

Before the
FEDERAL COMMUNICATIONS COMISSION
Washington, DC

In the matter of:

Request for Review of the)	
Decision of the)	
Universal Service Administrator by)	
Onondaga-Cortland-Madison BOCES)	File No. SLD 345905
Syracuse, NY)	
)	
Schools and Libraries Universal Service)	
Support Mechanism)	CC Docket No. 02-6
)	

To: Telecommunications Access Policy Division, Wireline Competition Bureau

REQUEST FOR REVIEW

Onondaga-Cortland-Madison BOCES (“OCM BOCES” or “Consortium”) hereby requests that the Commission review the decision of the Schools and Libraries Division (“SLD”) of the Universal Service Administrative Company in the above referenced matter.¹

The reason provided by the SLD for the rejection of these FRNs was:

“Category of services changed from Telecom to Internal Connections in accordance with program rules. Given demand, the funding cap will not provide for internal connections at your approved discount level to be funded.”

¹ Billed Entity Number: 124492; Form 471 Number: 345905
Funding Request Numbers: 953252, 953362, 953363.

OCM BOCES contends that the SLD erred in its decision to treat these funding requests as internal connections rather than the leased telecommunications services that they clearly were.

The SLD's decision should be reversed and the matter remanded to the SLD for further processing because the SLD incorrectly concluded that the contracts in question amounted to a lease-purchase agreement and that the applicant intended to assume ownership of the equipment at the end of the lease. The information provided to the SLD during the review process and additional evidence included with this Appeal make it clear that that was not the intent of OCM BOCES.

OCM BOCES contends that the SLD misinterpreted the boilerplate contract documents that were used to document this specific transaction. As explained more fully below, OCM BOCES contracted and applied for discounts on a fully managed, end-to-end, OC3-ATM voice/data/video solution. To provide this sophisticated, end-to-end service, its service provider, Verizon needed to have ATM demarcation or edge equipment installed at the school "ends" of each one of its OC3 "pipes." There, at the on-premise, ATM demarcation points, Verizon would "hand off" its high speed ATM service to school district's serviced by OCM BOCES. The OCM BOCES agreement provided that full title to the on-premise, demarcation equipment would remain with Verizon throughout the full term of service. Furthermore, title would not vest automatically with OCM BOCES at the end of the contract period for any amount of money and, equally important, not a single dollar that OCM BOCES paid to Verizon for discounted ATM service could ever be applied to the purchase of that equipment. *See* Opinion of Ferrara, Fiorenza, Larrison, Barrett & Reitz, Counsel to OCM BOCES (Letter from Dennis T. Barrett, Esq. dated August 14, 2003) ("...it is our opinion that pursuant to New York State law the transaction entered into between BOCES and Verizon...is not a lease purchase agreement or other financing vehicle."). Mr. Barrett's letter ("Barrett") is attached hereto as Exhibit 1. *See, also*, Statement of Verizon Credit Inc. (Letter from Bonnie M. Meyer, General Manager East dated August 13, 2003) ("Clearly any predetermined intent on the part of OCM-BOCES to purchase this equipment would be in

violation of the [IRS] tax guidelines, which I assure you is not the case.). Ms. Meyer's letter ("Meyer") is attached hereto as Exhibit 2.

I. FACTS

In the fall of 1999, OCM BOCES conducted an RFP for a multi-year, ATM managed service contract. The RFP document clearly stated: "Vendors may make the following assumptions: 1) The vendor(s) will install, own and maintain all core and edge network equipment required to deliver the integrated data/video/voice services.² OCM BOCES will own and maintain district routers, hubs, servers and other LAN equipment." Verizon won the award. The contract that followed included a pro-forma, \$1 equipment buyout provision.

In the fall of 2001, in response to new SLD advisories detailing how it would evaluate the eligibility of leased wide area networks that included on-premise equipment, and operating on specific advice from SLD staff, OCM BOCES officials proposed amending the OCM BOCES lease agreement to eliminate the equipment buyout option. OCM BOCES believed that making this change would bring its lease agreements into conformity with SLD rules. Thus, in November 2001, the lease with Verizon was amended, and new contract documents were executed. Meyer at para 1.

In response to inquiries from Program Integrity Assurance in its review of OCM BOCES 2003 funding requests, OCM BOCES submitted a variety of documents. These included Verizon's pre-printed, form document package, namely, "State and Local Government Master Equipment Lease-Purchase Agreement form Muni 205L and associated ancillary documents including Schedules and Exhibits." Meyer at para 2. They also included another boilerplate form, Schedule A-3, Verizon Credit Inc. State and Local Government Lease Schedule (Operating Lease), because OCM-BOCES had insisted that the terms of the lease be amended to ensure full compliance with the SLD's posted guidelines related to the Federal Communications Commission's *Tennessee*

² FRN 953362 is based on Form 470 # 417730000337577, which was posted in December 2000. The language of that RFP was essentially the same, adjusted only to reflect a different group of participating entities.

decision, which covered managed telecommunications services incorporating on-premise equipment.

