively. The letters also explained that a provision of the agreement concerning compensation for Internet-bound traffic was not consistent with the law and regulatory policies of the respective states. In an order issued on April 18, 2003, the Virginia State Corporation Commission declined to approve the Rhode Island agreement or to interpret it. The Massachusetts Department of Telecommunications and Energy issued a decision on June 24, 2002, approving the Rhode Island agreement, but interpreting it to deny the CLEC compensation for Internet-bound traffic.

This Condition sunset on July 17, 2003, 36 months after implementation.

### **XIII. Offering of UNEs**

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).

The *UNE Remand Order* and *Line Sharing Order* were vacated effective February 27, 2003, when the Court of Appeals issued its mandate. This invoked Verizon's obligation under Condition XIII to continue to make available UNEs and UNE combinations required by those orders until the orders became final and non-appealable. 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). The orders became final and non-appealable on March 24, 2003, when the Supreme Court denied certiorari. Verizon's obligation to continue to make available UNEs and UNE combinations under Condition XIII terminated on that date.

This Condition sunset on March 24, 2003.

### **XIV. Alternative Dispute Resolution through Mediation**

The Company complied with the requirements of this Condition by providing, 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 alternative dispute resolution process posted on its Internet websites. As of July 17, 2003, Verizon received no formal Alternative Dispute Resolution mediation requests.

This Condition sunset on July 17, 2003, 36 months after implementation.

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**XV. Access to Cabling in Multi-Unit Properties**

The Company complied with the requirements of this Condition in the following manner:

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 through July 6, 2003.

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.

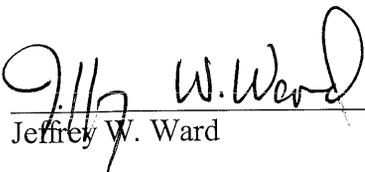
This Condition sunset on July 6, 2003, 36 months after implementation.

**XX. NRIC Participation**

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

This Condition sunset on June 30, 2003, 36 months after the merger close date.

Verizon Communications Inc.

  
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Jeffrey W. Ward

Senior Vice President Regulatory Compliance  
October 17, 2003