

Jeffrey Wm Ward
Senior Vice President
Regulatory Compliance



1310 North Court House Road, 4th
Arlington, VA 22201

Phone 703.974.4902
Fax 703.974.0706
Jeffrey.W.Ward@verizon.com

March 15, 2001

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th Street, S.W.
Room TWB - 204
Washington, D.C 200554

Dear Ms. Salas:

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

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 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 Common Carrier Bureau's Audit Staff.

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

Sincerely,

A handwritten signature in black ink that reads "Jeffrey W. Ward". The signature is written in a cursive style with a large, looping "W".

Jeffrey W Ward

Enclosure

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Senior Vice President
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Arlington, VA 22201

Phone 703.974.4902
Fax 703.974.0706
Jeffrey.W.Ward@verizon.com

March 15, 2001

Mr. Anthony Dale, Esq.
Federal Communications Commission
Accounting Safeguards Division - Legal Branch
445 12th St SW – Room 6-C431
Washington, D.C. 20554

Dear Mr. Dale:

As the Verizon senior corporate regulatory compliance officer, I have responsibility for all regulatory compliance activities, including compliance with merger-related conditions. Pursuant to Appendix D, Section XXI, paragraph 55 (c) of Docket No. 98-184, I am submitting Verizon's 2000 Annual Compliance Report.

Sincerely,

A handwritten signature in black ink that reads "Jeffrey W. Ward". The signature is stylized with a large, looping "J" and "W".

Jeffrey W. Ward



Verizon Communications Inc.

Bell Atlantic/GTE Merger Conditions Annual Compliance Report

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

March 15, 2001

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Executive Summary
Verizon Annual Merger Compliance Report
March 15, 2001

The Bell Atlantic/ GTE Merger Conditions (“Merger Conditions”) require Verizon to submit a report annually by March 15 addressing the Company’s compliance with the Merger Conditions for the preceding calendar year. This first report summarizes Verizon’s compliance efforts from June 30, 2000, the Merger Close Date (“MCD”), including efforts completed as of merger close, through December 31, 2000. Verizon has implemented required commitments for this reporting period and is in compliance with the Merger Conditions as specified in this report. Verizon has made required changes in business processes to provide continued compliance.

The Merger Conditions required Verizon to fulfill numerous requirements by a series of firm deadlines: the MCD, within several days of the MCD and within 30, 60, 90, 120 or 180 days of the MCD. In all, Verizon was required to meet over 100 commitments during the first six months following the MCD. Verizon has met these commitments as specified in this report. Moreover, Verizon, during this period, further defined and refined processes and procedures for implementing Merger Condition requirements after December 31, 2000, providing Verizon with reasonable assurance of ongoing compliance with the Conditions as a whole.

The Verizon Merger Conditions established the following five policy goals:

- Promoting equitable and efficient Advanced Services deployment;
- Ensuring open local markets;
- Fostering out-of-region competition;
- Improving residential phone service; and
- Ensuring full compliance with and enforcement of these Conditions.

As more fully described in the section on each condition, the following provides a summary of the actions taken by Verizon and its subsidiaries to implement the Merger Conditions in 2000.

Promoting Equitable and Efficient Advanced Services Deployment

- Filed for all state certifications and approvals necessary for the establishment of a separate Advanced Services affiliate. Notified the FCC, pursuant to Section 1(6)(f) of the Merger Order, on December 18, 2000, that Verizon will not be providing Advanced Services through a separate affiliate in California, Hawaii, New Jersey and a portion of Virginia by December 27, 2000, due to pending state regulatory approvals.
- Transitioned the provisioning of Advanced Services in Verizon service areas to a structurally separate affiliate in accordance with the schedule and operating provisions set forth in Merger Condition I in twenty-eight states.

- Complied with the FCC's line sharing order as of the deadline of June 6, 2000.
- Filed required state cost studies, made interim loop conditioning rates available, and obtained authorization for loop conditioning prior to performing work that would result in charges. Provided at no charge to the Advanced Services provider, conditioning for eligible loops under 12,000 feet to meet minimum requirements for removal of load coils, bridged taps, and/or voice grade repeaters.
- Classified wire centers as urban or rural and designated low-income pools for Advanced Services deployment.

Ensuring Open Local Markets

- Implemented, in consultation with the FCC, a performance measurement process and began monthly reporting of the 17 measurement categories identified in Attachments A-1a and A-1b of the Merger Conditions.
- Filed the Uniform and Enhanced OSS and Advanced Services OSS Plan of Record on September 28, 2000. Completed the collaborative process specified in the Plan of Record. On December 22, 2000, Verizon issued a revised Plan of Record reflecting areas of agreement resulting from these discussions.
- Offered to develop and deploy in the Verizon service areas an Electronic Bonding Interface that supports maintenance and repair of resold local services and UNEs that meet the requirements of 47 U.S.C. §251(c)(3).
- 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.
- Established OSS teams to assist Qualifying CLECs, provided notice of the teams' availability, held forums to identify beneficial training and procedures, and communicated the training schedule.
- Filed collocation tariffs or offered interconnection agreement amendments in all required states prior to the MCD.
- Engaged auditors to attest that Verizon has complied with the collocation and UNE/line sharing rules for four full consecutive months after the MCD.
- Offered most-favored-nation ("MFN") interconnection agreements and completed appropriate requests.
- Offered to provide multi-state interconnection/resale agreements and made available a generic multi-state interconnection and resale agreement covering all Verizon states on August 29, 2000.
- Provided the required unbundled loop discounts used in the provision of residential service to carriers unless the carrier proactively chose not to accept the discount.

- Provided the required resale discounts to CLECs unless the carrier proactively chose not to accept the discount.
- Continued to make available the UNEs and UNE combinations required in the FCC's UNE and line sharing orders.
- Offered to provide Alternative Dispute Resolution through mediation as outlined in Attachment F of the Merger Order.
- Began a cabling access trial to identify procedures and associated costs required to provide telecommunications carriers with access to cabling within Multi-Dwelling Unit premises where Verizon controls the cables.
- 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.

Fostering out-of-region competition

- Began analyzing out-of-region activity and potential future strategic acquisitions to develop a plan for meeting the requirements of this Condition. No milestones were required to be met in 2000.

Improving residential phone service

- Provided an interLATA services pricing plan with no minimum monthly or flat rate charge.
- Filed letters, within 30 days after MCD, with thirty-two state commissions in the Verizon footprint offering to file a tariff for an Enhanced Lifeline plan in the Verizon service area within that state. Implemented the Enhanced Lifeline plan in Delaware.
- Filed the first quarterly NARUC retail service quality report.
- Proposed business rules to the Common Carrier Bureau for reporting service quality provided to Genuity compared to other companies. Proposed revisions to one of the proposed rules.
- Reported monthly the service quality data required pursuant to paragraph 53 of the Merger Order showing the service level provided to Genuity compared to other companies for special access and high capacity services.
- Participated in all required meetings of the Network Reliability and Interoperability Council, including Focus Groups.

Ensuring full compliance with all Conditions

- Prior to MCD, appointed a Senior Corporate Regulatory Compliance Officer.

- The Audit Committee of the Board of Directors was directed by the Verizon Board of Directors to oversee the Senior Corporate Regulatory Compliance Officer's work.
- Selected independent auditors to perform the required reviews, who were subsequently approved by the FCC. In conjunction with the FCC's Accounting Safeguards Division Audit Branch and the Independent Auditors, completed four audit programs and began development of the agreed-upon procedures as defined by the Merger Conditions. The independent auditors submitted preliminary audit programs to the FCC for review on a timely basis.
- Granted the independent auditors access to relevant Verizon books, records, operations, and personnel.
- Provided the FCC with a Compliance Plan outlining the processes, procedures, and controls being implemented to provide reasonable assurance of ongoing compliance corporate-wide with the Merger Conditions.

This report is divided into two sections that track to the Compliance Plan Verizon submitted to the FCC on August 29, 2000. The first section, the Introduction, provides a summary of the actions being taken by Verizon to establish the control framework that will provide reasonable assurance of overall compliance with all 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 to implement the IPO for Genuity. Verizon believes this report demonstrates our compliance with the Merger Conditions.

Introduction
Verizon Merger Compliance Report
March 15, 2001

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) market opening Conditions. The merger closing date was June 30, 2000.

Verizon is providing this Annual Compliance Report to the FCC Common Carrier 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.

This report is divided into two sections:

- ◆ This Introduction outlines the overall internal control and compliance requirements that Verizon has put 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 and provides information on merger efficiencies to the best of our knowledge as of the date of the report.
- ◆ The second section of the report provides the following information for each Merger Condition:
 - a summary statement of the Condition;¹
 - identification of the Responsible Executive(s) accountable for that Condition;
 - explanation of the implementation of the Condition, including compliance with milestones, methods and procedures, training, internal controls, and documentation; and
 - recognition of additional action taken, if any.

Internal Controls and Compliance

Verizon is committed to complying with all Merger Conditions and has done so, as specified in this Merger Compliance Report. Sufficient resources have been and will

¹ Summaries of the relevant merger conditions are provided for the convenience of the reader only. These summaries do not restate or revise in any way the rights and obligations of the Verizon companies under the merger conditions.

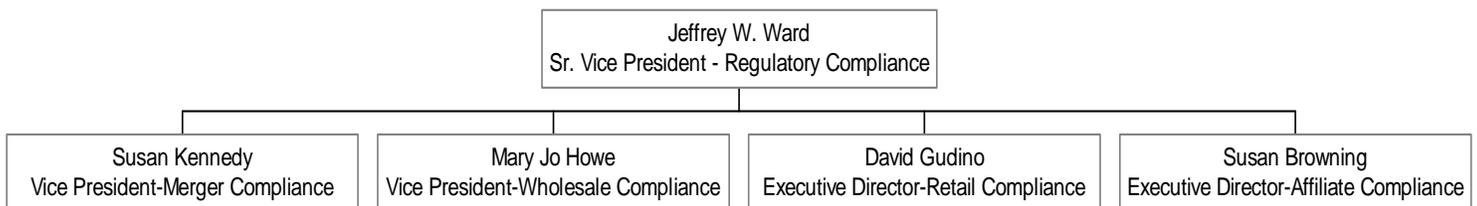
continue to be dedicated and adequate processes have been created and will continue to be followed, to comply with the Merger Conditions. Under the direction of the Senior Corporate Regulatory Compliance Officer, Verizon established an internal control and project management approach to provide reasonable assurance of compliance with all Merger Conditions. The essential components of this approach, as detailed in this Merger Compliance Report, are summarized below.

Verizon has implemented cost-effective internal controls designed to increase confidence that condition sub-steps have been identified and that 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 on each condition provide reasonable assurance that assigned actions are completed fully, are timely executed, and are properly documented.

Merger Compliance Organization

Ivan Seidenberg, President and Co-Chief Executive Officer, appointed Jeffrey W. Ward as Senior Vice President – Regulatory Compliance. In this capacity, Mr. Ward is the Senior Corporate Regulatory Compliance Officer with responsibility for all 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. Mr. Ward has reported regularly to the Audit Committee of the Board of Directors.

As described in the Merger Compliance Plan, Mr. Ward established the following regulatory compliance organization:



This organization's responsibilities include merger issue identification and resolution; data and reporting integrity for merger compliance information; merger compliance document retention; external audit oversight; and FCC interface and reporting.

Responsible Executive/Compliance Manager Model

One or more Responsible Executives have been assigned to each Merger Condition. Each Responsible Executive acknowledged and accepted this role and led the development and execution of plans to satisfy the requirements associated with his/her assigned Conditions. The Responsible Executives will continue their active involvement to provide for ongoing merger compliance. As required 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 have the potential to impact compliance with Merger Conditions. The Responsible Executives will continue to report to Mr. Ward on regularly basis.

Each Responsible Executive named one or more Compliance Managers within his/her organization, to manage the merger compliance activities. The Compliance Managers coordinated the development of work plans with the individuals who performed the tasks and monitored and reported progress toward the established due dates. Compliance Managers will continue to perform these merger compliance activities for all Conditions. Once FCC requirements were implemented, compliance monitoring steps were established and will continue to be tracked and reported.

Executive Management Compliance Council (EMCC)

An Executive Management Compliance Council, chaired by the Vice President-Merger Compliance, was established 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 weekly in 2000 after the MCD to assess that proper resources and responsibilities had been assigned to achieve 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 established 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.

Project Management Approach

A structured, mechanized project management environment was established to aid in the management and tracking of deliverables associated with each Condition. Using standard software tools and project management techniques, the Vice-President – Merger Compliance established and monitored work plans to keep all levels of management informed as to timely progress toward meeting Merger Conditions.

Highlights of the Program Management Approach:

- defined and documented each requirement and the due date by which it must be met per the Order;
- identified the specific business unit owner for each requirement;

- using project management techniques, monitored compliance deliverables and due dates;
- identified critical items on a weekly basis, and required Compliance Managers to provide the EMCC with action plans and status updates;
- implemented, documented, and communicated an internal project management change control process; and
- regularly reviewed overall progress, key milestones and potential issues.

The output from this process was the basis for the report used to facilitate the EMCC meetings. In addition, an internal merger website was made available to the EMCC, which provided regularly updated statuses and deliverables.

General Employee Communication and Training

As outlined in the Merger Compliance Plan, general information was provided to Verizon employees regarding the Conditions of the merger. The communication emphasized the critical nature of compliance with federal rules and regulations and provided a number of contact points for employees with questions or concerns regarding these matters.

Since merger close, education and training sessions have been 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 additional departmental and job-specific training on the conditions. This training is used to educate 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. In addition, ongoing training curricula for new employees were modified to reflect these changes.

Methods and Procedures Assessment and Enhancement

Verizon's methods and procedures, i.e., tools or written materials (on-line or hard copy) 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 to reflect merger compliant behavior. Staff support groups for these 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. These materials and their use are subject to internal review.

Communications with Competing Carriers (CLEC Outreach)

An overall summary of the Merger Conditions and their impact on the universe of competitive local exchange carrier ("CLEC") customers was delivered by Verizon on July 24, 2000, at the ASCEND industry conference. Ongoing information was posted on the Verizon Wholesale Customer Website.

Verizon utilized numerous means of communication media, with the selection tailored to the requirements of the specific Conditions and the needs of the carriers, including:

- Wholesale Customer Websites;
- Industry Letters;
- OSS Assistance with Qualifying CLECs;
- CLEC User Group meetings;
- Change Management including the CLEC Test Process;
- Wholesale Customer Newsletters;
- Resale and CLEC Wholesale Handbooks;
- Customer Contract Negotiations Packages; and
- Individual Client Meetings with their Account Team.

Internal Controls Workshop

As noted in the Merger Compliance Plan, PricewaterhouseCoopers LLP, the independent auditor engaged to perform the general Merger Conditions compliance audit, conducted several half-day internal control orientation workshops for Compliance Managers and members of the Merger Compliance Office. The objective of the workshops was to familiarize the Compliance Managers and the members of the Compliance Office with the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) model of internal controls. The focus of the workshops was on the five components of internal controls, which are the control environment, risk assessment, information and communication, monitoring activities and control activities. Examples were discussed that demonstrated the application of the COSO framework to the Company's compliance efforts.

Document Retention Requirements

Each Responsible Executive identified the documentation to be retained and implemented appropriate document retention procedures. In addition, a merger compliance document library was established under the direction of the Vice President-Merger Compliance to store a copy of the completion documentation associated with each Merger Condition. The independent auditors utilized the documentation, maintained by the Merger Compliance Library, in the course of their General Merger Conditions review.

Non-Compliance Reporting

As described above, the EMCC meetings and project management tools enabled the Vice President-Merger Compliance to detect 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 weekly at the EMCC meetings to identify areas of potential non-compliance and to identify appropriate action. The Conditions section of this report discusses instances in which Verizon has received written third party allegations of non-compliance with the merger conditions. It also provides a summary of any merger compliance issues that are known at the time the report is issued.

Internal Audit Consultation

Verizon's Internal Audit group served and continues to serve the EMCC in an advisory and consultative capacity throughout the planning and execution of all 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 their professional knowledge of internal controls qualifies them to serve in this administrative and consultative capacity. Verizon Internal Audit representatives participated in the Internal Controls Workshops conducted by the independent auditor and conducted work sessions with key Responsible Executives and Compliance Managers to support development of the internal controls that were built into plans and procedures for satisfaction of and compliance with these Conditions.

Merger Efficiencies

Activities prior to June 30, 2000, centered on organizational analysis and inventorying 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 developing operational plans by the individual business units (lines of business) for integrating major functions. Normal business and antitrust concerns prevented Bell Atlantic and GTE from completing these efforts prior to the MCD. Information on the one-time charges and merger efficiencies is provided in Verizon's 2000 Annual Report.

The lines of business and staff groups undertook a review designed to identify functional process changes and, following approval, implement efforts whose purpose was to eliminate redundancy and generate savings. Post merger staffing reductions began for the most part in the fourth quarter and as a result provided relatively small contributions to savings in calendar year 2000, but are expected to result in greater savings in future periods.

Condition Number: 1**Condition Name: Separate Affiliate for Advanced Services****Section 1: Summary**

This Condition required Verizon to transition the provisioning of Advanced Services in the Verizon service areas to one or more structurally separate affiliates in accordance with the schedule and operating provisions set forth in Merger Condition I (¶ 1). These provisions include the following.

- Subject to certain transitional mechanisms and timeframes, the separate Advanced Services affiliate shall operate in accordance with the structural, transitional, and non-discrimination requirements of 47 USC ¶ 272(b), (c), (e) and (g) except as otherwise permitted by the Merger Conditions (¶ 3.a).
- Any Verizon incumbent LEC and the Advanced Services affiliate may jointly market each others' services and provide customer care for each other (¶ 3.a).
- After the transition period, all Advanced Services offered by Verizon in a state will be provided by an affiliate in accordance with specified "steady-state" conditions (¶ 4).
- Verizon shall establish an Advanced Services affiliate prior to merger close and make the necessary certification and interconnection agreement filings with state regulatory commissions prior to merger close (¶ 5).

Commitments for this Condition in 2000 were met as specified below. Specifically, in a December 18, 2000 letter from Verizon to Ms. Dorothy Attwood, Chief of the Common Carrier Bureau, Verizon requested a waiver of certain provisions of Condition I. Also, in a limited number of instances transactions between the separate affiliate and the Verizon ILECs were not reduced to writing and/or were not summarized on the Internet in the timeframes required by the merger conditions. These issues are described in Section 4: Additional Action Taken.

Verizon has multiple separate affiliates that offer Advanced Services. For example, Verizon's long distance affiliates provide packet switched services to the public in limited instances. However, because the overwhelming preponderance of Verizon's Advanced Services are offered through Verizon Advanced Data Incorporated (VADI), this report focuses on the compliance activities undertaken relative to VADI.

Section 2: Responsible Executives

Name	Title
Virginia Ruesterholz	Senior Vice President – Wholesale Services
George Via	Senior Vice President – VADI

Section 3: Implementation of Condition

3.1 Compliance

The following milestones were met for this Condition:

Compliance Table

Condition	Paragraph	Milestone	Due Date	Date Completed*
1	5.b	File for any state certifications or approvals necessary for the Advanced Services affiliate to provide advanced services.	6/30/00	6/29/00
1	4.n.3	File with state as necessary for approval to transfer embedded customers to Advanced Services affiliate, except for asset transfers covered in sections 3(d) and 3(e).	6/30/00	No filings required.
1	5.a	Advanced Services affiliate must negotiate and file interconnection agreements for approval pursuant to 47 U.S.C. 251 and 252.	6/30/00	6/29/00
1	4.n.1	ILEC to cease providing on an exclusive basis interim line sharing, including OIM associated with interim line sharing, to the Advanced Services affiliate when FCC required former BA and former GTE to provide line sharing to unaffiliated telecommunication carriers.	6/30/00	Interim line sharing was never provided to the affiliate
1	3	Begin operating Separate Advanced Service affiliate(s) in accordance with structural, transactional and non-discrimination obligations of Section 272 (b), (c), (e) and (g) as interpreted January 27, 2000, and subject to exceptions outlined in the merger conditions.	7/17/00	7/17/00
1	3.d	Advanced Services affiliate shall own and operate all new Advanced Services equipment used to provide Advanced Services after the later of 1) 90 days after merger close or 2) the issuance of final order in SBC proceeding re. remote terminals.	9/28/00	9/28/00

* For Condition 1, the 'Date Completed' reflects activities completed for states where approvals received. As noted in Verizon's December 18 waiver letter noted above, in California, Hawaii, New Jersey and for Virginia (GTE) state approvals were not completed in year 2000.