Verizon's Schedule A-3 is a legally binding document designed to address the specific needs of government customers, like OCM BOCES, that require a "true lease" rather than a "lease purchase agreement" or "installment sale contract." Meyer at paras. 2-4. Barrett at para. 1. As both a practical and a legal matter, it is a supplemental, pre-printed form that Verizon uses to turn its standard form agreement from a Lease-Purchase into an Operating Lease Agreement.³ Together, Verizon's myriad forms memorialized a complex transaction in which, significantly, all of the following is true (Meyer at para. 5):

- (a) OCM BOCES had no legal obligation to take title to the leased equipment *at any time*;
- (b) Lease payments could not be credited toward the purchase of the leased equipment; and
- (c) A "bargain purchase option" was, simply, not an option.

While Verizon acknowledges referring in subsequent correspondence with OCM BOCES to a Lease Purchase as opposed to an Operating Lease, the reason for that, Verizon explains, is that the correspondence was simply "form letters used to disseminate information"; the document was not intended to reflect any change to the basic nature of the parties' understanding. Meyer at para 4.

The boilerplate nature of Verizon's catch-all, Muni 205L Lease Purchase form is further evidenced by references in it to "tax-exempt" and "taxable" leases in Paragraph 12. Because Verizon does not know the specifics of the contract in question beforehand, it covers both options.

³ "This Schedule A-3 is the executed, legally binding document that spells out the actual terms of the contract and structure of the transaction." Meyer at para. 4..

The SLD may also have misinterpreted a November 20, 2001 contract amendment document that was sent by Sue Zealey of Verizon to Deborah Ayers, which made reference to a “cash purchase price.” As Ms. Meyer’s letter makes clear, these figures refer to financial arrangements within Verizon, not between Verizon and OCM BOCES. (Meyer at para, 4, Amendment Letter)

Moreover, the documents created by the consortium clearly indicated that it had no intention of purchasing this equipment, the Verizon boilerplate documents to the contrary notwithstanding. For instance, the “Resolution Authorizing Personal Property Lease Contract,” Exhibit 2, that was adopted on September 20, 2001 and submitted during the course of PIA review, says: “*the Service includes the leasing of telecommunications equipment to provide connectivity to and among the BOCES and participating school districts. . . .*” (emphasis added). Attached as Exhibit 3.

Later the document notes: “The BOCES hereby determines that the Lease is in the best financial interests of the BOCES, because obtaining the use of such telecommunications equipment as an aspect of the Service through a personal property lease or contract allows the Service to qualify for the Schools and Libraries Commission E-rate, and allow the BOCES to *obtain the use of current technology and appropriate updates and new technology without the substantial initial capital costs involved in purchasing the equipment.*” (emphasis added.) Thus in the resolution that the consortium prepared as a statement of its own intentions, it specifically says that the consortium did not intend to purchase the equipment because that would cost more money.

Similarly, in a letter dated November 8, 2001, from Dennis Barrett, OCM BOCES’ counsel (Attached as Exhibit 4), the consortium’s attorney consistently refers to the agreement as an “equipment operating lease” and never as a lease-purchase agreement, unless referencing the title of the Verizon boilerplate document. This document notes that “lessee has the requisite power and authority to lease the equipment” and that the agreement is “entered into pursuant to and in order to carry out in part the terms of a Request for Proposals for multi-year *Service Agreement for*

Telecommunications Services and the Response submitted thereto by Bell Atlantic. (emphasis added) .

In a November 16, 2001, letter to Bonnie Meyer of Verizon Credit, Barrett specified: “Please note that I have not enclosed Attachment 2 (Form 8038) or Attachment 3 (Bank Qualified Designation) *because this is an operating lease and not a lease-purchase agreement*; those documents are not applicable.” (emphasis added) Attached as Exhibit 5.

During PIA review, Donald Donahue, regional director, Central Area, Verizon Enterprise Solutions Group, submitted a letter, dated April 11, 2003, that made clear that Verizon would continue to hold title to the equipment in question, and that OCM BOCES had no intention of purchasing the equipment.⁴ Attached as Exhibit 6.

II. DISCUSSION

In the end, unfortunately, despite convincing evidence from both parties as to the meaning and intent of their own agreement, the SLD apparently decided to treat the agreement, not as the operating lease that, in fact, it is, but rather, to treat it as a lease-purchase that it is not. Thus we have attached two additional Statements (*See* Exhibits 1 and 2), one from the Verizon’s leasing expert who helped to prepare this transaction and the other from OCM BOCES’s counsel, who personally represented the consortium during the lease negotiations. Both parties’ professional representatives make it plain, yet again, that:

- (a) Neither side contemplated OCM BOCES ever purchasing the on-premise demarcation/edge equipment necessary to provide the service;
- (b) Various boilerplate labels and captions to the contrary notwithstanding, the lease documents taken together and read as a whole comprise the lease

⁴ Bonnie Meyer’s attached statement supports both of Mr. Donahue’s assertions: “Verizon Credit Inc. does in fact hold title to this equipment, is depreciating the asset on our books and accounting for this as a true lease for tax purposes. In order for us to account for this transaction in this manner...risk of ownership must lie with the Lessor – Verizon Credit Inc. The intent to purchase may not be predetermined by offering a “bargain purchase option.” Meyer at para. 5.

agreement that Verizon uses in cases like this one, where its customer has no intent to purchase the leased equipment; and

- (c) As SLD rules require, title to the equipment will not pass to OCM BOCES under the terms of the lease, and the lease does not include an option to purchase the equipment. *Eligibility Conditions for On-premise Priority 1 Equipment* (“Ownership of the equipment will not transfer to the school or library in the future, and the relevant contract or lease does not include an option to purchase the equipment by the school or library.”)
<http://www.sl.universalservice.org/reference/OnPremP1.asp>

In his attached Statement (Exhibit 1), OCM BOCES Counsel Dennis Barrett explains that his client’s lease, “Schedule A-3”, is simply an operating lease that allows for nothing more than use of the leased equipment:

Under New York law, this is a personal property “operating” lease, which constitutes a “true lease” rather than a “lease purchase agreement” or “installment sale contract”. A lease purchase or installment sale agreement is simply a method of financing the purchase of equipment. A true lease, instead, is a method of obtaining the use of equipment by renting it (just as a tenant in an apartment leases living space). Under the true lease, title to the equipment remains in Verizon as owner; at the end of the lease term, the equipment is either returned to Verizon or a new lease is negotiated.

Mr. Barrett explains further that, although OCM BOCES may buy Verizon’s demarcation/edge equipment at the end of the lease at full fair market value, the fact that it may do so does not represent a “purchase option”. A purchase option is an option to purchase at less than fair market value. “Just as it could buy any used equipment on the market at full market value,” Mr. Barrett points out, OCM BOCES theoretically could opt to purchase Verizon’s at the same full market price. The important and single most relevant point in this regard, as Mr. Barrett makes clear, is that the lease does not give OCM BOCES the option to apply any of its lease payments toward the purchase of

Verizon's equipment *or any other option or means to purchase the equipment for less than fair market value.*

Ms. Meyer's statement fully supports Mr. Barrett's explanation and interpretation of the lease. According to Ms. Meyer, Verizon Credit Inc. had no choice but to retain title to the equipment and, moreover, could not legally offer OCM BOCES a "bargain purchase option" at the end of the lease. *See* footnote 3, *supra*.

III. CONCLUSION

The SLD's rules governing the eligibility of "on-premise equipment for end-to-end service" state, in pertinent part, that an applicant's lease may not include an option to purchase the equipment. In a lease, an option to purchase is essentially a "bargain purchase option" or, in other words, an option to purchase for an amount that is less than fair market value. The absence of a purchase option means that the lease is a "true lease." Property that is leased under a true lease is essentially "rental property." Users of rental equipment have no ownership interest whatsoever in the equipment. Rental equipment is the category of equipment that is eligible for E-rate support under the SLD's on-premise telecommunications equipment rules. Under a true lease, the lessee or "renter" has three options at the end of the lease term: (1) return the equipment; (2) negotiate a new lease; or (3) purchase the equipment at fair market value.

The OCM BOCES – Verizon lease is a true lease. At the end of the lease term, OCM BOCES must return the on-premise equipment, negotiate a new lease, or buy it at the full market price. The on-premise equipment, therefore, is clearly rental property.

In short and in conclusion, because no explicit or implicit option to purchase the on-premise equipment exists, OCM BOCES correctly requested support for it as part of a leased, end-to-end telecommunications service.