Condition	Paragraph	Milestone	Due Date	Date Completed*
1	9	ILEC shall report to the Commission separate measurements for the Advanced Services affiliate in accordance with merger condition 5, subject to proprietary treatment and available only to those subject to a protective agreement; propose a new line sharing measurement within 30 days of Merger Close; implement such measure within 90 days of Common Carrier Bureau approval. See Condition 5 portion of this Report for complete information.	See Condition 5	See Condition 5
1	6.b	Any tariffs necessary for the Advanced Services affiliate to provide Advanced Services to customers that are Internet service providers shall be filed prior to the date on which BA/GTE is required to provide advanced services to the incumbent LEC's embedded base of customers in a state.	12/27/00 or 180 days after state approvals of asset transfer	12/19/00
1	6.b, 3.e	Transfer embedded customers that are providers of Internet services no later than the later of the date on which any asset transfer is completed or 180 days after merger close.	12/27/00 or 180 days after required state approval is obtained	12/19/00
1	6.d	Any tariffs necessary for the separate Advanced Services affiliate to provide Advanced Services to customers that are not providers of Internet services shall be filed prior to the date on which Verizon is required to provide Advanced Services to the incumbent LEC's embedded base of customers.	12/27/00 or 180 days after state approvals of asset transfer	12/19/00
1	6.d	Transfer embedded customers that are not providers of Internet services to the separate Advanced Services affiliate no later than the later of (i) 30 days after state approval of any necessary certification, tariffs or any other required state authorization, (ii) 30 days after state approval of all necessary agreements, including any agreement to transfer or assign customers from the incumbent LEC to the separate Advanced Services affiliate, (iii) 180 days after the Merger Closing Date, or (iv) completion of any asset transfers pursuant to Paragraph 3(e).	12/27/00 or 180 days after state approvals of asset transfer	12/19/00

Condition	Paragraph	Milestone	Due Date	Date Completed*
1	6.a	Any tariffs necessary for the Advanced Services affiliate to provide Advanced Services to customers that are internet service providers shall be filed prior to the date on which Verizon is required to provide new activations through an Advanced Services affiliate.	12/27/00 or 180 days after state approvals of asset transfer	12/19/00
1	6.c	Any tariffs necessary for the separate Advanced Services affiliate to provide Advanced Services to customers that are not providers of Internet services shall be filed prior to the date on which Verizon is required to provide new activations through an Advanced Services affiliate.	12/27/00 or 180 days after state approvals of asset transfer	12/19/00
1	6.e	ILEC shall file any necessary tariff changes with the state and FCC to terminate offering by the ILEC no later than the date the Advanced Services affiliate may begin offering Advanced Services to existing customers of the ILEC in the state.	12/27/00 or 180 days after state approvals of asset transfer	12/19/00
1	4.n.2, 5.a, 6.a	New activations for Advanced Services affiliate customers that are providers of Internet Services must be no later than the later of (i) date on which any asset transfers are complete pursuant to 3.e. or (ii) 180 days after merger close.	12/27/00 or 180 days after state approvals of asset transfer	12/19/00
1	4.n.2, 5.a, 6.c	New activations for Advanced Services affiliate customers that are not providers of Internet Services must be no later than the later of (i) date on which any asset transfers are complete pursuant to 3.c. or (ii) 180 days after merger close.	12/27/00 or 180 days after state approvals of asset transfer	12/19/00
1	4.n.3, 6.b, 6.e	ILEC must cease providing Advanced Services to embedded customers that are Internet services providers at the later of asset transfer or 30 days after necessary approvals in that state to transfer or assign embedded customers.	12/27/00 or 180 days after state approvals of asset transfer or 30 days after state approval of customer assignment if later	12/19/00

Condition	Paragraph	Milestone	Due Date	Date Completed*
1	4.n.3, 6.d, 6.e	ILEC must cease providing Advanced Services to embedded customers that are not Internet services providers at the later of 30 days after certification approval, tariffs or other authorized state approval of necessary agreements.	12/27/00 or 180 days after state approvals of asset transfer or 30 days after state approval of tariffs or agreements if later	12/19/00
1	6.e	ILEC shall, no later than the date the Advanced Services affiliate may begin offering Advanced Services to existing customers of the ILEC, cease initiating marketing and sales by the ILEC.	12/27/00 or 180 days after state approvals of asset transfer	12/19/00
1	6.e.	ILEC shall file any necessary tariff changes with the state and FCC to terminate offerings by the LEC no later than the date the SDA may begin offering Advanced Services to existing customers of the ILEC in the state.	12/27/00 or 180 days after state approvals of asset transfer	12/19/00
1	6.f	BA/GTE shall petition Common Carrier Bureau at FCC if state does not provide approvals within 180 days for extension of relevant deadline.	12/27/00	12/18/00
1	4.n.5	After BA/GTE required to provide all Advanced Services through Advanced Services affiliate in accordance with paragraph 6, if the ILEC permits the Advanced Services affiliate to use its Advanced Services equipment that had been installed no later than the dates specified in 3.d.then ILEC must permit others to use the equipment under the same rates, terms and conditions.	See Paragraphs 6(a)-(d)	Not applicable
1	3.e	Where BA/GTE plan to take advantage of asset transfer, file for asset transfer of Advanced Services Equipment from ILEC to Advanced Services affiliate in states where required.	12/27/00	10/30/00 (date last state asset transfer made; most made before this date)
1	3.c.3,4.n.4	ILEC must cease providing network planning, engineering, design and assignment to Advanced Services affiliate, including creation and maintenance of customer records, 180 days after merger close.	12/27/00	12/27/00

Condition	Paragraph	Milestone	Due Date	Date Completed*
1	3.a, 4.n.6, 4.b.6	180 days after merger close, ILEC must use same interface that is available to unaffiliated carriers to access loop information-customer specific information when engaged in marketing on behalf of the separate Advanced Services affiliate.	12/27/00	12/27/00

3.2 Methods and Procedures

The following methods and procedures have been implemented to meet the requirements of this Condition.

Methods and Procedures Table

Condition	Paragraph	Procedures	Date Completed
1	Section 272 (b),(c), (e) and (g)	Executive Notice on Advanced Services affiliate Obligations Early communication with notice to all executives describing post merger obligations regarding the Advanced Services obligations and reinforcing Section 272 obligations. Provided summaries of key rules.	7/7/00
1	Section 272 (b),(c), (e) and (g)	Responsibilities And Procedures For Executing Affiliate Transaction Agreements/Amendments Between VADI and Verizon Incumbent Local Exchange Carriers	11/7/00
1	Section 272 (b),(c), (e) and (g)	Responsibilities And Procedures For Posting Notice And Details Of VADI and Verizon Incumbent Local Exchange Carriers Transaction Agreements/Amendments To The VADI Worldwide Website	11/7/00
1	Section 272 (b) (3)	Joint Procedures adopted by the Corporate Secretary Department and the Affiliate Transaction Compliance Office to provide compliance with Section 272 (b) (3) of the Telecommunications Act of 1996 in that Section 272 Affiliates and the ILECs do not have common officers or Directors. It was modified to add VADI to the list of affected Affiliates.	6/30/00
1	4.n.5	Procedures for Circuit User Creation and Management Of Circuits Using SmallWorld Circuits.	9/22/00
1	4.n.5	How Project Management works in SAP	9/22/00
1	4.n.5	Infrastructure Provisioning - New Product Rollouts and Augments for VADI	12/1/00
1	3.a, 4.n.6, 4.b.6	Wholesale Markets Joint Marketing Agreement Operating Principles -In Support of the Joint Marketing and Customer Care Agreement between Verizon and VADI	12/19/00

Condition	Paragraph	Procedures	Date Completed
1	N/A	Operating Methods & Procedures: <ul style="list-style-type: none"> • Pre Sales/Order • Ordering • Product Life Cycle Management • New Product Development & Deployment • Joint Marketing & Customer Care • Business Development • Systems (OSS) • Interfaces/Gateways (API's) • Measurements • Trouble Isolation and Repair • Infrastructure/Network Provisioning • Service Provisioning • Work Flow Management • Network Maintenance • Billing & Collections • Finance • Human Resources 	5/27/00 NY, 10/27/00 All Other States
1	N/A	Accounting Procedures for VADI: <ul style="list-style-type: none"> • Cellphone & Pager Procedures • BANDI Approval Limits.doc) • Citizen's Conferencing Policy • Employee Expense & Travel Policy • Receiving and Tagging Procedures • VAD Vendor Invoice Processing • APPROVAL FOR PAYMENT OF INVOICES • VAD East Expense Voucher Procedures • Expense Report • No Receipt • VAD West Expense Voucher Procedures • EECR Guide 	Various Dates

3.3 Training

The following training took place in support of this Condition.

Training Table

Condition	Target Audience	Training Content	Date Completed
1	VADI/ILEC	Training course developed to enable SDA and ILEC employees the ability to understand the arms length rules surrounding transactions between the two companies known as Rules of Engagement	Varies 8/01/00 – 12/31/00 and on-going

Condition	Target Audience	Training Content	Date Completed
1	VADI/ILEC	Training package developed to deliver operating guidelines on advanced data services affiliate obligations for procurement of equipment, network planning, engineering, design and traffic assignment.	Dates vary, dependant on state conversion schedule, 10/01/00 – 12/31/00
1	VADI/ILEC	Joint Marketing and Operations Training package developed outlining the ILEC obligations to VADI for Sales and Marketing activities.	11/1/00 – 12/31/00 and on-going

3.4 Internal Controls

In addition to the corporate internal control environment described in the Introduction section of this report, the following controls and tools were designed and implemented specifically to enhance compliance with this Condition.

Verizon operated a Program Management Structure for implementing the transition to an Advanced Services affiliate. The transition program is managed by George Via, Senior Vice President – VADI, one of the Responsible Executives for this condition. His focus was an orderly “hand-off” of the Advanced Services products and equipment from the ILEC to the new affiliate in accordance with the requirements of the Condition. Virginia Ruesterholz, Senior Vice President – Wholesale Services, is accountable for establishing and maintaining arms length relationships with the Verizon Advanced Services affiliates so that treatment is consistent with that provided to non-affiliated advanced services providers. For example, the new affiliate now orders collocation and unbundled network elements and she is accountable for delivering these products to the affiliate.

The transition program is organized as functional project teams working under the umbrella of a Program Management Office (PMO). These teams include:

- product development and marketing management;
- process development;
- systems/testing;
- contracts and legal;
- inventory management;
- finance;
- regulatory;
- human resources; and

- work center implementation.

The role of the teams has been to implement the Advanced Services affiliate and to identify and resolve or escalate issues, including issues related to compliance with this Condition. In 2000, the Project Management Office was directed by a project lead and subordinate program managers to provide coordination, project management, and oversight roles among the project teams. Project control was orchestrated by a series of meetings: (1) a program managers meeting, in which the program managers and project managers meet to discuss program status; (2) a periodic PMO call attended by the team leads and PMO to discuss plan status, points of coordination, risks, and issues; and (3) periodic executive calls. As part of the transition management process, the Responsible Executives have reviewed several key control schedules prepared or maintained by the PMO.

During the year those officers responsible for the transition activities used various tracking reports to readily identify situations where critical milestone dates needed to be met. These schedules also provided the Executive the opportunity to increase focus on the matter and shift resources if needed. These key schedules include:

- Schedule for State Certification Filings and Approval;
- Schedule for State Interconnection Agreement Filings and Approval;
- Schedule of Affiliated Interest Filings;
- Schedule for Asset Transfer Filings and Approval;
- Schedule for State Advanced Services Affiliate Tariffs;
- New Activation Report;
- Embedded Customer Cut-over Report;
- ILEC/Advanced Services Affiliate Contract Execution and Posting Schedule;
- Transition Services Termination Report; and
- Schedule for Training

To provide employee awareness of the limitations on the relationship between the affiliate and the ILEC, a corporate communications and training plan has been implemented. Initially, a letter was sent to employees outlining the rules, and a separate Advanced Services affiliate/ 272 training package was developed. Department-specific training follow-ups were delivered. Targeted training of separate Advanced Services affiliate obligations for procurement of equipment, network planning, engineering, design, assignment and joint marketing was completed.

3.5 Documentation

Condition	Paragraph	Description of Document
1	5.b	State Certification filings and state decision documentation
1	3.e	State Asset transfer filings and state decision documentation
1	5.a	State Interconnection Agreement filings and state decision documentation

Condition	Paragraph	Description of Document
1	6.a, 6.b, 6.c, 6.d	State & Federal ILEC/Advanced Services affiliate Tariffs filings and final approved tariffs
1	6.f	State & Federal Waiver filings and regulatory decisions
1	Various	Methods of operation, company practices, functional process flows and detailed procedure documentation
1	Various	Employee training records and communication materials
1	Various	Services contracts and agreements for transactions between the LEC and the Advanced Services affiliate, including web postings
1	Various	Customer notices
1	9	Performance reports from ILEC for services provided to affiliate
1	10	Advanced Services affiliate executive compensation plans

Section 4: Additional Action Taken

In a December 18, 2000 letter from Verizon to Ms. Dorothy Attwood, Chief of the Common Carrier Bureau, Verizon requested a waiver of certain provisions of Condition I. The waiver related primarily to the fact that the necessary state approvals had not been received in three of Verizon's 32 state operating territories by December 27, 2000. Verizon exercised good faith efforts to obtain these approvals. No further action is needed at this time.

Also, in a limited number of instances, transactions between the separate affiliate and the Verizon ILECs were not reduced to writing and/or were not summarized on the Internet in the timeframes required by the Merger Conditions. Verizon is in the process of validating the internal control processes to determine if any incremental changes are needed to prevent such inconsistencies with the Merger Conditions in the future. The initial review indicates the contractual gaps were largely related to conversion requirements that needed to be completed in compressed time periods and are not likely to be recurring in nature. Verizon continues to reinforce the importance of timely contract activity. Training is required for employees accountable for compliance with the merger obligations. Training messages will be reinforced through corporate e-mails and employee publication reminders throughout 2001.

Condition Number: 2

Condition Name: Discounted Surrogate Line Sharing Charges

Section 1: Summary

Prior to the adoption of the Bell Atlantic/GTE Merger Order, the FCC adopted an order in the advanced services proceeding, requiring incumbent LECs to provide nondiscriminatory access to the high frequency portion of the local loop. Verizon was in compliance with this line sharing order as of the deadline of June 6, 2000. The provisions of this Condition will apply only if the FCC line sharing rules are overturned on a final and non-appealable judicial decision.

Section 2: Responsible Executive

Name	Title
Kathleen Hishinuma	Senior Vice President – Wholesale Marketing

Section 3: Implementation of Condition

3.1 Compliance

There was no implementation requirement given effectiveness of the FCC's line sharing rules. In the event the FCC's line sharing rules are overturned through a final and non-appealable judicial decision, Verizon will develop an implementation plan for this Condition.

3.2 Documentation

No documentation of compliance with this Condition is required. Verizon will develop appropriate documentation and internal controls if this Condition becomes operative.

Section 4: Additional Action Taken

None

Condition Number: 3**Condition Name: Loop Conditioning Charges and Cost Studies****Section 1: Summary**

Merger Condition 3 requires Verizon to use UNE costing and pricing methodology to develop and file loop conditioning cost studies and proposed rates in each state that has not started or completed loop conditioning cost proceedings within 180 days after the Merger Close Date ("MCD"). In any state where rates have not been approved by the state commission or are not in effect for the removal of load coils, bridged taps, and/or voice-grade repeaters, Verizon shall make available to Advanced Service providers, rates for these conditioning services that are contained in any effective interconnection agreement (providing the rates are greater than zero). During this interim period unbundled loops of less than 12,000 feet will be conditioned at no charge in order to meet minimum requirements through the removal of load coils, bridged taps, and/or voice grade repeaters. In addition, Verizon is required to obtain the provider's authorization prior to proceeding with any conditioning that would result in charges to the provider.

Commitments for this Condition required in 2000 were met as specified below.

Section 2: Responsible Executive

Name	Title
Kathleen Hishinuma	Senior Vice President – Wholesale Marketing

Section 3: Implementation of Condition**3.1 Compliance**

Conditioning has been made available either through the post merger interconnection contract or if requested through an addendum to an effective interconnection agreement or via tariff. Interim loop conditioning rates have been offered, subject to true-up to all Advanced Service providers in states where rates have not been approved. Prior to June 30, 2000, neither the former Bell Atlantic nor the former GTE charged for conditioning of loops less than 12,000 feet to meet minimum technical requirements. Where rates have not been approved by the state commission or are not in effect for the removal of load coils, bridged taps, and/or voice repeaters, Verizon has made available to Advanced Service providers, pending approval of state-specific rates and subject to true-up, rates for these XDSL conditioning services that are contained in any effective interconnection agreement, to which Verizon is a party, that is identified by the Advanced Services provider in any state, provided the rates in the agreement are greater than zero.

Advanced Services providers in Verizon have access to a mechanized or manual loop pre-qualification capability that allows them to determine if conditioning is required prior to ordering a digital loop. This capability, along with conditioning contract language including terms, conditions and rates, provides the Advanced Services Providers with the flexibility to authorize Verizon, on their Local Service Request (LSR), to perform conditioning if required.

Verizon has billing procedures and the associated internal controls to meet the requirement that eligible loops under 12,000 feet be conditioned, to meet minimum technical requirements, through the removal of load coils, excessive bridged taps, and/or voice grade repeaters at no charge.

Using UNE costing and pricing methodology, Verizon developed and filed loop conditioning costs and proposed rates in each state that had not started or completed loop conditioning cost proceedings by December 22, 2000. Filings were required in fourteen states or service areas: the District of Columbia, Delaware, Idaho, Indiana, Michigan, Missouri, Nevada, Oregon, Pennsylvania for the former GTE, South Carolina, Virginia for both the former Bell Atlantic and the former GTE footprint, Wisconsin, and West Virginia. There were twenty states or service areas which had proceedings in progress within 180 days after Merger Closing Date: Alabama, California, Florida, Hawaii, Illinois, Kentucky, Massachusetts, Maryland, Maine, New Hampshire, North Carolina, Ohio, Rhode Island, Texas, and Vermont, Connecticut, New Jersey, New York, Pennsylvania for the former Bell Atlantic, and Washington.

Compliance Table

Condition	Paragraph	Milestone	Due Date	Date Completed
3	14	Make available to Advanced Services providers, pending state approval of final rates, subject to true up, contractual rates greater than zero for conditioning in any effective interconnection agreement to which BA/GTE ILEC is a party.	7/17/00	6/30/00 and on-going
3	14	Condition UNE loops less than 12,000 ft at no charge.	7/17/00	6/30/00 and on-going
3	14	Obtain provider's authorization to perform, and agreement to pay for, each type of conditioning identified by the Verizon LEC as necessary for a UNE loop ordered by a provider of Advanced Services.	7/17/00	6/30/00 and on-going
3	14, footnote 58	Rates, terms and conditions for loop conditioning disaggregated so that a carrier may select only the conditioning it requires on a loop.	7/17/00	6/30/00

Condition	Paragraph	Milestone	Due Date	Date Completed
3	14	Filed cost studies and proposed rates for xDSL loop conditioning in each state that had not started/completed proceedings, prepared in compliance with state commission's pricing rules for UNEs.	12/27/00	12/22/00
3	14	Implement by state, state agreed-to loop conditioning rates and discontinue interim rates with true up.	varies	on-going

3.2 Methods and Procedures

No new methods and procedures ("M&Ps") were required to stop billing on loops of less than 12,000 feet because Verizon did not have charges for conditioning of loops under 12,000 feet. A new ordering mechanism and billing codes were set up in the former GTE states to charge for allowed conditioning rates (i.e. loops of greater than 12,000 feet) where such charges did not exist before. Former BA/GTE makes available to Advanced Service Providers, pending approval of state-specific rates, rates for these services provided in any effective interconnection agreement (greater than zero), that is identified by the Advanced Services provider in any state. Upon receipt of a state commission order finalizing conditioning rates in any state, a true-up process will be triggered. Existing methods and procedures are in place for Verizon to obtain the provider's authorization to perform, and agreement to pay for, each type of conditioning before proceeding with any conditioning work, because Advanced Services providers authorize such work when they submit their Local Service Request.

No new M&Ps were required for the loop conditioning cost studies. The cost studies were prepared according to approved state and federal UNE pricing methodologies.

Methods and Procedures Table

Condition	Paragraph	Procedure	Date Completed
3	14	Bill Verification Procedures for Loop Conditioning	6/30/00

3.3 Training

Training for Compliance with Merger Condition 3 was made available to all affected Wholesale Segment employees as part of a general merger Conditions training package. In addition, those affected Verizon contract negotiators were advised of the specific requirements for Merger Condition 3. Verizon's wholesale ordering and provisioning centers were advised, as necessary, of the requirement to provide conditioning of loops less than 12,000 feet at no charge.

In any Verizon state where rates have not been approved by the state commissions or are not in effect, Advanced Service Providers can identify loop conditioning rates from

any existing interconnection agreement where a Verizon Incumbent Local Exchange Carrier (“ILEC”) is a party, provided the rates are greater than zero.

New training was not required to develop the cost studies needed to support rates for loop conditioning. Merger Condition 3 mandates the use of UNE pricing methodology. Cost personnel used approved state and federal UNE pricing methodologies for the cost studies. Existing billing processes provide reasonable assurance that loops less than 12,000 feet are not assessed conditioning charges to meet minimum technical standards.

3.4 Internal Controls

In addition to the corporate internal control described in the Introduction section of this Report, the following additional controls and tools have been designed and implemented specifically to assess compliance with this Condition:

- Job aids or training of billing and ordering organization, wholesale service contract groups, and account management;
- Pre- and post-production billing testing;
- Product Management director-level monitoring of progress during periodic follow-ups with Director-Costing;
- Maintaining filing documentation to substantiate state filing dates; and
- Project/work plans established.