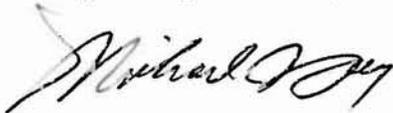
See <http://www.sl.universalservice.org/reference/OnPremP1.asp> (SLD prohibition against future ownership provision is presumably consistent with "true lease" interpretation of that term for telecommunications facilities, meaning no ownership of

equipment at end of lease at less than fair market value – in other words, SLD’s intention is not to fund anything in this category except on-premise equipment “rentals”).

Consequently, the SLD’s decision to move the funding requests to the internal connections category was incorrect, because it was apparently based on the SLD’s misinterpretation of the nature of the lease agreement between OCM BOCES and Verizon.

Therefore, for all of the above reasons, OCM BOCES requests that the SLD reverse its original decision and fund fully all of the FRNs in issue.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Michael J. Fay". The signature is written in a cursive style with a large initial "M".

Michael J. Fay

Director

Onondaga Cortland Madison BOCES Telecommunications Services

FERRARA, FIORENZA, LARRISON, BARRETT & REITZ, P.C.

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August 14, 2003

Via Telefax to 433-2633 and First Class Mail

Ms. Kathy Smith
Onondaga-Cortland-Madison BOCES
Post Office Box 4754
6820 Thompson Road
Syracuse, New York 13221-4754

Re: OCM BOCES Lease of Verizon Equipment

Dear Kathy:

We are the attorneys representing OCM BOCES, and I personally represented the BOCES in negotiating the lease between OCM BOCES and Verizon for switching equipment which is dated November 8, 2001, and is titled Schedule A-3. You have asked that I explain the nature of this lease.

Under New York law, this is a personal property "operating" lease, which constitutes a "true lease" rather than a "lease purchase agreement" or "installment sale contract". A lease purchase or installment sale agreement is simply a method of financing the purchase of equipment. A true lease, instead, is a method of obtaining the use of equipment by renting it (just as a tenant in an apartment leases living space). Under the true lease, title to the equipment remains in Verizon as owner; at the end of the lease term, the equipment is either returned to Verizon or a new lease is negotiated. Although the BOCES can buy the equipment at the end of the lease for the full fair market value – just as it could buy any used equipment on the market at full market value – rent is simply paid for the use of the equipment and is not applied to any purchase of the equipment. In contrast, under a lease purchase or installment sale contract, the periodic payments do purchase the equipment over time.

In conclusion, it is our opinion that pursuant to New York State law the transaction entered into between BOCES and Verizon with respect to this equipment is a true lease and is not a lease purchase agreement or other financing vehicle.

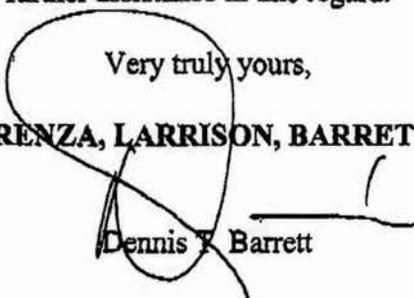
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Ms. Kathy Smith
August 14, 2003
Page 2

Please call if I can be of further assistance in this regard.

Very truly yours,

FERRARA, FIORENZA, LARRISON, BARRETT & REITZ, P.C.


Dennis T. Barrett

DTB/cam

cc: Orin Heend, Esq. (via telefax to 703-351-6218)

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Verizon Credit Inc. (VCI)
One Tampa City Center
201 N. Franklin St., Ste 3300
Tampa, FL 33602

August 13, 2003

OCM – BOCES
6820 Thompson Road
Syracuse, NY 13221

Re: Verizon Credit Inc., Documentation statement for Letter of Appeal

To Whom It May Concern:

Verizon Credit Inc. entered in to a lease arrangement with OCM-BOCES in November 2001. The structure of the transaction is an Operating Lease structure whereby Verizon Credit Inc. holds title to all equipment throughout the term of the lease, and OCM-BOCES pays for the use of the equipment via quarterly rent.

The transactions are documented on Verizon Credit Inc. standard State and Local Government Master Equipment Lease-Purchase Agreement form Muni 205L and associated ancillary documents including Schedules and Exhibits. This is a pre-printed form document package used for all government, municipal customers. The terms and conditions therein are specifically set up to meet the unique needs of municipal entities including but not limited to non-appropriations and tax exempt status.

OCM-BOCES specific request for the structure of their particular transaction was that they did not automatically receive title to the equipment at any time and that they were not required to take ownership at any time. This objective was specifically met with the Schedule A-3, Verizon Credit Inc. State and Local Government Lease Schedule (Operating Lease) document. This is a preprinted form used specifically to meet the needs of customers with the title and ownership request like OCM-BOCES. This Schedule effectively details the dollars associated with the transaction including the payment amount commitment. In addition, this Schedule A-3 essentially modifies the Lease Purchase Agreement to an Operating Lease structure where in paragraphs 6, the terms are incorporated into the master agreement, and paragraph 8 where the terms following are modified as it relates to the specifics of the Operating lease, including, but not limited to, Title to Equipment, Tax Matters, Purchase Option (not obligation), Renewal Option and Surrender Option.

This Schedule A-3 is the executed, legally binding document that spells out the actual terms of the contract and structure of the transaction. Any subsequent correspondence in

EXHIBIT 2

letter format referencing a Lease Purchase as oppose to an Operating Lease are form letters used to disseminate information from Verizon Credit Inc., not contractual executed obligations or intention of OCM-BOCES. These letters may include:

Welcome Letter – A form letter, which is sent to the customer with copies of executed contracts. The copies of the contracts are the identifying documents regarding the structure. The letter is not meant to provide descriptive detail on the transaction.

Amendment Letter – A form letter used to correct or amend any changes to the dollars associated with the Schedule A-3 and in fact a copy of the Schedule A-3 is attached to the letter. This document in no way modifies the terms incorporated in the A-3, strictly the economics or dollars involved. The Cash Purchase Price references the dollar amount Verizon Credit Inc. will pay the vendor – Verizon Network Integration. This is the basis for which rental figures are calculated, but in no way represents OCM-BOCES intent to purchase.

Verizon Credit Inc. does in fact hold title to this equipment, is depreciating the asset on our books and accounting for this as a true lease for tax purposes. In order for us to be account for this transaction in this manner, we need to comply with the IRS guidelines for Tax Oriented Leases which dictates that the risk of ownership must lie with the Lessor – Verizon Credit Inc. The intent to purchase may not be predetermined by offering a “bargain purchase option”. Clearly any predetermined intent on the part of OCM-BOCES to purchase this equipment would be in violation of the tax guidelines, which I assure you is not the case.

I hope this clears up any confusion regarding the structure of this transaction, terminology used and intent on the part of Verizon Credit Inc.’s documentation.

Sincerely,

Bonnie M. Meyer
General Manager, East
Verizon Credit Inc.

SIGNED ORIGINAL

EXHIBIT 2
TO LEASE SCHEDULE NO. 001/1-24
00 2/25-35

RESOLUTION AUTHORIZING PERSONAL PROPERTY LEASE CONTRACT

WHEREAS, the Onondaga-Cortland-Madison Board of Cooperative Educational Services (the BOCES) has approved a project consisting of acquisition of an Integrated Telecommunications Network Service (the "Service"); and

WHEREAS, the Service includes the leasing of telecommunications equipment to provide connectivity to and among the BOCES and participating school districts and on May 31, 2000, the BOCES authorized the award of contracts to Bell Atlantic (now Verizon) and to Telergy (collectively the "Contractors") pursuant to the RFP for the Service; and

WHEREAS, the BOCES desires to provide for the final negotiating and execution of a contract or personal property lease or leases of equipment and other personal property (the "Equipment") necessary for the Service (collectively and individually the "Lease") and further desires to delegate the authority to negotiate, approve, execute and deliver the Lease and to carry out all other necessary or appropriate actions in furtherance thereof and of the Service;

NOW THEREFORE, BE IT RESOLVED, as follows:

Section 1. The BOCES hereby ratifies all previous actions taken by it and on its behalf in order to obtain and implement the Service.

Section 2. The BOCES hereby determines that the Lease is in the best financial interests of the BOCES, because obtaining the use of such telecommunications Equipment as an aspect of the Service through a personal property lease or contract allows the Service to qualify for the Schools and Libraries Commission E-Rate, and allows the BOCES to obtain the use of current technology and appropriate updates and new technology without the substantial initial capital costs involved in purchasing the equipment.

Section 3. The authority to determine the terms and conditions of the Lease, including the amount, timing and frequency of payments, and the term thereof (not to exceed five years from the date of possession of the Equipment) and to make all other determinations necessary or appropriate thereto, in accordance with the previous actions of the BOCES including but not limited to the resolution adopted on May 31, 2000, is hereby delegated to the president of the BOCES, and the President or the Assistant Superintendent for Administration of the BOCES (or either of them) is hereby authorized to execute and deliver the Lease and related documents for the Service on behalf of and in the name of the BOCES in accordance with such determinations by the President, and the Clerk is hereby authorized to affix the seal of the BOCES thereto and to attest the same, with such changes, variations, omissions and insertions as the authorized person executing such contract or document shall approve, the execution thereof by such person to constitute conclusive evidence of such determinations and approval. The form and substance of the Lease to be entered into for the Service, as so approved, and in the form approved by Counsel to the BOCES, is hereby approved.