Existing methods of developing costs and rates were used. The methods for each state’s loop conditioning cost study were developed in compliance with the federal and relevant state commissions’ requirements. In addition to normal cost review procedures, cost study quality checks were performed on all cost studies.

3.5 Documentation

Condition	Paragraph	Description of Document
3	14	Wholesale Merger Condition Training
3	14	Verizon (former GTE) Model Interconnection Agreement prior to 8/29/00
3	14	Verizon (former Bell Atlantic) Model Interconnection Agreement prior to 8/29/00
3	14	Verizon Model Interconnection Agreement as of 08/29/00
3	14	Verizon Model Agreement Appendix A & B
3	14	Bill Verification Procedures for Loop Conditioning
3	14	State Transmittal Letter and cost studies filed

Section 4: Additional Action Taken:

None

Condition Number: 4**Condition Name: Non-Discriminatory Rollout of xDSL Services****Section 1: Summary**

Condition 4 required Verizon to designate wire centers in all Verizon states as either urban or rural within 90 days of the MCD in consultation with the relevant state commission should the state commission choose to engage in such consultations. After the date that was 180 days after the merger closing date, by the time Verizon has deployed xDSL in at least 20 urban or rural wire centers in a particular state, at least 10 percent of the urban or rural wire centers in which Verizon deploys xDSL in that state must be wire centers from the Low Income Urban Pool or Low Income Rural Pool, respectively. This percentage must be maintained for at least 36 months thereafter.

Commitments for this Condition in 2000 were met as specified below. The initial status report for xDSL deployment was filed 12 calendar days late and there were several exceptions to the initial identification of the wire centers, as described in Section 4: Additional Action Taken.

Section 2: Responsible Executive

Name	Title
Veronica Pellizzi	Group President – Internet & Data Services

Section 3: Implementation of Condition**3.1 Compliance**

Letters were sent to each of the thirty-two state commissions in August and September of 2000 extending an invitation to consult with Verizon on the classification of wire centers as either urban or rural. Seven states, (District of Columbia, Illinois, Indiana, Maine, New Hampshire, Rhode Island and West Virginia), elected to meet with Verizon representatives to consult on the classifications. Initial identification of the low-income urban and rural wire centers was completed by September 28, 2000. See Section 4: Additional Action Taken. As of December 31, 2000, Verizon's xDSL rollout was in compliance with the conditions outlined in Paragraph 15. On January 8, 2001, Verizon filed with the FCC its initial status report for xDSL deployment; this report was filed twelve calendar days later than required in the merger order. See Section 4: Additional Action Taken. On January 31, 2001, Verizon timely filed with the FCC its fourth quarter 2000 status report for xDSL deployment.

Compliance Table

Condition	Paragraph	Milestone	Due Date	Date Completed
4	15.a	Classified Verizon wire centers as either urban or rural.	9/28/00	9/28/00

Condition	Paragraph	Milestone	Due Date	Date Completed
4	15.b	Identified 10% low-income urban areas.	Not specified	9/28/00
4	15.c	Identified 10% low-income rural areas.	Not specified	9/28/00
4	15.b,15.c	Established deployment of 10% for low-income urban and rural areas.	12/27/00	12/27/00
4	15.d	Filed initial status report with FCC.	12/27/00	1/08/01
4	15.d	Filed fourth quarter 2000 status report with FCC.	Not Specified	1/31/01

3.2 Methods and Procedures

Additional specific procedures were not required for this Condition. The standard procedures for infrastructure planning and provisioning were supplemented to monitor and enable xDSL deployment levels to be maintained in accordance with merger requirements.

3.3 Training

The requirements of the Merger Condition have been communicated to the appropriate staff. Specific training on tracking and reviewing the status of the Non-Discriminatory xDSL rollout has been provided. Periodic supplemental training will take place.

Training Table

Condition	Target Audience	Training Content	Date Completed
4	Facility construction planners	Requirement to deploy xDSL in 10% low income urban and rural areas	7/00 and on-going

3.4 Internal Controls

In addition to the corporate internal control environment described in the Introduction section of this report, the following controls and tools have been implemented specifically to assess compliance with this Condition:

- training of “planners” on facility construction plan requirements;
- review of wire center data and deployment plans by the Responsible Executive or her representative on a periodic basis to verify the minimum 10% Low Income xDSL deployment requirements are maintained; and
- authorization of xDSL deployment plans by the Responsible Executive or her representative.

3.5 Documentation

Condition	Paragraph	Description of Document
4	15.a	Letters to state commissions regarding Verizon's proposed classification for the wire centers as either urban or rural
4	15.a	Documentation supporting changes in wire center classification in those states where dialog with state commissions resulted in such changes
4	15.b, 15.c	Spreadsheet with Verizon wire centers classified as either urban or rural, and 10% of wire centers with greatest number of low-income households identified
4	15.d	Initial report describing the status of the xDSL rollout
4	15.d	Fourth quarter 2000 report describing the status of the xDSL rollout

Section 4: Additional Action Taken

Controls were in place for xDSL deployment to provide reasonable assurance that the requirements were satisfied in 2000.

PricewaterhouseCoopers, LLP reviewed Verizon's wire center analysis and determined that 4 wire centers (.08% of total) had been erroneously omitted, and 20 wire centers (.39% of total) had been erroneously included, when the urban/rural classification was initially completed. Verizon has verified that these exceptions did not materially affect the accuracy of deployment reporting to date, and Verizon has corrected its initial wire center analysis based on this review.

The January 8, 2001, initial status report for xDSL deployment was filed twelve calendar days later than required in the Merger Order. The delay was due to Verizon internal administrative error. Internal controls for the quarterly reporting of deployment status were reviewed and enhanced during early January 2001.

Condition Number: 5

Condition Name: Carrier-to-Carrier Performance Plan (Including Performance Measurements)

Section 1: Summary

Condition 5 required Verizon to implement a “Carrier-to-Carrier Performance Assurance Plan” to enable the FCC, state commissions and CLECs to benchmark Verizon's performance in the specified measurement and sub-measurement categories. The “Carrier-to-Carrier Performance Assurance Plan” provides that Verizon will report on a monthly basis, in each required Verizon state, Verizon's performance in 17 measurement categories (with sub-measurements) that may have a direct affect on Verizon's local competitors and their customers. Beginning early 2001, Verizon will be required to make voluntary performance payments of up to \$1.164 billion over 3 years to the U.S. Treasury based on Verizon's performance in the 17 measurement categories.

Commitments for this Condition were met as specified below. As described in Section 4: Additional Action Taken, issues with particular metrics were communicated to the Common Carrier Bureau each month, as they were detected.

Section 2: Responsible Executive

Name	Title
Virginia Ruesterholz	Senior Vice President – Wholesale Services

Section 3: Implementation of Condition

3.1 Compliance

Verizon implemented the “Carrier-to-Carrier Performance Assurance Plan” and in conjunction with FCC staff developed the format for the measurement reports. Verizon undertook an extensive review to determine the appropriate systems and methods of collecting, compiling and reporting the required data for each metric in each state. Verizon tested the initial results of the performance metrics prior to finalization of the reporting.

On July 31, 2000, Verizon proposed an additional performance sub-measure to measure Verizon 's performance with respect to the provisioning of line sharing, which was accepted by the Common Carrier Bureau on September 19, 2000.

On October 2, 2000, Verizon provided the FCC with two months of performance measurements (July and August 2000 data) for each of the required states in the 17 measurement categories identified in Attachments A-1a and A-1b of the Merger Conditions and noted known data sourcing issues in the transmittal letter. The

performance measurement results were calculated in accordance with the performance measurement business rules specified in Attachments A-2a and A-2b, and the Company has reasonable assurance that performance data were completely and accurately extracted from Verizon's underlying records and systems, except where noted in the transmittal letter to the Common Carrier Bureau. These reports were provided consistent with the format discussed with the Common Carrier Bureau staff on August 17, 2000.

On October 25, 2000, November 24, 2000, December 22, 2000, and January 25, 2001, Verizon provided to the FCC the required monthly performance reports in the FCC's desired format for each month with data sourcing issues known to the Verizon wholesale metrics organization noted in the transmittal letters. While no CLECs requested these reports, Verizon began providing CLEC specific reports on October 25, 2000. Verizon provided reports in Excel format for former Bell Atlantic and on the website for former GTE in October and November. In December and January, both former Bell Atlantic and former GTE were on the website. Verizon implemented the new line sharing measure for October 2000 data in the November 24, 2000, report. The Company has reasonable assurance that performance measurement results were calculated in accordance with the performance measurement business rules as defined in Attachments A-2a and A-2b, and the performance data were completely and accurately extracted from Verizon's underlying records and systems, except where noted in the transmittal letter to the Common Carrier Bureau.

Verizon provided official notice of performance measure implementation to the Secretary of the FCC within ten business days of initial reporting.

On December 19, 2000, Verizon met with the Common Carrier Bureau staff to conduct the first semi-annual review of the performance measurements. At this same meeting, Verizon proposed flow through measures and standards. A letter transmitting the Verizon proposal was sent to the Common Carrier Bureau staff on January 5, 2001.

Verizon posted the necessary performance measurement reports on a single website on December 25, 2000. Although not required, on January 15, 2001, the website was updated to contain all prior month's reports. In addition, Verizon corrected a few omissions of VADI data on the VADI-specific proprietary report posted to the website.

Compliance Table

Condition	Paragraph	Milestone	Due Date	Date Completed
5	Attachment A, 4	Provided Chief of Common Carrier Bureau with notice of any changes to design or calculation of performance measurements adopted by NY and CA PUCs.	07/14/00 until sunset	Presented 12/15/00 NY order to CCB staff at 12/19/00 meeting

Condition	Paragraph	Milestone	Due Date	Date Completed
5	17	Notified the Common Carrier Bureau of any sunset event in any state: 36 months after obligation to make payments under this Plan; §271 authority granted in Bell Atlantic state; effective date of comprehensive performance plan by a state commission (pursuant to footnote 60).	7/14/00 or after	N/A in 2000
5	9	Proposed to the Chief of the Common Carrier Bureau an additional performance measure or submeasurement with respect to line sharing.	07/31/00	7/31/00
5	17	Filed notice with the FCC 10 business days after proposing additional line sharing performance measures.	8/14/00	8/14/00
5	Attachment A, 4	Met with FCC staff to agree on the format of the carrier-to-carrier performance measurement reports.	08/29/00	8/17/00
5	9	Implemented additional performance measures with respect to line sharing, within 90 days if the Chief of the Common Carrier Bureau accepts proposed measure in writing.	Based on CCB approval (approval + 90 days)	11/24/00
5	17	Made available two full months of performance data for former GTE and former Bell Atlantic across all measures (PR-3 and NP-2 for former GTE were not required at that time).	10/02/00	10/02/00 (Including PR-3 and NP-2 for former GTE)
5	Attachment A, 1	Provided CLEC specific reports for those CLECs requesting individual reports.		Began providing to CLECs in October, provided 9/00 data in former BA territory for CLECs that had previously requested BA/NYNEX reports on 10/24/00 and placed CLEC specific 9/00 data results on website for CLECs operating in the former GTE territory

Condition	Paragraph	Milestone	Due Date	Date Completed
5	9, 17	Filed notice with FCC within 10 business days of implementation of additional line sharing performance measures.	based on CCB approval (implementation + 10 days)	12/8/00
5	17	Filed notice with the FCC 10 business days after achieving requirement of providing two months of performance measurements.	10/17/00	10/16/00
5	Attachment A, 13	Provided performance reports monthly for each required Verizon state for each of the 17 measurement categories available by 25 th day of following month. Provided individual CLEC reports.	10/25/00 then monthly	10/25/00 11/24/00 12/22/00 1/25/01
5	17.b	Made available two months of performance data for PR-3 and NP-2 for former GTE.	11/27/00	10/02/00
5	17	Filed notice 10 business days after achieving requirement of providing two months of PR-3 and NP-2 data for former GTE.	12/11/00	10/16/00
5	Attachment A-2.a, fn. 10 and Attachment A-2.b, fn. 21	Propose to the Common Carrier Bureau flow through measures and flow through performance standards.	12/27/00	12/19/00
5	Attachment A, 4 & 10.b	Verizon and Chief of Common Carrier Bureau shall jointly review performance measurements on semi-annual basis. (Schedule not specified)	semi-annually	12/19/00
5	Attachment A, 4	Verizon shall implement performance measurement changes adopted by the Common Carrier Bureau on schedule required by CCB.	as agreed to by CCB and Verizon following semi annual review	NA in 2000
5	Attachment A, 1	A single website will be phased in and made available within 6 months after merger close for all reports.	12/27/00	12/25/00

3.2 Methods and Procedures

A work plan has been developed in conjunction with the Merger Compliance organization to capture the merger requirements listed in Condition 5 and Attachment A of the Merger Order. A review process is conducted on a regular weekly basis with

various levels of management up to and including senior management. Status and issues are documented, tracked and monitored to enable appropriate action to be taken to meet commitments in a timely manner. Any changes to the metric calculation process are documented and tracked.

3.3 Training

The Responsible Executive and the appropriate functional staff were trained on the implications of the Merger Conditions and the resulting requirements for performance metrics. In addition, the data providers were instructed on their responsibilities for data provisioning and the change control process and follow-up sessions were performed.

Training Table

Condition	Target Audience	Training Content	Date Completed
5	Responsible Executive and staff	Merger Requirements	8/00
5	Data Providers	Data Provisioning	5/31/00
		Responsibilities, Change Control Process and Data Base	6/19/00
			8/00
			9/00
			10/00

3.4 Internal Controls

In addition to the corporate internal control environment described in the Introduction section of this report, a formal change control process has been implemented by Verizon. A change control request must be submitted and approved for a change to be made to the metrics calculation process. Approved change control requests are scheduled for implementation and closely project managed throughout the implementation process.

In addition, a Wholesale Quality Assurance Team (WQAT) focusing on the FCC Merger Order Metrics was formed in 2000. The WQAT purpose is to conduct regular reviews of the metrics to provide continuing accuracy. The WQAT performs initial and ongoing accuracy reviews. As the business continues to evolve, new metrics that are introduced will be subject to review by the WQAT. The WQAT performs its analysis consistent with the assurance steps described in the Wholesale Metrics Quality Assurance Plan (WMQA Plan). The purpose of the WMQA Plan is to employ systematic procedures to provide reasonable assurance of the accuracy of monthly results and compliance to the business rules for the wholesale metrics contained in the FCC Carrier to Carrier Performance Assurance Plan. The WMQA Plan addresses the accuracy of all of the reported performance measurement results.

Any issues associated with metric accuracy that are surfaced during the review process are brought to management's attention, investigated and corrective action is taken when required.

3.5 Documentation

Condition	Paragraph	Description of Document
5	Attachment A, ¶ 4	Documentation of meeting with FCC staff to agree on the format of the performance measurement reports
5	17	Notice provided to Secretary of FCC to communicate that Verizon had proposed additional performance measurement for line sharing
5	9	Letter from FCC accepting the two additional line-sharing measurements proposed by Verizon
5	17.a	July and August performance measurement results, included in the initial filing was PR-3 and NP-2 for the former GTE states.
5	17	Notice provided to Secretary of FCC to communicate that Verizon provided two months of performance data and included PR-3 and NP-2 for the former GTE states in the initial filing
5	Attachment A-2.a, fn. 10 and Attachment A-2.b, fn. 21 and Attachment A, 4 and 10.b	Documentation of semi-annual review meeting with FCC Staff, including flow through metric proposal
5	16, A-1, A-1.a, A-1.b	September performance measurement results filed with FCC
5	16 A-1, A-1.a, A-1.b	October performance measurement results filed with FCC
5	16, A-1, A-1.a, A-1.b	November performance measurement results filed with FCC
5	16, A-1, A-1.a, A-1.b	December performance measurement results filed with FCC

Section 4: Additional Action Taken

Controls were in place to provide reasonable assurance that the requirements of this Merger Condition were satisfied. Issues with particular metrics were communicated to the Common Carrier Bureau each month, as they were detected. Known issues were also documented in the transmittal letters to the Common Carrier Bureau with each monthly report filing. These issues are being resolved as timely as possible.

Condition Number: 6

Condition Name: Uniform and Enhanced OSS and Advanced Services OSS

Section 1: Summary

Condition 6 required Verizon to develop and distribute to CLECs within 90 days after the Merger Closing Date (MCD), a plan (the "Plan of Record" or "POR") to implement uniform, electronic OSS interfaces and business rules, including pre-ordering, ordering, provisioning, maintenance/repair and billing of resold services and UNEs that meet the requirements of 47 U.S.C. §251(c)(3) within Bell Atlantic service areas and separately within GTE service areas. (¶18) The Plan was required to address the following:

1. Assessment of Bell Atlantic's and GTE's existing interfaces and business rules, and plans for developing and deploying uniform application-to-application interfaces and business rules for OSS within Bell Atlantic service areas and separately within GTE service areas. (¶ 19.a)
2. Report on existing commitments related to interfaces and business rules, including any outstanding scheduled changes resulting from collaborative proceedings. (¶19.b)
3. Specify OSS interface or business rule uniformity issues for the Bell Atlantic service areas and separately for the GTE service areas that have not been addressed in prior collaborative proceedings, and specify collaborative process and schedule to address. (¶19.a)
4. Plans for developing and deploying Uniform Transport & Security Protocols, but not business rules, across Bell Atlantic and GTE services areas. (¶19.c)
5. Plans for developing and providing to CLECs the pre-order, ordering, and maintenance/repair functions specified in Attachment B-1 to the Conditions, and the application-to-application ordering capability for the products specified in Attachment B-2 to the Conditions. (¶ 19.d)

Condition 6 also required Verizon to conduct collaborative sessions to resolve CLEC concerns with the POR and to then implement changes to OSS interfaces and business rules in accordance with the POR within 2 years after completion of the collaborative sessions.

Separately, Condition 6 required that within 5 years after MCD, Verizon implement uniform, electronic OSS interfaces and business rules for pre-ordering, ordering, provisioning, maintenance/repair and billing of resold services and UNEs that meet the requirements of 47 U.S.C. §251(c)(3) between the Bell Atlantic and GTE service areas in Pennsylvania and Virginia, in accordance with the milestones set out in the Condition.

To address change management process issues, Condition 6 required that, within 12 months after MCD, Verizon adopt in each Bell Atlantic and GTE state the current Bell Atlantic change management process, originally created in the New York Proceeding, subject to any necessary state approvals.

Condition 6 also required that Verizon: (i) offer for 30 months after MCD to develop and deploy in the Bell Atlantic and GTE service areas an Electronic Bonding Interface that supports maintenance and repair of resold local services and UNEs that meet the requirements of 47 U.S.C. §251(c)(3), if the requesting carrier enters into a written contract; and (ii) beginning 30 days after the Merger Closing Date, Verizon make available a 25% discount on the recurring and non-recurring charges for new installations of qualifying loops and on the recurring charges for qualifying loops in service that otherwise would be applicable on unbundled local loops used to provide advanced services. Verizon may provide promotional discounts through credits, true-ups, or other billing mechanisms that are applied within 60 days of initial billing for the service.

Commitments for this Condition in 2000 were met as specified below. Billing errors are described in Section 4: Additional Action Taken.

Section 2: Responsible Executives

Name	Title
Joseph Castellano	Chief Information Officer – Information Technology
Kathleen Hishinuma (discount only)	Senior Vice President – Wholesale Marketing

Section 3: Implementation of Condition

3.1 Compliance

Uniform and Enhanced OSS

To perform the assessment of Bell Atlantic's and GTE's existing interfaces and business rules, and to prepare plans to develop and deploy uniform application-to-application interfaces and business rules for OSS within Bell Atlantic service areas and separately within GTE service areas, Verizon created a number of sub-teams. These sub-teams were responsible for the assessment of the existing business rules and interfaces related to pre-order, order, maintenance/repair, billing and transport and security protocols and for drafting the appropriate sections of the Plan of Record (POR).

The Plan of Record addresses the Present Method of Operation and the Future Method of Operation (FMO) for Pre-Ordering, Ordering, Maintenance and Repair, and Billing. The Plan of Record also addresses how Verizon will implement uniform transport and security protocols, but not business rules, across the merged Bell Atlantic/GTE Service Areas. The initial Plan of Record was provided to the FCC and the CLECs on September 28, 2000. A revised Plan of Record, reflecting input from the POR collaboratives was provided on December 22, 2000, to the FCC and the participating CLECs.

In addition, Verizon and the CLECs completed the collaborative process specified in the Merger Order and the Plan of Record. The collaborative workshops to address OSS Interfaces and business rule uniformity started on October 3, 2000, and were completed on December 22, 2000. During this time period, additional workshops and conference calls were held to provide all parties an opportunity to comment on and assist with refining the Plan of Record. On December 22, 2000, Verizon issued a revised Plan of Record reflecting areas of agreement resulting from these discussions. In addition, Verizon requested written concurrence on the revised Plan from the 70 CLECs participating in the collaborative workshops. Verizon received one written agreement and two letters containing allegations that the revised Plan was insufficient. Sixty-seven CLECs provided no comments on the revised Plan and they did not sign the written concurrence request; these CLECs have no articulated problems with the revised Plan. For areas of disagreement, Verizon is utilizing the change management process (CMP) described below to facilitate further discussions with the CLECs.²

A common Verizon change management document, based on the current Bell Atlantic change management process (originally developed as part of the New York Proceeding³), was created through a series of numerous CLEC/Verizon sessions. This document was titled, The Wholesale Network Service OSS Interface Change Management Process (proposed CMP), and with the exception of issues surrounding “versioning” of Local Service Order Guidelines (LSOG) releases, represented consensus between Verizon and those CLECs participating in the CMP negotiations as of the end of December 2000. The change management process defines the documented process that Verizon and the CLECs follow to facilitate communication about OSS changes, new interfaces and retirement of old interfaces, as well as the implementation timeframes. The Wholesale Network Service OSS Interface Change Management Process was filed in California on December 22, 2000, in Hawaii on December 21, 2000, and a notice of the California filing was filed with the Indiana Utility Regulatory Commission on December 27, 2000. These three states are the only states that required filings and state approvals of the proposed change management process.⁴

² During the collaborative workshops, CLECs requested enhancements to the OSS interfaces which Verizon viewed as outside the scope of the Plan of Record. Although CLECs and Verizon “agreed to disagree” on whether these changes should be included in or excluded from the POR, Verizon has agreed to undertake a number of these changes and enhancements independent of POR obligations. On December 22, 2000, Verizon provided to the FCC and CLECs an “Additional Commitments” document reflecting the commitments that Verizon agreed to address, albeit outside the Plan of Record.

³ Petition of New York Telephone Company for Approval of its Statement of Generally Available Terms and Conditions Pursuant to Section 252 of the Telecommunications Act of 1996 and Draft Filing of Petition for InterLATA Entry Pursuant to Section 271 of the Telecommunications Act of 1996, Case 97-C-0271 proceeding before the New York Public Service Commission (“New York Proceeding”).

⁴ Four CLECs joined together to file a response in California and one CLEC filed a response in Hawaii in opposition to Verizon’s motion requesting commission approval of the proposed CMP. Verizon is continuing to negotiate with the CLECs in an attempt to resolve their concerns surrounding Versioning and both Commissions await the outcome of these discussions before ruling on the proposed CMP.

On July 17, 2000, a notice, for the former GTE service area, was provided to CLECs offering to develop and deploy an electronic bonding interface (EBI) that supports maintenance and repair of resold local services and UNEs that meet the requirements of 47 U.S.C. §251(c)(3) within 12 months of an executed contract. In the former Bell Atlantic service area, EBI interfaces had already been offered to CLECs prior to merger close. No CLECs have requested enhancements to EBI since MCD.

Verizon has analyzed the existing OSS business rules and interfaces used in the former Bell Atlantic and GTE Service Areas in Pennsylvania and Virginia to determine the most efficient and effective way to implement the merger order requirement for uniform OSS interfaces and business rules within the former Bell Atlantic/GTE service areas in these states. A cross-functional team is currently developing detailed implementation plans to meet the conversion schedule of "Obligated Access Lines" as listed in the Merger Conditions.

No voluntary payments were required because Verizon satisfied the required commitments for this Condition in 2000.

Advanced Services Discount

Each Verizon ILEC's website contained detailed information on the Advanced Services Loop discount as well as the other promotional discount offers and the website served as the primary form of CLEC notification. In addition, CLECs doing business with Verizon were sent an U.S. Postal Service direct mailing with the same information. Verizon also sent an email with the same language to CLECs that subscribe to email notification. Verizon did not require the CLECs to file a request in order to receive the discount. The discount was automatically applied to qualifying lines unless a CLEC opted to not receive the discount. As of December 31, 2000, one CLEC has opted-out of the discounts. Verizon has procedures in place so that the discounts are not applied to this CLEC account.

New CLECs in Verizon's territory can identify the limited duration promotions on the Pricing Template page of the Verizon standard contract. New CLECs are also referred to Verizon's wholesale website to learn how to do business with Verizon. That website contains links to descriptions of the merger discounts.

Verizon implemented the required billing changes and established internal controls to monitor and implement the discount. Bill verification procedures were used to test the accuracy of the discounts applied. In a few instances billing adjustments or corrections are applied manually or retroactively.

Compliance Table

Condition	Paragraph	Milestone	Due Date	Date Completed
6	18	Submitted OSS Plan of Record addressing pre-order, order, maintenance/repair, billing and transport and security protocols as required by paragraph 19.	9/28/00	9/28/00
6	19.b	Completed collaboratives as specified in the Plan of Record. The collaboratives addressed remaining OSS interface or business rule uniformity issues and were completed within 90 days after the submission of the Plan of Record.	12/27/00	12/22/00
6	20	Filed for any necessary state approvals for the adoption of the proposed Verizon change management process within 180 days of merger close.	12/27/00	CA 12/22/00 HI 12/21/00 IN Notice 12/27/00 (IN will be filed upon CA approval)
6	22	Offered to develop and deploy EBI for maintenance/repair of resold local services and UNEs within 12 months of written agreement with requesting telecommunications carriers. The offer includes a provision to provide for a refund where an enhancement becomes an industry standard within 12 months of deployment.	7/17/00	7/17/00
6	25	Began offering 25% discounts for unbundled local loops sold by ILEC used by other carriers to provide Advanced Services (until electronic pre-ordering and ordering OSS interface for Advanced Services available and used for 75% of Advanced Services affiliate activity and affidavits filed with Common Carrier Bureau).	7/30/00	7/30/00
6	25.b	Established capability to receive quarterly certifications from unaffiliated providers of Advanced Services that obtain OSS discounts on unbundled loops.	(not specified)	8/12/00

3.2 Methods and Procedures

Verizon has employed methods and procedures that currently exist within its organization while implementing the requirements of this Merger Condition. In addition, several new methods and procedures were developed and deployed to enable Verizon to meet and continue to meet the requirements of the Bell Atlantic/GTE Merger Order.

Examples of these new methods and procedures are bill verification procedures for the merger condition discounts and new CLEC certification procedures.

Methods and Procedures Table

Condition	Paragraph	Procedure	Date Completed
6	25	Verizon- (former GTE) system requirements documentation for billing implementation	No systems requirements documentation required. Utilized current system capability. Table transmittal 10/5/00 with effective date 10/20/00
6	25	Verizon- (former Bell Atlantic) system requirements documentation for billing implementation	Manual billing procedures complete 10/1/00. Mechanized Solution initiated 7/12/00 - implemented between 7/12/00 and 1/30/01. Systems documentation was completed approximately 7/21/00
6	25	Verizon- (former Bell Atlantic) bill verification procedures	10/1/00
6	25	Verizon-(former GTE) bill verification procedures	9/27/00
6	25	CLEC certification procedures	8/12/00

3.3 Training

FCC 6 Merger Condition training was made available to Wholesale Segment employees. Face to face training and conference calls were the primary forum.

Training was provided to the Verizon Wholesale Systems Development Organization. The training covered Condition 6, conveyed the impact to the organization and the consequences for non-compliance. Part of the standard system development process is to document and provide training (when required) on the new functionality being

developed. Documentation and training is developed for both external and internal groups as necessitated by the functionality being developed. The documentation and training requirements are being identified and included in the detailed work plans for the implementation of each OSS enhancement listed in the Plan of Record.

In addition to the above training, bill verification training was provided to the affected personnel. Additional training for implementation of the system requirements for the billing of the discounts was not required, as this is a standard function within Verizon.

3.4 Internal Controls

In addition to the corporate internal control described in the Introduction section of this Report, additional controls and tools have been designed and implemented specifically to assess compliance with this Condition.

A Program Management structure for implementing the requirements under the compliance area of uniform and enhanced OSS and advanced services OSS was established. The Program Management office is led by an overall Program Manager and is organized as eight major sub-groups. In addition, the Program Management Office identifies and tracks any Information Technology requirements associated with the Merger Conditions.

The sub-groups include:

- Overall OSS Plan Development;
- OSS Collaborative Process;
- Uniform Transport and Security Protocols;
- Existing Interfaces and Business Rules;
- Implementation of a Common Change Management and Testing Process;
- Implementation of Uniform OSS in Pennsylvania and Virginia;
- Payments and Required Discounts; and
- EBI for Maintenance and Repair.

Each sub-group developed and is executing a project plan, including assigning roles and responsibilities, identifying and resolving or escalating issues, performing a quality review of deliverables and participating in the change control process, when necessary. The overall program management team is composed of each sub-group leader and other critical business unit representatives. The team is chaired by the overall Program Manager who reports directly to the Compliance Manager and Responsible Executive. The Program Management team and each sub-group meet monthly, weekly or more frequently, as needed. Reviews are conducted regularly by the Program Manager with the Compliance Manager and with the Responsible Executive. As part of this Program Management structure, key milestones and deliverables are discussed. Tracking is used to monitor time frames for meeting each commitment and to identify situations where milestone dates are approaching.

In addition, the Program Management team and sub-groups have received training on the Merger Conditions. The team members have been provided with the compliance workshop material and a communications approach package. The communications approach document will serve as an orientation package for new employees and/or contractors working on the compliance plan.

Additional Internal Controls were established as shown below:

- Existing Billing Verification team and process to review discount application;
- Training for Operations Centers (Billing and Ordering/Provisioning, Account Teams);
- Existing pre- and post-production testing procedures;
- Existing mechanized billing methods and procedures supplemented with additional manual methods and procedures;
- Existing monitoring of compliance with billing organization's methods and procedures related to control, escalation, accuracy, completeness, timeliness and sufficiency; and
- OSS Internal Controls Handbook

3.5 Documentation

Condition	Paragraph	Description of Document
6	18	Plan of Record for Uniform OSS pursuant to Bell Atlantic/GTE Merger Conditions
6	20	State Commission filings for change management adoption approval. Verifications that necessary state approvals were filed
6	20	Indiana State Commission notice of California filing for change management adoption approval (IN will be filed upon CA approval.)
6	20	Verizon Wholesale Network Services OSS Interface Change Management Process
6	22	Offer to develop and deploy EBI for maintenance/repair of resold services and UNEs
6	25	Wholesale Merger Condition Training
6	25	List of Verizon (former Bell Atlantic) CLECs notified of FCC merger discount promotions via mail- primary notification was web posting
6	25	List of Verizon (former GTE) CLECs notified of FCC merger discount promotions via mail – primary notification was web posting
6	25	Documentation of Verizon (former GTE) billing tables being updated for application of 25% Advanced Services discount
6	25.b	Print outs of Verizon's (former Bell Atlantic) website, which demonstrates offer for Advanced Services Loop discount and the ability to get self-certification form on-line
6	25.b	Print outs of Verizon's (former GTE) website, which demonstrates offer for Advanced Services Loop discount and the ability to get self-certification form on-line
6	25	Merger Discounts - Bill Verification procedures

Condition	Paragraph	Description of Document
6	25	Merger Discounts - Bill Verification performed for October, November, December 2000
6	25	Verizon (former Bell Atlantic) Manual Billing procedures for Resale, UNE Loops, and Advanced Services Loops
6	25	Letters to State Commissions describing promotional discounts were sent to states by 8/11/00 - All Verizon States

Section 4: Additional Action Taken

Although the revised Plan of Record meets the requirements of Condition 6, Verizon continues to work with the two CLECs that have expressed their concerns, in writing, on the revised Plan. With regard to merger discounts, Verizon is developing a quality assurance plan to supplement the bill verification process, including root-cause analysis to further strengthen its controls for billing assurance of the merger discounts.

In the limited circumstances described below, Verizon provided an incorrect discount amount, or provided the discount credit beyond the 60-day requirement:

During the first Verizon internal audit of the bills, Verizon identified one exception in the manual discount process affecting the advanced services discount for 13 CLECs in New York and New England. The contingency plan using the Mechanized Accounts Payable organization was immediately put into action. Thirteen credit checks were issued and delivered via overnight carrier. A brief explanatory letter was included with the credit checks. The checks were sent to arrive within one to three days of the CLECs' October bills.

Twenty-eight CLECs in twelve states (California, Washington, Oregon, Virginia, Illinois, Indiana, Michigan, Pennsylvania, Wisconsin, Kentucky, Florida and Texas) were issued credits for an error discovered for August Cycle 1 bills only. Manual checks were delivered via overnight service to ensure arrival before the October Cycle 1 bills were released.

One CLEC in Maryland was credited because the Revenue Accounting Office failed to process an adjustment.

Condition Number: 7

Condition Name: OSS Assistance to Qualifying CLECs

Section 1: Summary

Condition 7 requires Verizon to adopt measures to assist Qualifying CLECs in using Verizon OSS. Verizon is required to:

- within 90 days following merger close, make available one or more teams to assist Qualifying CLECs with OSS issues;
- OSS expert teams shall be available to provide further training and assistance to Qualifying CLECs at no additional cost for a minimum of 36 months following designation of the teams;
- jointly develop a plan to address specific OSS issues of concern to each CLEC;
- within 90 days following merger close, provide notice to Qualifying CLECs certificated and operating in Bell Atlantic and GTE Service Areas of the availability of the OSS expert teams;
- within 90 days following merger close, identify and discuss in one or more CLEC forums training and procedures that will be beneficial to the CLECs; and
- within 120 days following merger close, provide schedules for such training and procedures to qualifying CLECs.

Commitments for this Condition in 2000 were met as specified below.

Section 2: Responsible Executive

Name	Title
Virginia Ruesterholz	Senior Vice President – Wholesale Services

Section 3: Implementation of Condition

3.1 Compliance

Verizon complied with the requirements of this Condition. Verizon adopted measures for assisting qualifying telecommunications carriers in using the Companies' OSS.

On August 23, 2000, for former Bell Atlantic service areas and on August 22, 2000, for former GTE service areas, Verizon sent letters to CLECs of record informing them of the Merger Condition and providing them with the opportunity to self-certify as a Qualifying CLEC. Responses to the letter were due by September 8, 2000, for former GTE and August 31, 2000, for former Bell Atlantic. As of December 31, 2000, 208 CLECs self-certified as Qualifying CLECs. Verizon has not disputed any CLEC self-certification. The self-certification process is an on-going one and Verizon has established a process to continue to inform CLECs of their ability to self-certify.

On September 26, 2000, the Company designated and made available OSS expert support teams. Verizon informed qualifying CLECs of the availability of further training and assistance from the OSS expert support teams, free of charge, through website updates, invitations to CLEC forums, and at the individual CLEC forums. In addition, Verizon informed new entrants of the availability of the OSS expert support teams by a formal letter sent through U.S. Postal Service. As of December 31, 2000, the Verizon OSS Expert Support Team consists of 19 management employees and has the potential to grow based upon demand. In addition, Verizon initiated an internal process to jointly develop with the CLECs an assessment of their needs for training. The needs assessment will be used to develop training to meet the needs of the self-certifying CLECs.

Verizon notified CLECs via email and U.S. Postal Service direct mailing of multiple training forums to be held to discuss training and procedures that would be beneficial to qualifying telecommunications carriers. The forums were held across the country so that CLECs had an opportunity to attend. The following forums were held: Thousand Oaks, CA., August 30-31, 2000, Tampa, FL., September 14-15, 2000, Irving, TX., September 19-20, 2000, and Arlington, VA., September 26, 2000. The forums provided an overview of and discussed the availability of OSS expert teams and training for electronic interfaces for pre-order, order, repair and billing performance measures. In addition, topics such as Local Service Request (LSR) process overview, directories, E911, loop qualification, CLEC local ordering support desk and the CLEC support websites were covered. Verizon compiled the data obtained at these forums, assessed the needs of the Qualifying CLECs, and developed a program, which includes a variety of training tools. Verizon continues to compile the data obtained, assessing the needs of the Qualifying CLECs, and is developing programs which include various training tools based on the needs identified. A notice providing the scheduled training, forums, workshops and self-paced training information was communicated to Qualified CLECs via email on October 29, 2000.

Compliance Table

Condition	Paragraph	Milestone	Due Date	Date Completed
7	27.a	Provided CLECs with opportunity to self-certify as a Qualifying CLEC.	9/28/00	8/31/00 (former Bell Atlantic) 9/8/00 (former GTE) Verizon continues to accept self certifications from CLECs
7	26.b	Designated and made available OSS expert team(s).	9/28/00	9/26/00
7	26.b	Provided notice of OSS expert team(s) availability to qualifying CLECs.	9/28/00	9/27/00

Condition	Paragraph	Milestone	Due Date	Date Completed
7	26.b	Work with Qualifying CLECs to jointly develop a plan to address OSS concerns of each CLEC.	From 9/28/00 and ongoing	From 9/28/00 and ongoing
7	26.c	Identified and discussed in one or more CLEC forums training programs and procedures that would be beneficial to qualifying CLECs.	9/28/00	08/30-31/00 9/14-15/00 9/19-20/00 9/26/00
7	26.c	Provided schedules for such training and procedures to qualifying CLECs.	10/30/00	10/29/00

3.2 Methods and Procedures

An internal "New Entrant" Process for Self-Certification has been developed and implemented to provide Wholesale Services organization compliance.

3.3 Training

The Wholesale Services organization provided internal training and development to employees as part of the "New Entrant" process implementation in addition to ongoing employee development and functional training.

3.4 Internal Controls

In addition to the corporate internal control environment described in the Introduction section of this Report, the following additional controls and tools have been designed specifically to assess compliance with this Condition.

- Responsible Executive and appropriate functional staff have been educated on the requirements.
- Responsible Executive has established functional Compliance organization to effectively project manage plan objectives and requirements.
- Documentation of mailing lists, attendance sheets, responses and follow-ups were maintained for future reference.

3.5 Documentation

Condition	Paragraph	Description of Document
7	26.a	Letter to CLECs, mail distribution list of CLECs, and mailing service invoice regarding ability to self-certify
7	26.a and 26.b	Welcome and Introduction package sent to CLECs. Package tells of existence of team and availability (former GTE Service Areas)
7	26.b	Notice provided to CLECs for training and procedures seminar on website (former GTE Service Areas)

Condition	Paragraph	Description of Document
7	26.b	Letters, emails, and web postings notifying the CLECs of the availability of system support teams including distribution lists (former GTE Service Areas)
7	26.b and 26.c	CLEC Meeting Procedure Process, Confirmation of Meeting Letter, Follow-up Letter (post meeting), Roster of meeting attendance, Actual presentation. (former GTE Service Areas)
7	26.b	CLEC needs assessment for BA Service Areas and GTE Service Areas.
7	26.c	List of CLECs, which attended the 9/26/00 CLEC forum for training: procedures for qualifying CLECs (former BA Service Areas)
7	26.c	Transcripts of CLEC forum held 9/26/00 (former BA Service Areas).
7	26.c	Agenda: talking points for 9/26/00 CLEC forum (former BA Service Areas)
7	26.c	List of attendees for CLEC forums held in CA
7	26.c	Handout booklet given to each attendee of system support team seminar. (former GTE Service Areas)
7	26.c	Communication to CLECs of available wholesale training

Section 4: Additional Action Taken

None

Condition Number: 8

Condition Name: Collocation, Unbundled Network Elements, and Line Sharing Compliance

Section 1: Summary

This Condition requires Verizon to provide collocation, unbundled network elements (UNEs) and line sharing consistent with the Commission's rules. (¶¶ 27, 28). In conjunction with this Condition, Verizon engaged independent auditors, acceptable to the Chief of the Common Carrier Bureau, to attest that Verizon's tariffs and interconnection agreements comply with the collocation rules in the Collocation and Advanced Services Order, to the extent effective. Verizon also engaged one or more auditors to attest that Verizon has complied with the collocation and UNE/line sharing rules for 4 full consecutive months after the Merger Closing Date.

Commitments for this Condition required in 2000 were met as specified below. Verizon has reviewed the auditor's reports and has undertaken several initiatives as indicated in Section 4: Additional Action Taken.

Section 2: Responsible Executive

Name	Title
Virginia Ruesterholz	Senior Vice President – Wholesale Services
Jeffrey W. Ward	Senior Vice President – Regulatory Compliance

Section 3: Implementation of Condition

3.1 Compliance

Compliance with the FCC's Collocation, Unbundled Network Element and Line Sharing Rules

Verizon complied with the FCC's Unbundled Network Element and Line Sharing Rules through the development and implementation of products and services as required. This implementation included product development, customer notification, amendments to interconnection agreements and development and implementation of approved cost studies/rates through tariff filings. Verizon maintains effective internal controls over compliance with these rules. There is an ongoing process that identifies practices that may not be adequate to insure compliance. In those cases, project teams revise documentation and assess that training is adequate to meet compliance obligations.

Verizon complied with the FCC's Collocation rules and Advanced Services Order released March 31, 1999, and the final rules as amended by this order through appropriate state tariffs filings and interconnection agreement amendments.