Section 4. The officers, employees and agents of the BOCES are hereby authorized and directed for and in the name and on behalf of the BOCES to do all acts and things required or provided for by the provisions of such Lease, and to execute and deliver all such additional certificates, instruments and documents, to pay all such fees, charges and expenses and to do all

EXHIBIT 3

such further acts and things as may be necessary or, in the opinion of the officer, employee or agent acting, desirable and proper to effect the purposes of this resolution and to cause compliance by the BOCES with all of the terms, covenants and provisions of such Lease which are binding upon the BOCES.

Section 5. This resolution shall take effect immediately.

CERTIFICATION OF DISTRICT CLERK

STATE OF NEW YORK)
COUNTY OF ONONDAGA) ss.

I, the undersigned Clerk of the Onondaga-Cortland-Madison Board of Cooperative Educational Services ("BOCES"), DO HEREBY CERTIFY that I have compared the annexed copy of a resolution adopted by the Board of Cooperative Educational Services of such BOCES (the "Board") adopted at a meeting of such Board held on Sept 20 2001 with the original thereof on file in my office, and that the same is a true, complete and correct copy thereof and of the whole of the original so far as the same relates to the subject matters therein referred to.

I FURTHER CERTIFY that all members of the Board had due notice of said meeting of said Board and that such resolution was adopted by the affirmative vote of a majority of the total voting strength of such Board.

I FURTHER CERTIFY that pursuant to Section 103 of the Public Officers Law, said meeting of said Board was open to the general public, and that pursuant to Section 104 of the Public Officers Law I duly caused public notice of the time and place of said meeting to be given to the media and to be conspicuously posted at the public location designated for such purpose, such notice and posting having been given in compliance with the provisions of the Public Officers Law relating to the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of said BOCES this 20th day
September, 2001



Dennis E. Jones, Clerk

(SEAL)

FERRARA, FIORENZA, LARRISON, BARRETT & REITZ, P.C.

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November 8, 2001

Verizon Credit Inc.
201 N. Franklin St.
Suite 3300
Tampa, FL 33602
Attn: Susan L. Zealy

Onondaga-Cortland-Madison BOCES
6820 Thompson Road
Syracuse, New York 13221
Attention: Deborah Ayers

**Re: Equipment Operating Lease
Onondaga-Cortland-Madison BOCES/Verizon Credit, Inc.
Master Agreement Dated: November 8, 2001
Lease Schedule A-3 No.: 001/1-24 (Operating Lease)
Dated: As of November 8, 2001**

Ladies and Gentlemen:

We are counsel for the Onondaga-Cortland-Madison Board of Cooperative Educational Services (the "BOCES" or "Lessee") with respect to the referenced transaction. We have examined (a) the referenced Agreement (including the Master Equipment Lease-Purchase Agreement Dated November 8, 2001, the referenced Lease Schedule A-3 (Operating Lease), Schedule Addendum A, State of New York Addendum and the other schedules, exhibits, riders or other attachments thereto and other documents executed by BOCES in connection therewith) (collectively, the "Agreement"), which, among other things, provides for the leasing to the BOCES of certain Equipment, (b) a copy of the resolution of the BOCES which authorized the BOCES to execute the Agreement, and (c) such other certifications, opinions, documents and matters of law as we have deemed necessary in connection with the following opinions.

EXHIBIT 4

Verizon Credit Inc.

November 8, 2001

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In reaching the opinions expressed herein, we have relied as to matters of fact upon the statements, representations and warranties, certificates or other documents provided to you or to us by the BOCES, without undertaking independent verification thereof. In this examination, we have assumed the genuineness of all signatures, the authenticity and completeness of all documents submitted to us as originals, and the conformity with the original of all documents submitted to us as copies.

We have examined such portions of the Constitution and statutes of the State of New York, and applicable court decisions, regulations and rulings, as we have deemed necessary or relevant for the purposes of the opinions set forth herein.

Based upon our examination of the foregoing, and subject to the limitations contained in this letter, we are of the opinion that under existing law:

(1) Lessee is a public body corporate duly organized and existing under the laws of the State of New York;

(2) Lessee has the requisite power and authority to lease the Equipment, to execute and deliver the Agreement and to perform its obligations under the Agreement;

(3) the Agreement and the other documents either attached thereto or required therein have been duly authorized, approved and executed by and on behalf of Lessee, and **(subject to due and timely completion of the same, execution by Lessor, and delivery thereof to Lessee)** the Agreement is a valid and binding obligation of Lessee enforceable in accordance with its terms, except as may be limited or otherwise affected by state or federal laws relating to bankruptcy, insolvency, reorganization, moratorium or other laws, court decisions or principles of equity relating to or affecting the enforcement of creditors' rights; in reaching this opinion, and specifically with respect to the public bidding laws of the State of New York, we have relied in part on our understanding that the Agreement is entered into pursuant to and in order to carry out in part the terms of a Request for Proposals for multi-year Service Agreement for Telecommunications Services and the Response submitted thereto by Bell Atlantic;

(4) to the best of our knowledge, there is no proceeding pending or threatened in any court or before any governmental authority or arbitration board or tribunal that, if adversely determined, would materially adversely affect the transactions contemplated by the Agreement.