Compliance with Independent Audit Requirements

Verizon engaged Ernst & Young to examine whether Verizon's tariffs and interconnection agreements comply with the Collocation and Advanced Services Order. Verizon cooperated fully with the independent auditors. Ernst & Young filed its report on July 3, 2000, with a positive opinion that the terms and conditions of Verizon's tariffs and interconnection agreements and the methods and procedures put in place by Verizon to implement those terms and conditions comply with the requirements of the Collocation and Advanced Services Order, to the extent effective. Ernst & Young made its workpapers available to the FCC in Verizon's offices in Washington, DC. Verizon retained Arthur Andersen, LLP to perform attestation audits of Verizon's compliance with the collocation and UNE/line sharing rules for four full months after the Merger Closing Date. Verizon cooperated fully with the independent auditors. The auditors filed its reports with the FCC on January 29, 2001, and have provided access to the audit workpapers in its office in Washington, DC. The auditors made five findings of noncompliance with the collocation rules and three findings of noncompliance with the UNE/line sharing rules. Verizon has reviewed the audit report and has revised its procedures as specified below in Section 4, Additional Action Taken.

Compliance Table

Condition	Paragraph	Milestone	Due Date	Date Completed
8	27.a	Provided collocation consistent with Commission rules. Filed Collocation tariffs and or made offer for amendments containing standard terms and conditions for collocation for inclusion in interconnection agreements.	6/30/00	6/30/00
8	27.b	Retained independent auditor, Ernst & Young, to perform pre-merger examination engagement of compliance with collocation requirements contained in the Collocation & Advanced Services Order.	6/30/00	4/12/00
8	27.c	Proposed to the Chief of the Common Carrier Bureau Arthur Andersen, LLP for post merger examination engagement regarding compliance with FCC's Collocation and UNE & Line Sharing requirements for 4 consecutive post-close months.	6/30/00	6/23/00
8	28.a	Retained Arthur Andersen, LLP to perform compliance audit with FCC's Collocation and UNE & Line Sharing requirements for any 4 consecutive full months after MCD.	6/30/00	6/30/00

Condition	Paragraph	Milestone	Due Date	Date Completed
8	27.b, 27.c.7	Ernst & Young Attestation Report on Collocation Compliance filed with the Secretary of the Commission. Access to work papers provided at a Washington, DC location.	7/10/00	7/03/00 filing 7/17/00 access to work papers
8	27.c	Engaged Arthur Andersen, LLP for the 4-month post-closing collocation audit within 15 days of written acceptance by Chief of Common Carrier Bureau.	7/17/00	6/30/00
8	28.a.1	Independent auditor submitted preliminary audit program to the Commission Audit Staff for UNE and Line Sharing compliance engagement.	7/31/00	7/31/00
8	27.c	Independent auditor submitted to the Commission's Audit Staff a preliminary audit program on post-merger collocation compliance.	8/14/00	8/14/00
8	29	Independent auditor submitted a budget for completing the collocation, UNE and Line Sharing audits (no specific date given in order).	8/14/00	8/14/00
8	27.d.1-3	Waive, credit or refund non-recurring costs for collocation if miss collocation due date by more than 60 days unless can demonstrate miss was solely caused by equipment vendor delay beyond BA/GTE control.	8/29/00	8/29/00 and ongoing
8	28.a.5, Attachment C	Independent auditor submitted final audit report on UNE and Line Sharing compliance audit to FCC Audit Staff. A copy of the report publicly filed with the secretary of the commission. Access to work papers will be provided at Arthur Andersen's office in Washington, DC location.	12/27/00 FCC extended to 1/29/01	1/29/01
8	27.c.5-6	Independent auditor submitted report on collocation compliance to the FCC's audit staff. A copy of the report was publicly filed with the secretary of the Commission. Access to the workpapers will be provided at Arthur Andersen's office in Washington, DC	2/05/01	1/29/01

3.2 Methods and Procedures

Post merger, Verizon followed its already established procedures to comply with the Commission's rules on Unbundled Network Elements and Line Sharing. In Verizon East, all changes to Collocation methods and procedures in connection with the First Report and Order and FNPR released March 31, 1999, were developed and implemented coincident with the filing of appropriate state tariffs and interconnection

agreement amendments. Verizon West developed and implemented collocation methods and procedures in compliance with the same First Report and Order and FNPR. These procedures were used in the creation of a collocation addendum to Verizon's interconnection agreement, which served as the initial vehicle for CLECs to order the new collocation arrangements made available by the Advanced Services Order. Subsequently, Verizon West filed state tariffs, beginning December 30, 1999, and continuing through May 11, 2000, with the new ASO compliant arrangements and applicable terms and conditions. As per the merger requirement Verizon developed and implemented new methods and procedures designed to waive, credit or refund nonrecurring collocation costs for qualifying collocation projects missing the due date by more than 60 calendar days.

Methods and Procedures Table

Condition	Paragraph	Procedure	Date Completed
8		Development of refund procedure associated with 60 day waiver	08/29/00

3.3 Training

General Merger Condition training was provided to all impacted Wholesale Segment employees. Additionally, there were a series of conference calls held post merger associated with the development of the methods and procedures for the 60-day waiver requirement. Appropriate documentation was developed and distributed for groups to use in determining if there are any jobs qualifying for the 60-day refund. These documents remain in use and the appropriate organizations remain aware of the requirement. Conference calls are held regularly to review and reiterate the requirement to those responsible for its follow-through.

3.4 Internal Controls

In addition to the corporate internal control environment described in the Introduction section of this Plan, the following additional controls and tools have been designed and implemented specifically to assess compliance with this Condition:

- Merger audit point of contact has been named to coordinate the information and employee contacts the auditors require.

Specific to the refund, credit or waiver of non-recurring charges (NRCs) that are required for due date delays exceeding 60 days, additional steps have been added to the existing monthly collocation completion report.

- Existing completion data and processes are being used to determine instances where a collocation due date has been missed by more than 60 days and to flag any such occurrences for billing action.

Where billing action may not be automated, additional management review is being provided.

- Updated billing procedures are currently under development to provide proper application of this Condition.
- Proactive avoidance of missed collocation due dates is being managed via the existing "functions due" report currently used to track pending applications.
- Standard monthly metrics reports have been modified to demonstrate if NRC refunds are required. When required, refunds will be processed through billing/collections organizations using documented process.

3.5 Documentation

Condition	Paragraph	Description of Document
8	27.a	Filed and stamped tariff pages to State Commissions
8	27.d.1-3	Documentation of compliance with refund of NRCs
8	27.c	Letter to FCC requesting approval of auditors. Deputy Bureau Chief, Carol E. Matthey, approved the use of Arthur Andersen to perform the Collocation, UNE and Line Sharing compliance audit
8	27.c	Engagement letter for UNE and Line Sharing audit
8	28.a	1) Letter to FCC requesting approval 2) Deputy Bureau Chief, Carol E. Matthey, approved the use of Arthur Andersen to perform the Collocation, UNE and Line Sharing compliance audit 3) Engagement Letter for UNE and Line Sharing audit
8	27.b & 27.c.7	Access provided to Collocation Audit working papers and supporting materials (pre-merger collocation audit)
8	27.b & 27.c.7	Auditor Attestation Report on Collocation Compliance (pre-merger)
8	29	Independent Auditor's budget for all audits in Condition 8
8	28.a.1	Preliminary Audit Program for UNE and Line Sharing examination
8	28.a.5 & attach	Letter granting the request of Verizon Communications, Inc. for an extension of time from December 27, 2000 to January 29, 2001
8		Independent auditors reports filed for compliance audits for Collocation, Unbundled Network Elements and Line Sharing
8		Workpapers made available at office of Arthur Andersen LLP in Washington, D.C.

Section 4: Additional Action Taken

In 2001, Verizon undertook several actions in response to issues raised in the post merger audit reports for collocation and UNE/line sharing.

UNE/line sharing audit

- In response to the auditor's finding that one of Verizon's loop qualification product offerings (manual loop qualification) was not available in the pre-order process, Verizon is working on modifications to its systems, consistent with the change management process, to provide this information in the pre-order stage. The audit report also found that Verizon had not provided electronic access to a database containing information about a limited number of loops. This appears to refer to the Loop Facility Assignment Control System, or "LFACS," which contains loop make-up information for a small percentage of loops. Verizon already provides manual access to the information in that database, and offered to provide electronic access as early as February 2000, but was unable to develop a consensus with the CLECs about how this access would be provided, and at what cost. Nonetheless, Verizon has agreed to move forward in developing a means of electronic access to the loop make-up information. In the interim, Verizon developed an electronic means of reporting the loop make-up information. This modification was put into production on February 2, 2001.
- The audit found that, in some instances, Verizon did not bill for unbundled network elements in accordance with rates in interconnection agreements or approved tariffs. Verizon has established a team to analyze the billing discrepancies found in the audit. Appropriate planning and project management oversight has been established for this effort. As the analysis continues, appropriate corrective actions to update the billing systems will be initiated.

Collocation audit

- In response to the audit findings that Verizon has not made the appropriate filings with the state commissions when it denies a collocation application due to the lack of space, Verizon reviewed the offices in question. Verizon determined that some of the offices now have space available for collocation and do not need state filings and others will have space available in sixty days. Verizon has made the state filings for the remaining offices where appropriate. The process for filings and the tracking of regulatory filings has been reviewed and recommended improvements have been identified and will be implemented during the second quarter of 2001.
- In response to the audit findings concerning the process of updating web postings, Verizon has made several refinements to its current procedures for evaluating space and providing updates for the website. In addition, Verizon reviewed the specific instances where the auditor found that the web postings were incorrect and changed the status where appropriate.
- The audit noted that Verizon had not collected certain collocation application fees and charges for completed collocation arrangements from its Advanced Services affiliate. Verizon's policy, for both affiliated and non-affiliated carriers, is to go

forward with a collocation application regardless of whether a carrier submits the fee with the application. In addition, it is not unusual for there to be a lag in billing when is a new procedure is applied, such as here where the embedded advanced services equipment was transferred to the advanced services affiliate. Verizon has collected the application fees from its affiliate and is in the process of collecting the monthly charges.

Condition Number: 9**Condition Name: Most-Favored-Nation Provisions for Out-of-Region and In-Region Arrangements****Section 1: Summary**

Condition 9 requires Verizon to make available to requesting telecommunications carriers in the former Bell Atlantic and GTE service areas certain interconnection arrangements, UNEs, or provisions of an interconnection agreement under the "Most-Favored-Nation" (MFN) provisions in the Merger Order. Disputes regarding the availability of an interconnection arrangement or UNE shall be resolved pursuant to negotiations between the parties or by the relevant state commission under 47 U.S.C section 252 to the extent applicable.

Commitments for this Condition required in 2000 were met as specified below.

Section 2: Responsible Executive

Name	Title
Kathleen Hishinuma	Senior Vice President – Wholesale Marketing
Fred D'Alessio	President – Advanced Services

Section 3: Implementation of Condition**3.1 Compliance**

To comply with the requirements of this Condition, Verizon undertook a developmental process that included process flows, tracking logs, training requirements and data base enhancements. As of July 17, 2000, Verizon was prepared to accept relevant MFN requests.

Out-of-Region

As of December 31, 2000, Verizon had not received any CLEC requests for Verizon affiliate Out-of-Region MFN arrangements. In addition, Verizon, when acting as a CLEC outside its incumbent serving area, did not enter into any interconnection arrangements or obtain UNEs from an incumbent LEC after the MCD that were not previously made available by the non-Verizon incumbent.

In-Region

As of December 31, 2000, Verizon had received 58 requests to MFN in-region, pre-merger agreements from another state. Of the requests received, 18 have since been withdrawn, two were not within the requirements of the Condition, 24 are pending and 14 have been completed. No requests have been received to MFN post-merger agreements from another state or to obtain immediate arbitration.

Compliance Table

Condition	Paragraph	Milestone	Due Date	Date Completed
9	30	Out-of-Region Post-Merger: Out-of-Region affiliate shall post on its Internet website interconnection agreements entered into with unaffiliated ILECs.	7/17/00	N/A in 2000
9	31	In-Region Post-Merger: Made available interconnection arrangements, UNEs or provisions of an agreement voluntarily negotiated by the ILEC, per MFN requirements.	7/17/00	7/17/00 and on-going
9	32	In-Region Pre-Merger: Made available interconnection arrangements, UNEs or provisions of an agreement voluntarily negotiated per MFN requirements (within former BA and separately within former GTE).	7/17/00	7/17/00 and on-going

3.2 Methods and Procedures

Communication of MFN Condition, affirmation of requirements and ongoing discussions were held with the Interconnection Services Team. MFN requests received as of 7/17 were directed to Vice President - Interconnection Services Policy and Planning for distribution and action. A single point of contact subsequently was established within the Interconnection Team to manage all initial negotiation requests to provide compliance and uniformity. Formalized tracking logs and MFN process flows were developed and communicated to appropriate employees in impacted organizations.

Methods and Procedures Table

Condition	Paragraph	Procedures	Date Completed
9	30-32	MFN Merger Condition discussions with Interconnections Team and affirmation of requirements	6/00
9	31-32	Initial MFN process flow developed	7/13/00
9	30-32	Formalized that MFN requests be forwarded to Vice President Interconnection Services Policy & Planning for distribution/action (interim step)	8/04/00
9	30-32	MFN Tracking process formalized	8/04/00
9	30-32	Single point of contact for MFN requests designated	8/30/00
9	30-31	Out-of-Region and In-Region MFN tracking logs distributed	9/1/00
9	31	Immediate Arbitration Request Tracking Log distributed	9/1/00
9	30	Out-of-Region MFN process flow/negotiation tool distributed	9/29/00
9	31	In-Region Interstate MFN Process Flow distributed	9/29/00
9	30-32	Interim Pricing MFN Process Flow distributed	9/29/00
9	30	Out-of-Region affiliate process flow distributed	12/20/00

3.3 Training

FCC Merger Condition 9 training was made available to all affected Wholesale segments and Verizon Select Service employees. On-going dissemination of information and policy discussions related to MFN continue within the Interconnection Services Policy & Planning team. Face-to-face training and conference calls were the primary forum.

3.4 Internal Controls

In addition to the corporate internal controls described in the Introduction section of this Report, the following additional controls and tools have been designed and implemented specifically to assess compliance with this Condition:

- initial Merger Condition and compliance training for Group President's staff;
- departmental training sessions;
- single responsible point of contact identified within each relevant Affiliate;
- process controls introduced into Affiliate negotiations process to evaluate all new service requests;
- work plan for development and implementation;
- confirmation of specific assignments and requirements within the negotiations team;
- website posting and process controls;
- process flow charts for evaluating and responding to cross-state MFN requests; and
- formal tracking reports to monitor MFN activity including Interstate MFN, importation of pricing, immediate arbitration and monthly departmental review of tracking logs.

3.5 Documentation

Condition	Paragraph	Description of Document
9	30, 31, 32	Wholesale Merger Condition Training
9	31	Former GTE arbitration summary and former Bell Atlantic database, used to identify arbitrated decisions by CLEC by state
9	30, 31, 32	Email Communication to Negotiations Team that MFN requests be directed to Negotiations Director/VP Interconnection Services Policy & Planning
9	30, 31,32	Email requesting Negotiators to copy MFN requests to a central point for tracking
9	31	Email designating single point of contact for all future requests for negotiations, amendments, and MFNs to facilitate a unified negotiations approach
9	30	Out-of-Region MFN process flow/negotiator tool
9	31, 32	Process flows for interstate MFN
9	31	Sign-off checklist for approval of all Verizon ILEC agreements
9	31	Tracking log for In-Region Post-Merger Cross-State MFN Arrangements

Condition	Paragraph	Description of Document
9	30	Tracking log for Out-of-Region MFN Arrangements
9	31.a & 32	Tracking log for In-Region Post-Merger and Pre-Merger Agreements Import Pricing
9	31.b	Tracking log for MFN Immediate Arbitration Requests
9	32	Tracking log for In-Region Pre-Merger Cross-State MFN Arrangements
9	30	Out-of-Region Affiliate process flow developed and implemented to augment affiliate negotiation process

Section 4: Additional Action Taken

On December 27, 2000, Verizon received an informal staff opinion letter, responding to a request by a competitive local exchange carrier to adopt a provision in an agreement from another state that provided for interim payment of inter-carrier compensation on Internet-bound traffic under the expanded most-favored nation (MFN) provisions of Condition 9. While Verizon agreed to permit the carrier to adopt all of the other provisions of the agreement at issue, it did not agree that the provision that addressed compensation for Internet-bound traffic met the Merger Condition requirements for adoption. Verizon explained that the Merger condition does not apply for several independent reasons: i) the condition applies by its terms only to matters covered by section 251(c) and not 251 (b), ii) Internet traffic is not subject to payment of reciprocal compensation under 251(b), iii) payment of reciprocal compensation on Internet traffic would be contrary to the policy of the states at issue and is not subject to the expanded MFN condition, and iv) the underlying provision in the interconnection agreement previously expired by its own terms and is not subject to adoption. While the staff letter concluded that the expanded MFN condition should be read to apply to provisions addressing matters covered by section 251(b), the letter did not address the remaining reasons that the MFN condition does not apply and stated instead that, pursuant to the Merger Conditions, any dispute concerning those issues should be submitted to the state commission for resolution. Verizon has since asked the Chief of the Common Carrier Bureau to review the conclusion in the informal opinion letter that the Merger Condition applies to matters covered by section 251(b) based on the express terms of Merger Conditions.

Condition Number: 10**Condition Name: Multi-State Interconnection and Resale Agreements****Section 1: Summary**

Condition 10 requires Verizon, upon request of a telecommunications carrier, to conduct a single negotiation for interconnection and/or resale agreements covering any two or more states in the Verizon service area. To facilitate this negotiation, Verizon must make available a generic agreement 60 days after Merger Close. Pricing under a multi-state generic agreement shall be established on a state-by-state basis, and separate agreements may be required for each Verizon ILEC.

Commitments required for this Condition were met in 2000 as specified below.

Section 2: Responsible Executive

Name	Title
Kathleen Hishinuma	Senior Vice President – Wholesale Marketing

Section 3: Implementation of Condition**3.1 Compliance**

Verizon negotiators were instructed to accept CLEC requests to negotiate cross footprint multi-state requests on July 17, 2000.

Interconnection Services personnel and Product Managers or equivalent functional managers responsible for each state, held sessions to discuss consolidation of region-wide policies. On August 29, 2000, Verizon made available a generic interconnection and resale agreement covering the full Verizon footprint. The agreement facilitates requests to negotiate interconnection and resale agreements on a multi-state basis. As of December 31, 2000, Verizon had received forty-seven requests to negotiate interconnection and resale agreements that included service areas of both the former Bell Atlantic and GTE Operating Companies.

Compliance Table

Condition	Paragraph	Milestone	Due Date	Date Completed
10	33	Accept requests to negotiate multi-state interconnection and resale agreements across all ILEC service areas.	7/17/00	7/17/00 and on-going
10	33	Generic interconnection and resale agreement available to any requesting telecommunications carrier covering all former BA/GTE Service Areas.	8/29/00	8/29/00 and on-going

3.2 Methods and Procedures

The following methods and procedures have been implemented to meet the requirements of this Condition.

Methods and Procedures Table

Condition	Paragraph	Procedure	Date Completed
10	33	Written notice confirming and communicating multi-state negotiation requirement to negotiation teams	7/17/00
10	33	Negotiation procedures supplemented for generic interconnection and resale agreement	8/29/00

3.3 Training

Merger Condition 10 training was made available to all affected Wholesale Segment employees. Additional sessions were held within the Interconnections Services and Policy Team to educate them on the information in the generic agreement. On-going dissemination of information and policy discussions related to the generic agreement continue as needed.

3.4 Internal Controls

In addition to the corporate internal control described in the Introduction section of this Report, the following additional controls and tools have been designed and implemented specifically to assess compliance with this Condition:

- work plan for development and implementation of generic agreement;
- confirmation of specific assignments and requirements within the negotiations team;
- tracking of multi-state negotiation requests to monitor compliance; and
- tracking of CLECs who receive generic agreement.

3.5 Documentation

Condition	Paragraph	Description of Document
10	33	Former BA and GTE Interconnection Agreement Contract Checklist
10	33	Verizon Model Interconnection Agreement
10	33	Email from VP to Interconnections Services and Policy team to accept CLECs request to negotiate multi-state agreements
10	33	Email designating single point of contact for all initial requests for negotiations
10	33	Tracking mechanism for Multi-State negotiations requests
10	33	Tracking mechanism for CLECs who were sent Verizon Model Interconnection Agreement upon request

Section 4: Additional Action Taken:

None

Condition Number: 11

Condition Name: Carrier-to-Carrier Promotions: Unbundled Loop Discount

Section 1: Summary

Condition 11 requires Verizon to offer CLECs a limited duration promotional discount on qualifying unbundled loops used in the provision of local exchange service and related exchange access service (other than Advanced Services) to residential end users. The discount averages 25% below the lowest applicable monthly recurring price established for the same loop. Verizon may provide promotional discounts through credits, true-ups, or other billing mechanisms within 60 days of initial billing for the service. Verizon will provide notice to CLECs operating in the relevant state when 50% and 80% of the maximum numbers in Attachment E of the Merger Order is reached. If the Offering Window in a state ends for the unbundled loop promotions in that state because the maximum allowable quantity of loops subject to the promotion has been exceeded in that state, Verizon shall file notice with the Secretary of the Commission, the relevant state commission and the CLECs operating in that state, within 3 business days after terminating the Offering Window for the availability of promotional unbundled local loop discounts in the state. The Offering Window begins no later than 30 days after MCD and ends no more than 24 months later. Earlier end dates to the offering window may be triggered by:

- 271 approval in former Bell Atlantic states, on a state-by-state basis;
- on a state-by-state basis, competing carriers, in aggregate, offer service over their own facilities to 15% of customer locations in the former GTE serving area in that state;
- completion of 50% of Verizon's out-of-region competitive market entry requirements (Condition 16); or
- reaching the maximum promotion penetration per Attachment E of the Conditions.

The Promotional Period will be 36 months or the length of time the applicable loop is in service with the same carrier at the same location, whichever is shorter.

Commitments for this Condition in 2000 were met as specified below. Billing errors are described in Section 4: Additional Action Taken.

Section 2: Responsible Executive

Name	Title
Kathleen Hishinuma	Senior Vice President – Wholesale Marketing

Section 3: Implementation of Condition

3.1 Compliance

Primary notification for the discount was posted on Verizon's wholesale website on July 28, 2000. In addition, CLECs purchasing UNEs from Verizon or with an interconnection agreement enabling them to purchase UNEs from Verizon were sent an U.S. Postal Service direct mailing offering the FCC limited duration promotional discount. Former GTE also sent an email reflecting the direct mailing language to CLECs that subscribe to email notification. Verizon did not require the CLECs to submit a request in order to receive the discount. The discount was automatically applied to qualifying residential loops unless a CLEC opted to not receive the discount. As of December 31, 2000, one CLEC has opted-out. Verizon has procedures in place so that the discounts are not applied to this CLEC account.

Copies of the CLEC notification regarding the discount were also submitted to Verizon state commissions.

Verizon (former Bell Atlantic) held Change Management conference calls with CLECs to advise them to indicate through use of a standard industry field on the Local Service Request (LSR), that the loop would be used for residence service. Procedures for Verizon (former Bell Atlantic) explaining the requirement for CLECs to identify residence loops on the LSR are posted on the wholesale website. Verizon (former GTE) was already utilizing separate industry codes for residential unbundled loops.

Verizon implemented the required billing changes and internal controls to monitor implementation of the discount. Bill verification procedures were implemented to test the accuracy of the discounts.

Monthly activity tracking reports were established to track newly installed and operational residential loops to determine when the Offering Window could be closed. As of December 31, 2000, the Offering Window remained open for all Verizon states except New York, which had already received 271 approval prior to MCD.

New CLEC customers beginning operations after July 30, 2000, can identify the limited duration promotion on the Pricing Template page of the Verizon standard contract. The language also specifies website addresses for former Bell Atlantic/GTE to review the Terms and Conditions of the promotion. Procedures are in place to provide the newly operational CLEC with the residential loop discount automatically unless the CLEC notifies Verizon it wishes to opt-out of the discount.

Participating CLECs are required to provide quarterly certification to Verizon and state commissions that they are using all unbundled loops for which they are receiving the residential loop discount in the manner specified in the terms and conditions of the

offering. These terms and conditions are specified in the posting on the Verizon Website and were specified in the U.S. Postal Service direct mailing to the CLECs.

Compliance Table

Condition	Paragraph	Milestone	Due Date	Date Completed
11	34	Begin offering window for carrier-to-carrier promotional residential loop discount. Internal processes in place to respond to CLEC requests within 10 days.	7/30/00	7/30/00
11	34	Written Offer to CLECs to provide promotional discounts for unbundled loops used for residential service.	7/30/00	7/30/00 posted on website
11	34	State commissions received copy of promotional discount notification sent to CLECs.	8/14/00	8/14/00

3.2 Methods and Procedures

The following methods and procedures have been implemented to meet the requirements of this Condition.

Methods and Procedures Table

Condition	Paragraph	Procedure	Date Completed
11	34-35	Verizon- (former Bell Atlantic) and Verizon-(former GTE) system requirements documentation for billing implementation	6/02/00
11	34-35	Verizon- (former Bell Atlantic) and Verizon-(former GTE) bill verification procedures	10/01/00- (former Bell Atlantic) 9/25/00- (former GTE)
11	34-35	Verizon- (former Bell Atlantic) and Verizon-(former GTE) qualifying line tracking procedures	8/08/00- (former Bell Atlantic) 8/13/00- (former GTE)
11	34-35	Verizon- (former Bell Atlantic) and Verizon-(former GTE) CLEC opt-out procedures	8/16/00

3.3 Training

Merger Condition training was made available to Wholesale Segment employees as part of a general Merger Conditions training package.

3.4 Internal Controls

In addition to the corporate internal control environment described in the Introduction section of this Report, the following controls and tools have been designed and implemented specifically to assess compliance with this Condition:

- detailed project plan for development, implementation, and ongoing management;
- monthly reports of qualifying residential loops;
- Billing Verification team and process to review discount application monthly
- Opt-Out process;
- CLEC Notification process (based on threshold count of residential loops)
- training for Operations Centers (Billing and Ordering/Provisioning, Account Teams) supplemented with updated desk instructions, reference materials and other job aids;
- pre- and post-production testing process for billing changes implemented by IT/IS; and
- existing mechanized billing methods and procedures supplemented with additional manual methods and procedures.

3.5 Documentation

Condition	Paragraph	Description of Document
11	34-35	Wholesale Merger Condition Training Packet and Attendance Lists
11	34-35	CLECs notified of the FCC merger discount promotions via U.S. mail
11	34-35	Letters to each State Commission describing the Residential Loop Discount Promotion
11	34-35	Procedure for monthly tracking report for Residential Loop Discount Promotion
11	34-35	Monthly tracking report for Residential Loop Discount Promotion
11	34-35	Merger Discounts - Bill Verification procedures
11	34-35	Merger Discounts - Bill Verification performed for October, November and December
11	34-35	Verizon (former Bell Atlantic) Manual Billing procedures for Residential Loops

Section 4: Additional Action Taken

On November 21, 2000, the Chief Counsel of the Pennsylvania PUC, Bohdan Pankiw, sent a letter to the Common Carrier Bureau regarding the discounts that Verizon provided for unbundled network element rates in Pennsylvania under Condition 11. Verizon had applied the discounts to the "pre Global Order" UNE rates that were in effect prior to the current rates, as provided in Attachment D to Appendix D of the Merger Order, which expressly provides that the "current price" to be used in calculating the promotional discount in Pennsylvania is the rate in effect "prior to implementation of discounts required in the PA 'Global Order' issued September 30, 1999." The letter stated that, in the view of the Pennsylvania PUC, the UNE rates set forth in Verizon's Pennsylvania 216 tariff, are permanent,

TELRIC-based rates and not promotional or market-opening discounts. As a result, the Common Carrier Bureau sent a letter to Verizon on December 21, 2000, stating that Verizon should apply the Condition 11 discounts to the current rates. Although Verizon believes that it acted in good faith compliance with the terms of the Merger Order by calculating the discounts as expressly set forth in Attachment D, Verizon voluntarily agreed that, effective February 1, 2001, it would apply the full statewide average discount of 25 percent to the current rates in Pennsylvania.

Verizon's internal controls identified billing errors and Verizon took corrective actions to issue manual credits to the affected CLECs and to correct errors retroactive to the effective date of the discount. Verizon is developing a comprehensive quality assurance plan to supplement and further strengthen its internal controls and is performing root-cause analysis to mitigate future billing errors. In the limited circumstances described below, Verizon provided an incorrect discount amount, or provided the discount credit beyond the 60-day requirement:

1. Seven CLECs converted to Verizon's ExpressTRAK billing system were not credited for the unbundled loop discount within the 60-day true-up required by the Merger Conditions for bills rendered in October and November 2000. Manual credits have been applied to CLEC bills in February. The error in ExpressTRAK was corrected on January 19, 2001. The affected states were Maryland, Washington, D.C., Virginia and West Virginia.
2. An error on a retyped bill dated December 4, 2000, was noted by PricewaterhouseCoopers LLP on February 14, 2001. One CLEC in Oregon was issued a credit on February 21, 2001.
3. Four CLECs in Pennsylvania, New Jersey, and West Virginia were issued credits because the Revenue Accounting Office failed to process the adjustments.

Condition Number: 12

Condition Name: Carrier-to-Carrier Promotions: Resale Discount

Section 1: Summary

Condition 12 requires Verizon, within 30 days after the Merger Closing Date, to offer Competing Local Exchange Carriers, during a limited offering window, a limited duration resale discount of 32% off recurring and non-recurring retail charges for qualifying residential services. Verizon may apply the promotional discount through credits, true-up, or other billing mechanisms within 60 days of the initial billing for the service. The limited offering window will close no more than 36 months later. Verizon will provide notice to CLECs operating in the relevant state when 50% and 80% of the maximum numbers in Attachment E of the Merger Order is reached. If the Offering Window in a state ends for the Resale promotions in that state because the maximum allowable quantity has been exceeded in that state, Verizon shall file notice with the Secretary of the Commission, the relevant state commission and the CLECs operating in that state, within 3 business days after terminating the Offering Window for the availability of promotional resale discounts in the state. An earlier end date to the offering window may be triggered in each state by reaching the maximum quantity of discounted resold lines in that state as defined in Attachment E of the Merger Conditions.

The discount period will be 36 months from the date of service installation or the length of time the applicable line is in service with the same carrier at the same location, whichever is shorter. The initial discount level is to be reduced to 1.1 times the standard wholesale discount upon the earliest to occur of the following:

- 24 months after the offering window opens;
- in the former Bell Atlantic states, on a state-by-state basis, the granting of 271 approval in a state;
- in the former GTE states, on a state-by-state basis, competing carriers offer service over their own facilities to 15% of customer locations in the GTE serving area in that state; or
- completion of 50% of Verizon's out-of-territory competitive market entry requirements.

Commitments for this Condition in 2000 were met as specified below. Billing errors are described in Section 4: Additional Action Taken.

Section 2: Responsible Executive

Name	Title
Kathleen Hishinuma	Senior Vice President – Wholesale Marketing

Section 3: Implementation of Condition

3.1 Compliance

Primary notification for the discount was posted on Verizon's wholesale website on July 28, 2000. CLECs reselling Verizon services or with an interconnection agreement enabling them to resell Verizon services were also sent a U.S. Postal Service direct mailing offering the FCC limited duration promotional discount. In addition, former GTE sent an email reflecting the same language to CLECs that subscribe to email notification. Verizon did not require the telecommunications carriers with which Verizon had an existing interconnection agreement to file a request in order to receive the discount. The discount was automatically applied to qualifying lines unless a CLEC opted to not receive the discount. As of December 31, 2000, one CLEC has opted-out. Verizon has procedures in place so that the discounts are not applied to this CLEC account.

Verizon implemented the required billing changes and established internal controls to monitor and implement the discount. Bill verification procedures were implemented to test the accuracy of the discounts.

Monthly activity tracking reports were established to track newly installed and operational residential resold lines to determine when the Offering Window will be closed. As of December 31, 2000, the Offering Window remained open for all Verizon state service areas and the 32% discount rate was not reduced in any of the states. (New York already had 271 relief at merger close and implemented the 1.1 times standard wholesale discount rate).

New CLEC customers beginning operations after July 30, 2000, can identify the limited duration promotion on the Pricing Template page of the Verizon standard contract. The language also specifies website addresses for former GTE and former Bell Atlantic to review the Terms and Conditions of the promotion. Procedures are in-place to automatically provide the newly operational CLEC with the 32% discount in states where it applies. Generally, new customers to Verizon's territory are referred to the wholesale website for instructions and documentation on how to do business with Verizon and will find information related to the merger discounts posted on the website.

Compliance Table

Condition	Paragraph	Milestone	Due Date	Date Completed
12	36, 37	Begin offering window for carrier-to-carrier promotional resale discount. Internal processes in place to respond to CLEC requests in a timely manner.	7/30/00	7/30/00
12	36	Written Offer to provide resale discount posted on website, U.S. mail and e-mail notification.	7/30/00	7/30/00

Condition	Paragraph	Milestone	Due Date	Date Completed
12	36	Filed copies of written notification with state commissions.	8/14/00	On or before 8/14/00

3.2 Methods and Procedures

The following methods and procedures have been implemented to meet the requirements of this Condition.

Methods and Procedures Table

Condition	Paragraph	Procedure	Date Completed
12	36-37	Verizon- (former Bell Atlantic) and Verizon-(former GTE) system requirements documentation for billing implementation	6/2/00
12	36-37	Verizon- (former Bell Atlantic) and Verizon-(former GTE) bill verification procedures	10/1/00- (former Bell Atlantic) 9/25/00- (former GTE)
12	36-37	Verizon- (former Bell Atlantic) and Verizon-(former GTE) qualifying line tracking procedures	8/8/00- (former Bell Atlantic) 8/13/00- (former GTE)
12	36-37	Verizon- (former Bell Atlantic) and Verizon-(former GTE) CLEC opt-out procedures	8/16/00

3.3 Training

Merger Condition training was made available to Wholesale Segment employees.

3.4 Internal Controls

In addition to the corporate internal control environment described in the Introduction section of this Report, the following controls and tools have been designed and implemented specifically to assess compliance with this Condition;

- detailed project plan for development, implementation, and ongoing management;
- monthly reports of qualifying residential resold lines;
- Billing Verification team and process to review discount application monthly
- Opt-Out process;
- CLEC Notification process (based on threshold count of resold lines)
- training for Operations Centers (Billing and Ordering/Provisioning, Account Teams) supplemented with updated desk instructions, reference materials and other job aids;

- pre- and post-production testing process for mechanized billing of the discounts; and
- existing mechanized billing methods and procedures supplemented with additional manual methods and procedures.

3.5 Documentation

Condition	Paragraph	Description of Document
12	36, 37	Wholesale Merger Condition Training
12	36 & 37	CLEC notification of the FCC merger discount promotions via website posting and U.S. mail, e-mail sent by former GTE
12	36, 37	Letters to each State Commission describing the Resale Loop Discount Promotion
12	38	Procedure for monthly tracking report for Residential Resale Loop Discount Promotion
12	36, 37 and 38	Merger Discounts - Bill Verification procedures
12	36, 37, 38	Merger Discounts - Bill Verification performed for October, November and December
12	36, 37, 38	Verizon (former Bell Atlantic) Manual Billing procedures for Resale

Section 4: Additional Action Taken

Verizon's internal controls identified billing errors and Verizon took corrective actions to issue manual credits to the affected CLECs and to correct errors retroactive to the effective date of the discount. Verizon is developing a comprehensive quality assurance plan to supplement and further strengthen its internal controls and is performing root-cause analysis to mitigate future billing errors. In the limited circumstances described below, Verizon provided an incorrect discount amount, or provided the discount credit beyond the 60-day requirement.

1. Fourteen resellers converted to Verizon's ExpressTRAK billing system were not credited for the resale discount within the 60 day true-up required by the Merger Conditions for bills rendered in October and November 2000. Manual credits have been applied to CLECs' bills in February. The error in ExpressTRAK was corrected in November. The states affected were Maryland, Washington, D.C., Virginia and West Virginia.
2. Forty-seven resellers were not credited within the 60-day true up required by the Merger Conditions for the resale discount for bills rendered in September 2000. Credits were applied to CLEC bills in November. The error was corrected on November 17, 2000. The states affected were Texas, Indiana and Wisconsin.
3. Seventy-two resellers were not credited within the 60-day true up required by the Merger Conditions for the resale discount for pay-per-use services. The credit should have appeared on the September bill. Credits were applied to CLEC bills

in January 2001. Billing system changes to correct the problem are scheduled for May 2001. Billing will continue to process credits through a special handling process until implementation of the correction in the billing system is complete. The states affected were Alabama, California, Florida, Illinois, Indiana, Kentucky, Michigan, Missouri, North Carolina, Oregon, Pennsylvania (former GTE), Texas, Virginia (former GTE), Washington and Wisconsin.

4. Forty-five CLECs operating in Kentucky, Virginia, South Carolina, North Carolina and Alabama did not receive the resale discount for measured service. Recovery began on February 5, 2001. Billing credits will be retroactive to October 21, 2000, the day the error began.
5. Eighty CLECs in thirteen states (Alabama, Florida, Illinois, Indiana, Kentucky, Michigan, Missouri, North Carolina, Ohio, Pennsylvania, South Carolina, Texas and Virginia) did not receive non-recurring charge discounts beginning with September billing. Credits were issued beginning February 25, 2001. The error has been corrected in the billing system.
6. Recently a Reseller contacted our Billing Center and indicated that an error occurred with the promotional resale discount. We are investigating the error at this time. Upon completion of the investigation, we will correct the error and provide retroactive credits for the period of time the error occurred.
7. Fourteen resellers converted to ExpressTRAK did not receive resale discounts for non-recurring charges within 60 days between the months of October and December. Manual credits were issued to their bills in February. States impacted were Maryland, DC, Virginia and West Virginia. The error in ExpressTRAK was corrected in December.
8. Two resellers in Pennsylvania did not receive a manual credit for the resale discount in November. The credit was applied in December.
9. One reseller in Pennsylvania did not receive the resale discount due in December. The credit was issued to an incorrect account. The credit was issued in January.

Condition Number: 13
Condition Name: Offering of UNEs

Section 1: Summary

This Condition requires Verizon to continue to make available the UNEs and UNE combinations required in the FCC's UNE Remand and line sharing orders until the date of a final and non-appealable judicial decision providing that the UNE or UNE combination does not have to be provided.

This merger Condition is not operative because none of the FCC's rules in the UNE remand and line sharing orders has been vacated or stayed. Verizon continued to make available the UNEs and UNE combinations required in the FCC's UNE and line sharing orders.

Section 2: Responsible Executive

Name	Title
Kathleen Hishinuma	Senior Vice President – Wholesale Marketing

Section 3: Implementation of Condition

3.1 Compliance

There were no new implementation requirements given the continuing effectiveness of the FCC's UNE and line sharing orders and Verizon's compliance with those orders. This Condition will become null and void after the effective date of a final and non-appealable judicial decision in the UNE Remand and Line Sharing proceedings.

3.2 Documentation

Verizon's compliance with the UNE/line sharing rules is documented in Condition 8.

Section 4: Additional Action Taken:

None

Condition Number: 14**Condition Name: Alternative Dispute Resolution through Mediation****Section 1: Summary**

Condition 14 requires Verizon to implement, subject to state commission approval, a voluntary alternative dispute resolution ("ADR") mediation process to resolve carrier-to-carrier disputes regarding the provision of local services, including disputes related to interconnection agreements. This process is to be available within the former Bell Atlantic and GTE serving areas.

Commitments in 2000 for this Condition were met as specified below.

Section 2: Responsible Executives

Name	Title
Virginia Ruesterholz	Senior Vice President – Wholesale Services
Geoff Gould	Senior Vice President – State Government Relations

Section 3: Implementation of Condition**3.1 Compliance**

Prior to July 17, 2000, Verizon sent letters to all the U.S. State commissions, notifying the commissions of Verizon's responsibilities under Condition 14 of the Merger Order. Verizon also notified CLECs via letter, email and web postings, of the offer to provide ADR through mediation as outlined in Attachment F of the Merger Order. In addition, on July 19, 2000, Verizon sent a letter to the Northern Marianas Islands jurisdiction notifying it of Verizon's responsibilities. There are currently no CLECs doing business with Verizon in this commonwealth.

Verizon Wholesale Services implemented a process to provide compliance with the Condition. Upon the receipt of a written request for ADR mediation, Verizon logs the ADR mediation request into the Issues Library for communication, tracking, monitoring and reporting. As of December 31, 2000, Verizon has received no formal ADR mediation requests. Those requests that have complied with any applicable interconnection agreement and those which have no applicable terms are immediately assigned an Issues Manager. The Issues Manager is responsible for notifying the pertinent internal Verizon parties and facilitating the mediation process so that the ADR mediation meets the requirements in Attachment F of the Merger Order, including the time-sensitive documentation of agreement.

Compliance Table

Condition	Paragraph	Milestone	Due Date	Date Completed
14	40	Notified state commissions, via letter, of Verizon's implementation of the alternative dispute resolution as outlined in Attachment F of the Merger Order.	7/17/00	7/17/00
14	40	Offered to CLECs, via letter and e-mail, the alternative dispute resolution as outlined in Attachment F of the Merger Order.	7/17/00	7/17/00
14	40	Offered, via the Companies websites, the alternative dispute resolution as outlined in Attachment F of the Merger Order.	7/17/00	7/13/00 former BA 7/17/00 former GTE
14	40	Implemented procedures for accepting, processing and resolving requests for alternative dispute resolution as outlined in Attachment F of the Merger Order.	7/17/00	7/17/00 and on-going

3.2 Methods and Procedures

Attachment F of the Merger Order is utilized as a method and procedure so that the requirements outlined are strictly adhered to. In addition, a process flow has been developed and additional procedures for Issue Managers on how to utilize the Issues Library have been developed and implemented.