We express no opinion with respect to the Internal Revenue Code of 1986, as amended, or with respect to any other matters relating to federal or state income tax, or the treatment of payments due under the Agreement for tax purposes, nor to the effect of laws of any jurisdiction other than the laws of the State of New York.

Our opinion expressed herein is solely with respect to the transaction contemplated by the referenced Lease Schedule A-3 No.001/1-24; we express no opinion with respect to any Additional

FERRARA, FIORENZA, LARRISON, BARRETT & REITZ, P.C.

Verizon Credit Inc.

November 8, 2001

Page 3

Lease Schedule or any other transaction which may have been or may be entered into by the BOCES pursuant to the Master Lease-Purchase Agreement dated November 8, 2001, or otherwise.

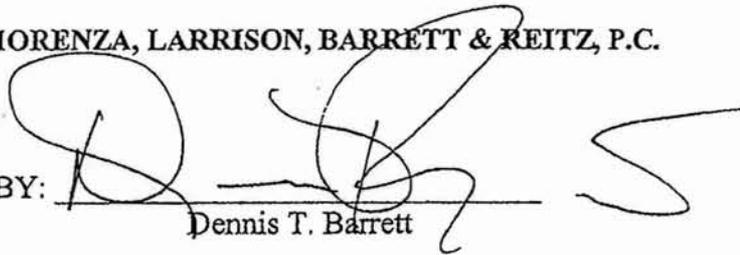
All capitalized terms herein shall have the same meanings as in the foregoing Agreement.

This opinion is for the sole benefit of and may be relied upon by BOCES, Lessor and its assigns; it may not be disclosed to any other person without our specific written consent.

Very truly yours,

FERRARA, FIORENZA, LARRISON, BARRETT & REITZ, P.C.

BY:


Dennis T. Barrett

DTB:ym

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FERRARA, FIORENZA, LARRISON, BARRETT & REITZ, P.C.

ATTORNEYS AND COUNSELORS AT LAW
5010 CAMPUSWOOD DRIVE
EAST SYRACUSE, NEW YORK 13057

TELEPHONE: (315) 437-7600

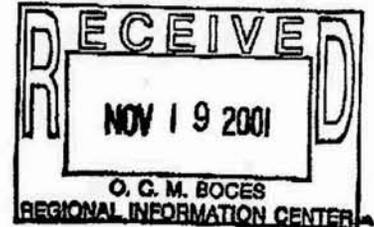
FACSIMILE: (315) 437-7744

DBarrett@FerraraFirm.com

November 16, 2001

NORMAN H. GROSS
MILES G. LAWLOR
MICHAEL L. DODD
COLLEEN W. HEINRICH

BENJAMIN J. FERRARA
NICHOLAS J. FIORENZA
DAVID W. LARRISON
DENNIS T. BARRETT
MARC H. REITZ
HENRY F. SOBOTA
SUSAN T. JOHNS
CRAIG M. ATLAS
JOSEPH G. SHIELDS



VIA FEDERAL EXPRESS

Bonnie Meyer
Verizon Credit Inc.
201 North Franklin Street
Suite 3300
Tampa, Florida 33602

**Re: Lease for OCM BOCES
Master Agreement Dated November 8, 2001**

Dear Ms. Meyers:

Enclosed are the following documents in connection with the referenced transaction:

- Master Equipment Lease - Purchase Agreement dated November 8, 2001;
- Schedule A-3 dated November 8, 2001, lease schedule number 001/1-24, equipment cost \$1, 779,684.45;
- Schedule Addendum A to Schedule A-3 number 001/1-24;
- State of New York Addendum to Schedule A-3 number 001/1-24;
- Equipment Summaries for Schedule A-3 number 001/1-24 (24 pages, per location);
- Exhibit 1, Insurance Coverage Requirements;
- Exhibit 2, Resolution authorizing personal property lease contract certified by the clerk of the BOCES;
- Exhibit 3, Incumbency Certificate;
- Exhibit 5, Certificate of Acceptance to lease schedule number 001/1-24;
- Exhibit 6, Sales Tax Exemption.

EXHIBIT 5

FERRARA, FIORENZA, LARRISON, BARRETT & REITZ, P.C.

Bonnie Meyer
November 16, 2001
Page 2

In addition, enclosed is our approving opinion in the form previously discussed with Rodney Todd.

Please note that I have not enclosed Attachment 2 (Form 8038) or Attachment 3 (Bank Qualified Designation) because this is an operating lease and not a lease purchase agreement; those documents are not applicable.

Please also note that I have not enclosed Schedule A-3 for lease number 002/25-35 nor the associated Addenda or Equipment Summaries. It is my understanding that the BOCES is discussing certain elements of that Phase with Verizon personnel.

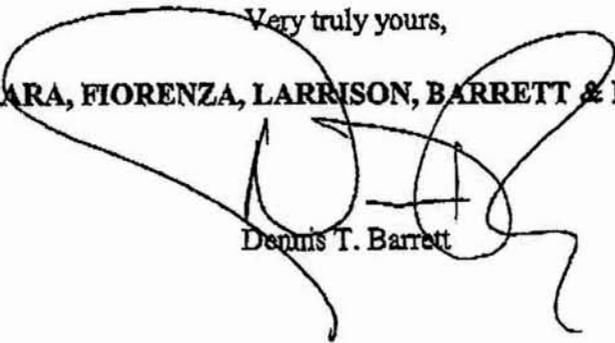
Please also note that our opinion letter is subject to completion and execution of these documents by Verizon and delivery of a copy of the executed documents to Onondaga-Cortland-Madison BOCES.

Because the Phase 2 schedule has not yet been agreed to, BOCES and Verizon will need to discuss the appropriate invoicing.

Please call with any questions you may have in this regard.

Very truly yours,

FERRARA, FIORENZA, LARRISON, BARRETT & REITZ, P.C.



Dennis T. Barrett

DTB/js
Enclosure

cc: Deborah Ayers, Assistant Superintendent of Schools for Administration, w/enc.
Kathleen Smith, BOCES



bmeyer@verizon.com

12/12/2001 09:43 AM

To: charles.w.jaquin,jr@bellatlantic.com, kathy_smith@CNYRIC.ORG
cc:
Subject: Phase 2, Documentation

Kathy,

Per our conversation on Monday, please be aware of the following documentation procedures and processes regarding your Lease with Verizon Credit Inc. (VCI)

Phase 2 lease documentation should be executed at this point with the EXCEPTION of the Certificate of Acceptance, Exhibit 5. The Certificate of Acceptance should be held until the equipment is delivered and installed. Upon receipt of the initial executed documents, excluding the Cert. of Accept. We will issue a Purchase Order to Verizon so they can get your equipment on order and set your account up to bill to Verizon Credit. At this point no billing will begin, and no payment is required by OCM BOCES. AFTER the equipment is installed, then we will request the executed Certificate of Acceptance and the first lease payment. Upon receipt of those last two items, with an invoice from Verizon, we will pay Verizon in full for the equipment and commence the lease, apply the first lease payment to the first due date, and then you will receive quarterly billing from VCI each quarter thereafter.

Hope this is clear, if you have any questions, please feel free to call. I am in all day.

Thanks, Bonnie

Note new address and number effective 11/5/01

Bonnie Meyer
East Area Manager
Verizon Credit Inc.
201 N. Franklin
Suite 3300
Tampa, Florida 33602
813-229-4838 Fax 813-229-6632
bmeyer@verizon.com



Verizon Enterprise Solutions
201 South State Street
Syracuse, NY 13202

April 11, 2003

Jennifer Cerciello
Schools and Libraries Division
Complex Services

Subject: OCM BOCES Consortium Application #345905
(FRN Numbers: 953362, 953363 and 953252)

Dear Jennifer,

Please find this correspondence as a description of the Wide Area Network NORTEL Passport equipment lease that OCM BOCES has with Verizon Credit Inc.

The lease is a sixty (60) month lease. Verizon Credit Inc. holds title to all of the equipment. It was clearly stated by OCM BOCES, prior to the lease being signed, that it has no intention to purchase the equipment being leased. The options available to OCM BOCES at the end of the sixty months are : (1) return the equipment to Verizon Credit Inc., or (2) renew the lease. The lease renewal can be on a month-to-month basis, or any fixed term. The lease can be extended indefinitely.

Sincerely,

A handwritten signature in black ink, appearing to read "Donald C. Donohue".

Donald C. Donohue
Regional Director, Central Area
Verizon Enterprise Solutions Group

cc : Kathy Smith, OCM BOCES

EXHIBIT 6