Methods and Procedures Table

Condition	Paragraph	Procedures	Date Completed
14	40	Attachment F of the Merger Order	N/A
14	40	Alternative Dispute Resolution Mediation Process Flow	7/17/00 revised on 9/28/00

3.3 Training

General Merger Condition training was provided to impacted Wholesale Segment employees. In addition, the Wholesale Services organization provided training on the ADR through mediation process to all impacted employees. This included communication to the State Regulatory Advocates, Issue Managers and Wholesale Services.

3.4 Internal Controls

In addition to the corporate internal control environment described in the Introduction section of this Report, the following additional controls and tools have been designed and implemented specifically to assess compliance with this Condition.

- Responsible Executives and appropriate functional staff have been educated on the requirements.
- Responsible Executives have established a functional Compliance organization to effectively project manage all plan objectives and requirements.
- An Issues Library has been developed and resides on the corporate Intranet. This library allows for communicating, tracking, and monitoring of the requests for ADR through mediation.

3.5 Documentation

Condition	Paragraph	Description of Document
14	40 & Attach F.	ADR mediation process
14	40	Letters to State Commissions offering a specific alternative dispute resolution ("ADR") mediation process
14	40	Notice of the offer for ADR to CLECs

Section 4: Additional Action Taken:

None

Condition Number: 15**Condition Name: Access to Cabling in Multi-Unit Properties****Section 1: Summary**

Condition 15 specifies requirements for Verizon's installation of cables for CLEC access to new cabling within a multi-tenant building or campus, including provisions relating to single point of interconnection (SPOI) at minimum point of entry (MPOE), and notice to property owners of their options and potential obligations under this provision.

Condition 15 also requires Verizon, subject to any required state approvals, to offer to conduct a trial with one or more interested, unaffiliated CLECs within the Verizon Service Area to identify the procedures and associated costs required to provide CLECs with access to cabling within Multi-Dwelling Unit premises and multi-tenant premises housing small businesses where Verizon controls the cables. Further, the condition requires that, taking into account the results of the trial, Verizon will develop tariffs and/or interconnection agreements to cabling controlled by Verizon in Multi-Dwelling Units and multi-tenant units.

Commitments for this Condition required in 2000 were met as specified below. As described in Section 4: Additional Action Items, Verizon issued revised Methods and Procedures during 2000 to clarify when written notice is required and to provide that, in any state, in any instance in which Verizon installs new cable in a new or retrofitted campus environment, Verizon will notify the campus owner that the owner may elect to have Verizon install cable in a manner that will permit a telecommunications carrier a SPOI at the MPOE for the entire campus, even though not required by the Condition.

Section 2: Responsible Executive

Name	Title
Barry Paulson	Senior Vice President – Engineering and Planning

Section 3: Implementation of Condition**3.1 Compliance**

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.

Prior to merger close and during the entire audit period, in the following jurisdictions, pursuant to tariff and/or law and/or in accordance with Verizon nondiscriminatory practice, this form of cabling installation was done routinely without the need for property owner approval, and, therefore, no written notice of option needed to be provided to building owners: AL, CA, DC, DE, ID, IL, IN, KY, MD, MI, MO, NC, NV, OH,

OR, PA, SC, TX, VA, VT, WA, WI and WV. In addition, in the jurisdictions of CT, MA and NY, Verizon has an effective House & Riser tariff that requires a single point of interconnection at the point that House & Riser cabling in the building begins. Thus, in these three jurisdictions, this form of cabling installation is already done routinely without the need for property owner approval or consent, and, therefore, no written notice of option need be provided to building owners.

Methods and procedures were communicated requiring that written notification be provided to building owners and developers in those situations not excluded above, i.e., in FL, HI, ME, NH, NJ and RI, starting with cabling installation jobs where engineering work began after merger closing date, i.e., beginning July 1, 2000.

As of merger closing date, Bell Atlantic had already developed tariffs and interconnection agreements that provided CLECs with access to or interconnection with House and Riser cabling controlled by Bell Atlantic in Multi-Dwelling Units and multi-tenant units. Model interconnection agreements were made available to carriers on August 29, 2000, to make these provisions available to carriers in all Verizon States. In response to CLEC requests that Verizon modify its procedures for implementing these tariff and interconnection arrangements, Verizon conducted a trial to determine the feasibility of permitting CLECs to perform their own cross-connect work when accessing or interconnecting to Verizon House and Riser cabling. This trial, conducted with RCN in New York under the direction of the New York Public Service Commission, began on January 17, 2000, and was extended into 2001 by the New York Public Service Commission. On January 19, 2001, Verizon provided the NY PSC Verizon's evaluation of the results of the trial, and recommendations regarding possible extension of the trial.

Compliance Table

Condition	Paragraph	Milestone	Due Date	Date Completed
15	41	Offered to conduct a cabling access trial with an unaffiliated carrier.	7/17/00	begun prior to merger closing date and ongoing
15	42	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.	7/17/00	06/28/00 BA 07/06/00 GTE on-going
15	42	Offered to install new cables in a manner to provide telecom carriers a single point of interconnection, where Verizon needed the consent of another party prior to installation.	7/17/00	06/28/00 BA 07/06/00 GTE on-going

Condition	Paragraph	Milestone	Due Date	Date Completed
15	42.a, 42.c	Provided written notice for property owners that Verizon will install and provide new cables that permit SPOI in states not already at MPOE prior to MCD.	7/17/00	06/28/00 BA 07/06/00 GTE on-going

3.2 Methods and Procedures

Verizon's internal procedures for engineering and construction to provide access to cabling in multi-unit properties were revised to reflect the requirements of this Condition. These written procedures were documented and distributed to outside plant engineering and construction personnel in the former Bell Atlantic on June 28, 2000, and in the former GTE on July 6, 2000. Clarification of these procedures was provided on December 11-13, 2000.

Verizon and RCN (the CLEC in the trial) established a Trial Agreement that contained methods and procedures (M&Ps) specific to the trial. That agreement contains M&Ps specifying:

- the buildings to which the trial applies;
- definitions of pairs considered available and to which the trial applies;
- procedures to be used by RCN technicians when performing cross-connections on Verizon-owned House and Riser cabling;
- requirements that RCN submit service orders in a specific manner to allow Verizon to properly reflect transfers, including timely initiation of billing for RCN's use of Verizon H&R cabling;
- procedures for RCN technicians during installations, including compliance with industry standards and tagging of pairs;
- procedures for referring any maintenance problems;
- the ability of Verizon to inspect RCN equipment and workmanship;
- measurements by which the trial will be evaluated; and
- monthly meetings between the parties to address issues and evaluate the trial.

Methods and Procedures Table

Condition	Paragraph	Procedure	Date Completed
15	41	Trial Agreement containing Methods and Procedures (signed by both parties to trial)	1/17/00
15	42	Multi-Point Access Policy (covering former Bell Atlantic properties)	6/28/00
15	42	Minimum Point of Entry Policy (covering former GTE properties)	7/6/00

Condition	Paragraph	Procedure	Date Completed
15	42	Minimum Point of Entry / Demarcation Point (DP) Policy (Bulletin No. 014-2000, Issue 2.0, released (covering former GTE properties)	7/22/00
15	42	Flash Bulletin regarding Minimum Point of Entry Bulletin / Demarcation Point Policy (Bulletin No. 014-2000) (covering former GTE properties, describing clarification in Issue 3.0 to be released)	12/11/00
15	42	Outside Plant Network Services Staff Letter "Verizon Rate Demarcation Point (RPD) Policy Clarification" (Doc. # 2000-00507-OSP) (covering former Bell Atlantic properties)	12/12/00
15	42	Minimum Point of Entry / Demarcation Point (DP) Policy (Bulletin No. 014-2000, Issue 3.0) (clarification covering former GTE properties)	12/13/00

3.3 Training

Members of the Verizon Regulatory Compliance organization had numerous meetings and discussions with members of the Network Engineering staff organization responsible for fulfilling the requirements of Condition 15, in order to provide an understanding of the requirements contained in this Condition. (See chart below). In addition, the Network Engineering staff support organization conducted numerous conference calls and meetings with Directors in the state network engineering offices to provide training on the requirements of the Merger Condition.

Training Table

Condition	Target Audience	Training Content	Date
15	Network Engineering staff organization	Review of M&Ps regarding Condition 15 requirements	Various dates, including, but not limited to: 8/24/00 8/25/00 8/29/00 9/20/00 10/24/00 11/1/00 11/13/00 12/6/00

3.4 Internal Controls

In addition to the corporate internal control environment described in the Introduction section of this Report, the following additional controls and tools have been designed or are being designed specifically to assess compliance with this Condition.

- Responsible Executive and appropriate network engineering and support staffs have been educated on the requirements.

- The existing internal controls regarding engineering, approval, installation and quality checks of cabling in multi-unit properties apply to this Condition.
- Establishment of an ongoing attestation process requiring Engineering Directors to attest that their staffs have read and understand the requirements of the Verizon Methods and Procedures relevant to this Condition.
- Periodic Regulatory Compliance review of relevant state laws, regulations, and tariffs and the impact of such on compliance with these requirements.
- Periodic reinforcement and clarification of Condition requirements provided by engineering staff to field engineering forces.

3.5 Documentation

Condition	Paragraph	Description of Document
15	41	Signed contract with RCN to conduct trial
15	42	Multi-Point Access Policy (covering former Bell Atlantic properties)
15	42	Minimum Point of Entry Policy (covering former GTE properties)
15	42	Minimum Point of Entry / Demarcation Point Policy (Bulletin No. 014-2000, Issue 2.0) (covering former GTE properties)
15	42	Flash Bulletin regarding Minimum Point of Entry Bulletin / Demarcation Point Policy (Bulletin No. 014-2000) (covering former GTE properties, describing clarification in Issue 3.0 to be released)
15	42	Outside Plant Network Services Staff Letter "Verizon Rate Demarcation Point (RPD) Policy Clarification (Doc. # 2000-00507-OSP)" (covering former Bell Atlantic properties)
15	42	Minimum Point of Entry / Demarcation Point Policy (Bulletin No. 014-2000, Issue 3.0) (clarification covering former GTE properties)

Section 4: Additional Action Taken

Sufficient internal controls were in place to provide reasonable assurance that the requirements of this Merger Condition were satisfied.

During 2000, Verizon became aware of instances in which the written property owner notice required by its internal Methods and Procedures had not been provided. (In those instances where written notification had not been provided, Verizon continued to engineer and install cabling that provides a SPOI as required by this condition.) The failure to provide the written notification was due to a misunderstanding of Verizon's written Methods and Procedures. As a result, in December 2000, Verizon issued revised Methods and Procedures governing compliance with the Merger Condition.

These Methods and Procedures:

- further clarified where written notification was required;
- implemented an attestation process whereby network engineers are required to attest to their understanding of the Methods and Procedures and the Merger Condition; and
- resulted in additional training of the network engineers on these Methods and Procedures and the Merger Condition.

Also, in December 2000, while not required by the Merger Condition, Verizon amended its Methods and Procedures to provide that, in any State, in any instance in which Verizon installs new cable in a new or retrofitted campus environment, Verizon will notify the campus owner that the owner may elect to have Verizon install cable in a manner that will permit a telecommunications carrier a SPOI at the MPOE for the entire campus. This option may be selected instead of the Verizon standard of a SPOI at the MPOE of each building on the campus (or other Verizon standard in that State).

Condition Number: 16**Condition Name: Out-of-Territory Competitive Entry****Section 1: Summary**

Condition 16 requires Verizon to “spend a total of at least \$500 million between the Merger Closing Date and the end of the 36th month” (after the MCD) “to provide services, including resale, that compete with traditional local telecommunications services offered by incumbent local exchange carriers or to provide Advanced Services to the mass market” outside of Verizon ILEC service areas (Out-of-Region). At least 50% of the \$500 million must be used on Facilities Expenditures. The remaining amount may be used on Customer Acquisition Expenditures. Alternatively, this Condition will be deemed satisfied if Verizon provides service “over at least 250,000 customer lines that are used to provide Competitive Local Service” Out-of-Region “between the Merger Closing Date and the end of the 36th month” (after the MCD).

Interim targets are established at twelve-month (\$100 million or 50,000 lines) and twenty four-month (\$300 million or 150,000 lines) intervals. Fully 20% of either the expenditure or the customer lines must be used to provide competitive local services to residential customers or to provide Advanced Services. In the event annual targets are not achieved, Verizon is obligated to pay 150% of the shortfall to the U.S. Treasury.

No commitments for this Condition were due in 2000.

Section 2: Responsible Executive

Name	Title
Fred D’Alessio	President – Advanced Services

Section 3: Implementation of Condition

No commitments for this Condition were due in 2000.

Section 4: Additional Action Taken

None

Condition Number: 17
Condition Name: InterLATA Services Pricing

Section 1: Summary

Effective the first day after merger close, Verizon was required to provide to any in-region or out-of-region wireline residential interLATA service customer within the United States the option to select a pricing plan with no minimum monthly or flat rate charge. Verizon or any of its affiliates could offer customers an optional, voluntary interLATA pricing plan that includes a minimum monthly or flat rate charge or a pre-paid calling card. In former GTE states, this Condition will expire 36 months after merger close. In former Bell Atlantic states, this Condition will expire 36 months after 271 approval is obtained in that particular state.

Commitments for this Condition in 2000 were met as specified below. Based on test calls made by PricewaterhouseCoopers LLP, Verizon provided additional training to a sales channel as described in Section 4: Additional Action Taken.

Section 2: Responsible Executive

Name	Title
Maura Breen	Group President – Long Distance

Section 3: Implementation of Condition

3.1 Compliance

On or before July 1, 2000, Verizon's interLATA affiliates had approved tariffs on file with the FCC to provide a pricing plan with no minimum monthly or flat rate charge. As of July 1, 2000, Bell Atlantic Communications, Inc. (now d.b.a. Verizon Long Distance), GTE Communications Corporation (now Verizon Select Services, Inc.), GTE Pacifica (now Verizon Pacifica), and Puerto Rico Telephone Company, Inc. (d.b.a. PRT Larga Distancia) provided a pricing plan with no minimum monthly or flat rate charge.

Compliance Table

Condition	Paragraph	Milestone	Due Date	Date Completed
17	49	Long Distance pricing plan in place with no minimum monthly charge.	7/1/00	7/1/00

3.2 Methods and Procedures

The existing methods and procedures for tariff change implementation and new pricing plan introduction were utilized to meet this commitment. Additional notices, bulletins, job aids and training material were developed, as required, so that service

representatives and agents remained aware of the Merger Condition and were accurately identifying a pricing plan with no minimum monthly or flat rate charge upon request.

Verizon's Product Managers responsible for residential interLATA pricing plans were informed of this requirement and periodically have been provided re-notification regarding the commitment.

Methods and Procedures Table

Condition	Paragraph	Procedure	Date Completed
17	49	Various communications to service representatives and agents	7/1/00 and on-going

3.3 Training

Customer service representatives (CSRs) received notification and training regarding the existence of an interLATA pricing plan without minimum monthly or flat rate charges. Periodic reminders were provided to CSRs to provide continued awareness of the requirements of the Merger Condition and the availability of the qualifying interLATA pricing plan through their sales channels.

Training Table

Condition	Target Audience	Training Content	Date Completed
17	Service representatives and sales agents	Verizon provides an interLATA pricing plan with no minimum monthly or flat rate charge upon request	6/00 and ongoing

3.4 Internal Controls

In addition to the corporate internal control environment described in the Introduction section of this Report, the following additional controls and tools have been implemented specifically to assess compliance with this Condition;

- Periodic notification provided to Product Managers responsible for residential InterLATA pricing plans regarding this commitment;
- Existing controls which surround the tariff filing and implementation process;
- Periodic reminder to tariff organization regarding this commitment;
- Periodic review of relevant tariffs; and
- Periodic test calls to appropriate customer contact channels to assess Verizon customer service representatives accurately respond to customer inquiries regarding plans with no minimum monthly or flat rate charge.

3.5 Documentation

Condition	Paragraph	Description of Document
17	49	Tariff for pricing plan with no minimum monthly or flat rate charge – Bell Atlantic Communications, Inc.
17	49	Tariff for pricing plan with no minimum monthly or flat rate charge – GTE Communications Corporation
17	49	Tariff for pricing plan with no minimum monthly or flat rate charge – GTE Pacifica.
17	49	Tariff for pricing plan with no minimum monthly or flat rate charge – PRTC
17	49	Evidence of periodic reminders provided to Product Managers responsible for residential interLATA service pricing plans and to service representatives and agents responsible for handling customer requests
17	49	Evidence of periodic review of relevant tariffs, with sign-off from Responsible Executive stating review was complete and compliance maintained

Section 4: Additional Action Taken

In October 2000, PricewaterhouseCoopers LLP advised Verizon that it had conducted test calls in which CSRs were asked about the availability of pricing plans with no monthly minimum or flat rate charges. Based upon the test call results of PricewaterhouseCoopers LLP, Verizon launched a series of its own test calls while simultaneously providing additional training to CSRs in a channel where CSRs were not adequately communicating the availability of a plan without monthly minimum or flat rate charges. Testing and training continued for several weeks until the Company was reasonably assured that the channel was consistently communicating the availability of a plan without monthly minimum or flat rate charges.

Condition Number: 18
Condition Name: Enhanced Lifeline Plans

Section 1: Summary

Condition 18 required Verizon to offer by letter to the appropriate state commissions in the former Bell Atlantic and former GTE states, no later than 30 days after Merger Closing Date, to file a tariff for an Enhanced Lifeline plan in the Verizon service area within that state.

If the state commission indicated its acceptance of Verizon's offer within 12 months of the written offer, Verizon was further required to file a tariff to implement its offer within 60 days of such acceptance.

Consistent with applicable state law, the terms and conditions of the Enhanced Lifeline plan offered by Verizon were to be comparable to those of the Ohio Universal Service Assistance ("USA") Lifeline plan set forth in Ameritech Ohio's Alternative Regulation Plan, as in effect on January 27, 2000, in the areas of subscriber eligibility, discounts and eligible services.

Commitments for this Condition were met as specified below. Based on test calls made by PricewaterhouseCoopers LLP, Verizon provided additional training during 2001 as described in Section 4: Additional Action Taken.

Section 2: Responsible Executive

Name	Title
Jody Bilney	President – Consumer Group

Section 3: Implementation of Condition

3.1 Compliance

Verizon filed letters, within 30 days after Merger Closing Date, with thirty-two state commissions in the Verizon footprint, offering to file a tariff for an Enhanced Lifeline plan in the Verizon service area within that state. Copies of these letters were provided to the FCC.

On August 15, 2000, the Delaware Public Service Commission accepted Verizon's offer. Verizon filed a tariff with that commission on October 13, 2000. The Delaware PSC allowed the tariff to become effective, and the plan was implemented on December 12, 2000.

As of December 31, 2000, (i) no other state commission had accepted Verizon's offer to implement an Enhanced Lifeline Plan; (ii) the Idaho, Michigan and Pennsylvania

commissions had declined Verizon's offer; and (iii) the Texas and Illinois commissions had requested and were provided with a copy of the Delaware tariff for review.

Compliance Table

Condition	Paragraph	Milestone	Due Date	Date Completed
18	50	Verizon filed letters in the former Bell Atlantic and GTE states offering the USA Lifeline plan for a period of 36 months following the effective date of the initial tariff implementing the service.	7/31/00	7/19/00
18	50	Copies of Verizon's written offers filed with the Secretary of the FCC.	Not specified	9/28/00
18	50	Filed USA Lifeline plan tariff with Delaware state commission.	10/13/00	10/13/00
18	50.a, 50.b	Revised internal practices and procedures for Delaware to appropriately handle past due accounts and deposit requirements in accordance with the Delaware USA Lifeline plan.	12/12/00	12/12/00
18	50.c, 50.d	Developed "self certification" forms to be used by Delaware USA Lifeline plan customers, and negotiated with appropriate state agencies to acquire on-line verification of participation in qualifying programs.	12/12/00	12/12/00
18	50.f, 50.h	For Delaware, established a toll-free number and a toll-free fax number for USA Lifeline plan customers, and added a Lifeline option to the interactive voice response unit (IVRU) menu to assist customers with specific information about the USA Lifeline plan.	12/12/00	12/12/00
18	50.i	Upgrade existing Delaware Lifeline customers to the USA Lifeline plan.	12/12/00	12/12/00

3.2 Methods and Procedures

A Verizon Delaware implementation core team was formed and reviewed commitments associated with the USA Lifeline plan in accordance with the Merger Conditions. The Delaware core team was comprised of representatives with responsibility for product management, information systems, consumer sales, billing, regulatory, credits and collection and legal. The Delaware core team developed a process to establish Methods and Procedures to carry out the various USA Lifeline plan commitments. This process resulted in documentation describing the internal requirements that drive implementation, including billing systems changes and methods and procedures. Regular core team meetings were held to review requirements to assess obligations were being satisfied as well as to address any open operational issues that developed.

Internal documentation created by the core team in 2000 was used to develop Methods and Procedures to implement the new USA Lifeline plan in Delaware. New Methods and Procedures were incorporated with those already in place. Incorporation of methods and procedures for the new USA Lifeline plan provided service representatives and field personnel with the information and support needed so they could offer USA Lifeline as an option to qualifying prospective customers.

Methods and Procedures Table

Condition	Paragraph	Procedure	Date Completed
18	50	Methods and procedures for Delaware USA Lifeline plan	12/12/00

3.3 Training

In addition to the development of methods and procedures to implement the USA Lifeline plan, corresponding training plans were also developed to train service representatives and field personnel. Personnel involved in providing the previous Delaware Lifeline plan were trained on the USA Lifeline Plan.

Training Table

Condition	Target Audience	Training Content	Date Completed
18	Consumer Sales and Service and Collection representatives	Implement new USA Lifeline Plan for Delaware	All complete as of effective date of 12/12/00 and on-going

3.4 Internal Controls

In addition to the corporate internal control environment described in the Introduction section of this Report, the following additional controls and tools assess compliance with this Condition;

- educated Responsible Executive and appropriate staff on the requirements;
- existing internal controls which surround the tariff filing and implementation process; and
- existing internal controls, which provide that customer service representatives have current procedures, receive training on tariff changes, and are monitored.

3.5 Documentation

Condition	Paragraph	Description of Document
18	50	Letter to State Commission offering Enhanced Lifeline Plan – Alabama, California, Connecticut, Delaware, Florida, Hawaii, Idaho, Illinois, Indiana, Kentucky, Maine, Maryland, Massachusetts, Michigan, Missouri, Nevada, New Hampshire, New Jersey, New York, North Carolina, Ohio, Oregon, Pennsylvania, Rhode Island, South Carolina, Texas, Vermont, Virginia, Washington, Washington D.C, West Virginia and Wisconsin
18	50	Letter to Secretary of FCC to document that letters offering to implement enhanced lifeline were sent to state commissions
18	50	Verizon Delaware's filing of the revised tariff implementing the Universal Service Assistance (USA) Lifeline Service
18	50.i	<p>Delaware training, M&Ps, expense of customer notification Documentation of DE Implementation</p> <ul style="list-style-type: none"> • Copies of tariff provisions implementing the Enhanced Lifeline Plan in Delaware • Copies of revised internal practices, procedures and instructions documenting handling of past due accounts and deposit requirements under the Enhanced Lifeline Plan • Copy(ies) of "self-certification" form and related internal practices and procedures • Written correspondence and other documentation describing negotiations with state agencies, and copies of internal practices and procedures for on-line verification • Copies of bill messages, bill inserts, print media, brochures, etc., depending on the types of publicity selected, and associated invoices • Written correspondence and other documentation describing establishment, testing and notice of availability of toll-free voice and FAX numbers and Interactive Voice Response Unit menu option for Lifeline inquiries • Customer billing system reports showing number of customers converted from existing Lifeline Plan to Enhanced Lifeline Plan, and date of conversion. Sampling of customer bills converted to Enhanced Lifeline Plan

Section 4: Additional Action Taken

As a result of test calls conducted by PricewaterhouseCoopers, LLP during early 2001, in which customer service representatives were asked about the availability and features of the Delaware USA Lifeline Plan, additional focused training was provided, and Verizon conducted additional test calls to reasonably confirm the effectiveness of the additional training.

In addition, service monitoring processes for the sales and service center and the collection center were revised to include supplemental management review of Delaware USA Lifeline plan service observations, to provide reasonable assurance that on an ongoing basis Verizon customer service representatives accurately respond to customer inquiries regarding availability and features of the Delaware USA Lifeline Plan.

Condition Number: 19**Condition Name: Additional Service Quality Reporting****Section 1: Summary**

Condition 19 required Verizon to begin providing additional service quality reporting in three areas: (1) NARUC “White Paper” Service Quality reports on a quarterly basis; (2) Table 1 of ARMIS Report No. 43-05 on a quarterly basis; and (3) certain service levels associated with special access service provided to Genuity and other companies on a monthly basis.

Regarding the NARUC “White Paper” reports, Verizon was required to file reports with the Reporting Management Staff of the FCC, beginning no later than 180 days after the Merger Closing Date, on a quarterly basis. Reporting includes retail service quality as described in the NARUC Technology Policy Subgroup “Service Quality White Paper” adopted November 11, 1998. Regarding the ARMIS 43-05, Table 1 reports, Verizon was required to report service quality data separately for each one of its operating companies. Both of these reports are to be included on a Verizon website or made available through another means to state commissions in the former Bell Atlantic and former GTE States.

In addition, Verizon was required to report monthly, on a proprietary basis, certain service quality data, most of which are described in the existing Table 1 of ARMIS Report No. 43-05, to show the service levels it provides to Genuity as compared to other companies purchasing Verizon high speed special access and regular special access services. This proprietary company-specific service quality reporting was to begin 60 days after Merger Closing.

Commitments for this Condition required in 2000 were met as specified below.

Section 2: Responsible Executive

Name	Title
Arnold Eckelman	Group President – Consumer Operations

Section 3: Implementation of Condition**3.1 Compliance**

In compliance with paragraph 51 of the Merger Order, Verizon filed with the Reporting Management staff of the FCC for the public record the first quarterly NARUC retail service quality report on December 27, 2000. These reports were provided to each of the relevant state commissions in the former Bell Atlantic and former GTE States on or before December 27, 2000, via access to a Verizon website, except for the notification

to the Alabama PSC. Due to an administrative error, notice of the availability of these reports on the website was not provided to the Alabama PSC until January 17, 2001.

In compliance with paragraph 52 of the Merger Order, Verizon provided directly to the relevant state commissions quarterly local service quality data from Table 1, ARMIS Report 43-05. The first report was issued on November 15, 2000. Effective January 15, 2001, those same reports became available on a Verizon website.

In compliance with paragraph 53 of the Merger Order, on July 31, 2000, Verizon proposed business rules to the Common Carrier Bureau (Bureau) for reporting service levels Verizon provides to Genuity as compared to other companies. On September 19, 2000, the Bureau approved four of the five proposed business rules and noted that the Company would propose revisions to one of the proposed rules by September 29, 2000. On September 29, 2000, the Company proposed a revised business rule to the Bureau for the remaining service quality measure. On January 26, 2001, Verizon resubmitted its September 29, 2000, proposal, providing an additional clarification as requested by the Bureau. On February 12, 2001, Verizon provided additional clarification in response to an additional Bureau request. On or before October 16, 2000, the Bureau posted the approved (and proposed) business rules on its Bureau website, making them publicly available by that means. Verizon will make the final approved business rules publicly available (in addition to the Bureau's public posting) after the Bureau approves the fifth business rule.

Verizon reported monthly to the FCC and Mitchell & Titus, LLP, the independent auditor engaged to perform the Genuity Merger Compliance audit, all of the service quality data required pursuant to paragraph 53 of the Merger Order showing the service level provided to Genuity compared to other companies for special access and high capacity services. Reports were provided on August 29, 2000; September 27, 2000; October 26, 2000; November 29, 2000; and December 29, 2000. Each of these reports reflected the five proposed business rules, four of which were approved by the Bureau on September 19, 2000. Verizon has also made these reports available to PricewaterhouseCoopers, LLP, the independent auditor engaged to perform the Merger Compliance Audit.

Compliance Table

Condition	Paragraph	Milestone	Due Date	Date Completed
19	53	Proposed applicable performance measure business rules to the Chief of the Common Carrier Bureau for service levels provided to Genuity and other companies purchasing Verizon high-speed special access and regular special access services.	07/31/00	07/31/00
19	53	FCC approval obtained for four of five separate measurements to demonstrate service quality for services provided to Genuity by the former BA/GTE ILECs.	Not specified	09/19/00

Condition	Paragraph	Milestone	Due Date	Date Completed
19	53	At the request of the Bureau, submitted revised business rule for fifth service quality measurement to Chief of the Common Carrier Bureau.	Not specified	09/29/00
19	53	Reported monthly to FCC and independent auditor the five separate measurements to demonstrate service levels for certain services provided to Genuity and other carriers by the former BA/GTE ILECs.	08/31/00 09/30/00 10/31/00 11/30/00 12/31/00 1/31/01	08/29/00 09/27/00 10/26/00 11/29/00 12/29/00 1/19/01
19	51	Filed first state-by-state retail service quality report using NARUC "White Paper" specifications, quarterly thereafter. Posted on web or made available to state commissions.	12/27/00 2/19/01	12/27/00 2/19/01
19	52	Filed on a quarterly basis operating company local service quality reports, Table 1 of ARMIS Report No. 43-05. Posted on web or made available to state commissions.	Quarterly	11/13/00 2/14/01

3.2 Methods and Procedures

The methods and procedures used to produce the additional service quality reports are the business rules and data specifications applicable to each of these reports.

Methods and Procedures Table

Condition	Paragraph	Procedure	Date Completed
19	51	NARUC Technology Policy Subgroups "Service Quality" White Paper adopted by NARUC on November 11, 1998	12/27/00
19	52 and 53	ARMIS Report No. 43-05 reporting specifications, as originally adopted in 1991 by the FCC and subsequently modified in more recent orders regarding ARMIS 43-05	Various
19	53	Business rules approved by the Chief of the Common Carrier Bureau on September 19, 2000	9/19/00

3.3 Training

Members of the Verizon Regulatory Compliance organization held discussions and meetings with the Responsible Executive and Compliance Managers responsible for fulfilling the requirements of Condition 19, to provide an understanding of the requirements for additional service quality reporting contained in this Condition.

Much of the individual or specific training needed for the underlying work efforts to satisfy compliance had already been satisfied prior to merger close based upon the prior experience and knowledge of the personnel responsible for the service quality reporting functions. Because paragraph 52 requires reporting of the ARMIS Report No.

43-05, Table 1 on a quarterly basis, rather than annually as previously required by the FCC under normal ARMIS reporting requirements, for the same operating company aggregations as provided prior to merger close, and using the same ARMIS terms and data definitions for each line in ARMIS reports already defined by the FCC, no substantive additional training was required for this requirement.

Similarly, because the ¶51 (NARUC “White Paper”) and ¶53 (Genuity Service Level) reports are similar to existing service quality data definitions, limited additional training was required in these areas.

3.4 Internal Controls

In addition to the corporate internal control environment described in the Introduction section of this Report, the following additional controls and tools have been implemented to assess compliance with this Condition.

- The Responsible Executive and appropriate staff members have been educated on the requirements.
- Regularly scheduled calls/meetings held to obtain status, identify and address any issues.
- The existing internal controls that surround Service Quality Reporting apply to this Condition.

3.5 Documentation

Condition	Paragraph	Description of Document
19	53	Verizon's proposed business rules for Genuity Service Levels reports
19	53	Bureau approval of four of five proposed business rules for Genuity Service Levels reports
19	53	Verizon revised proposal for fifth of five business rules for Genuity Service Levels reports in response to requests for revisions from the Common Carrier Bureau
19	53	Report on Service Levels provided to Genuity and other companies (July 2000 data)
19	53	Report on Service Levels provided to Genuity and other companies (August 2000 data)
19	53	Report on Service Levels provided to Genuity and other companies (September 2000 data)
19	53	Report on Service Levels provided to Genuity and other companies (October 2000 data)
19	53	Report on Service Levels provided to Genuity and other companies (November 2000 data)
19	53	Report on Service Levels provided to Genuity and other companies (December 2000 data)
19	52	Third and fourth quarter 2000 ARMIS Report No. 43-05, Tables provided to the FCC and each of the state commissions in the former Bell Atlantic/GTE States

Condition	Paragraph	Description of Document
19	51	Third and fourth quarter 2000 NARUC "White Paper" reports provided to the FCC and made available to state commissions on a Verizon Internet website

Section 4: Additional Action Taken

None

Condition Number: 20
Condition Name: NRIC Participation

Section 1: Summary

Condition 20 requires that Verizon continue to participate in the Network Reliability and Interoperability Council (“NRIC”), or a successor organization, if any.

Commitments for this Condition required in 2000 were met as specified below.

Section 2: Responsible Executive

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

Section 3: Implementation of Condition

3.1 Compliance

Verizon's representative and Responsible Executive for this Condition, Mark Wegleitner, Vice President – Network Services, attended the meeting of the Network Reliability and Interoperability Council V (NRIC V) that occurred on August 23, 2000. The meeting provided an overview of the working structure of NRIC, consisting of the Steering Committee and four major Focus Groups. These included Focus Group 1, Y2K, and Focus Group 2, Network Reliability. Focus Group 2 has four subcommittees: A1, Best Practices; A2, Best Practices Packet Switching; B1, Data Reporting and Analysis; and B2, Data Reporting and Analysis for Packet Switching. The two additional focus groups are Focus Group 3, Wireline Network Spectral Integrity; and Focus Group 4, Interoperability. Verizon designated appropriate staff members to participate in each of the Focus Groups.

Focus Group 1 provided a summary of its findings at the August 23, 2000, NRIC V meeting. After August 2000, Focus Group 1 was not active in 2000 since Y2K conversion was successfully completed at the end of 1999.

After merger close, Focus Group 2 held five meetings in 2000; July 14, 2000, August 30, 2000, October 12, 2000, October 13, 2000, and December 1, 2000. Verizon was represented at each of these sessions.

After merger close, Focus Group 3 held three meetings in 2000; July 12-13, 2000, September 26-27, 2000, and November 8-9, 2000. Verizon was represented at each of these sessions.

Focus Group 4 held its initial meeting on December 7, 2000. Verizon was represented in that session.

Compliance Table

Condition	Paragraph	Milestone	Due Date	Date Completed
20	54	Attended NRIC V meetings.	on-going	8/23/00
20	54	Attended NRIC V Focus Group 2 meetings.	on-going	7/14/00 8/30/00 10/12/00 10/13/00 12/01/00
20	54	Attended NRIC V Focus Group 3 meetings.	on-going	7/12-13/00 9/26-27/00 11/8-9/00
20	54	Attended NRIC V Focus Group 4 meetings.	on-going	12/07/00

3.2 Methods and Procedures

A work plan has been developed in conjunction with the Merger Compliance organization to document the merger requirement and to track Verizon's continued NRIC participation.

Individuals required to attend NRIC meetings on behalf of Verizon have been informed of the requirement to have Verizon participation at NRIC meetings and their requirement to document their participation.

3.3 Training

No special training for the Condition was required. Individuals responsible for attending have been informed of the Merger Condition and their associated responsibilities.

3.4 Internal Controls

In addition to the corporate internal control environment described in the Introduction section of this Report, the following additional controls and tools have been designed and implemented specifically to assess compliance with this Condition:

- directed employees currently participating in NRIC, including the Focus Groups, to continue their participation on behalf of Verizon;
- regular follow-up with Verizon NRIC representatives regarding continued participation in NRIC; and
- regular documentation of the Verizon NRIC participants reviewed for accuracy and completeness.

3.5 Documentation

Condition	Paragraph	Description of Document
20	54	Minutes of August 23, 2000 NRIC V meeting
20	54	Minutes of NRIC Subcommittee 2.B1 07/14/00 meeting
20	54	Minutes from NRIC V Subcommittee 2.B1 08/30/00 meeting
20	54	Notes from NRIC V Subcommittee 2.A2 October 12, 2000 meeting
20	54	Minutes from NRIC V Subcommittee 2.B1 10/13/00 meeting
20	54	Minutes from NRIC V Focus Group 2.B1 12/01/00 meeting
20	54	Notes from NRIC V Focus Group 3 07/12-13/00 meeting
20	54	Notes from NRIC V Focus Group 3 09/26-27/00 meeting
20	54	Notes from NRIC V Focus Group 3 11/08-09/00 meeting
20	54	Notes from NRIC V Focus Group 4 December 7, 2000 meeting

Section 4: Additional Action Taken

None

Condition Number: 21
Condition Name: Compliance Program

Section 1: Summary

Condition 21 requires Verizon to appoint a senior corporate compliance officer to monitor implementation of, and compliance with, FCC Conditions for Merger. This officer carries the following responsibilities:

- developing and monitoring the compliance program and Verizon's progress towards meeting the conditions;
- reporting to the FCC regarding compliance with these Conditions;
- providing the Compliance Plan due no later than MCD + 60 days;
- oversight of the timely payments process;
- consulting with the Chief of the Common Carrier Bureau and/or his/her designees regarding compliance with these Conditions;
- providing copies of notices to the FCC or any state commission to the independent auditor(s) as required;
- consulting with independent auditor(s) regarding Verizon's progress toward compliance with these Conditions; and
- providing this Annual Compliance Report document due on March 15, 2001.

Commitments for this Condition required in 2000 were met as specified below.

Section 2: Responsible Executive

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

Section 3: Implementation of Condition

3.1 Compliance

Ivan Seidenberg, President and Co-Chief Executive Officer, has appointed Jeffrey W. Ward as Senior Vice President-Regulatory Compliance, to serve as the Senior Corporate Regulatory Compliance Officer, and Randal S. Milch, Senior Vice President and Deputy General Counsel, to provide legal advice and support relative to merger compliance. Mr. Seidenberg has assigned oversight responsibility to the Board's Audit Committee. As discussed in the Introduction section of this report, Mr. Ward, in turn, delegated responsibility for each individual Merger Condition to a senior executive manager who, as the Responsible Executive for the Condition, is personally accountable for compliance with that Condition. To facilitate the day-to-day program management of all merger compliance activities and to provide the Responsible Executives and Compliance Managers for Merger Conditions with regulatory experts, Mr. Ward has established the Regulatory Compliance Organization. Together, Mr.

Ward, Mr. Milch, the Senior Leadership of the Regulatory Compliance Organization, the Responsible Executives and their Compliance Managers constitute the Executive Management Compliance Council (EMCC) that meets or confers by conference call on a regular basis to discuss the status of compliance activities. Each Responsible Executive is not only responsible for implementing the Conditions, but for notifying Mr. Ward of resource needs and potential problems that could, if not resolved, result in delayed compliance.

A structured project management environment has been established to aid in the management and tracking of deliverables associated with each Condition. Each requirement has been defined and documented and a process to track completion of all tasks has been established. Information on compliance plans and performance is shared across all authorized Verizon executives and their compliance teams and was updated weekly during the second half of 2000.

The status of the Merger Compliance Program was briefed routinely to Verizon's senior management during the second half of 2000. In addition, the Verizon Management and Board of Directors Audit Committees were briefed on the status and issues in August and October 2000.

In addition, a Merger Compliance Office Library has been established to maintain essential completion documentation. Documentation is retained for each Condition as tasks critical to compliance are completed. The Merger Compliance Office Library is split between New York City and Dallas per the independent auditors' request to allow them satisfactory access to the documents. The Merger Compliance Office Librarian has provided the external auditors with all the Notices filed with the FCC through the date of this report related to compliance activities through December 31, 2000.

There were no payments due that were related to merger compliance activities through December 31, 2000. The work plans for the relevant Conditions in the Merger Compliance database contain tasks to track any payment requirements to provide that they are made on a timely basis, if needed.

Compliance Table

Condition	Paragraph	Milestone	Due Date	Date Completed
21	55.a	Appointed a senior corporate regulatory compliance officer to monitor implementation of, and compliance with FCC Conditions, provide required reports to FCC and consult with the Chief of the Common Carrier Bureau.	7/17/00	6/29/00
21	55.b	Submitted plan for compliance with merger Conditions to Common Carrier Bureau Audit Staff and filed letter providing notice of filing with Secretary of FCC.	8/29/00	8/29/00

Condition	Paragraph	Milestone	Due Date	Date Completed
21	55.c	Submitted Annual Merger Conditions Compliance Report.	3/15/01	3/15/01
21	55.a	Audit Committee of Verizon Board of Directors must oversee the senior corporate regulatory compliance officer's fulfillment of FCC merger Conditions.	ongoing	on-going, formal meetings held on 8/3/00 and 10/24/00
21	55.a	Senior corporate regulatory compliance officer provided copies of all notices Verizon provides to the FCC or a state commission to the independent auditor required under ¶ 56 and consult with auditor regarding progress towards meeting Conditions.	6/30/00 and ongoing until sunset	on-going

3.2 Methods and Procedures

The following methods and procedures have been implemented to meet the requirements of this Condition.

Methods and Procedures Table

Condition	Paragraph	Procedure	Date Completed
21	55.a	Merger Compliance Office Database Website Quality Control Process and Update Cycle Schedule	6/30/00
21	55.a	Merger Compliance Office Database Website Change Control Process	8/28/00 and on-going
21	55.a	Potential Payment Schedule	7/17/00
21	55.a	Schedule of Notices to be filed	7/17/00
21	55.a	Merger Compliance Office Library Procedures	7/26/00
21	55.a	Merger Compliance Office Database/ Website User Guide	8/29/00
21	55.a	Merger Compliance Office Database/ Website Compliance Manager Update Process	8/29/00
21	55.b	Verizon Merger Compliance Plan	8/29/00

3.3 Training

The following training took place in support of this Condition.

Training Table

Condition	Target Audience	Training Content	Date Completed
21	Responsible Executives, Compliance Managers, and employees	Merger Condition requirements	6/30/00

Condition	Target Audience	Training Content	Date Completed
21	Responsible Executives and Compliance Managers	Internal Controls Workshops with PricewaterhouseCoopers LLP	7/27/00
21	Compliance Managers and their Staff	Training on Merger Compliance Database Process	7/00 on-going

3.4 Internal Controls

In addition to the corporate internal control environment described in the Introduction section of this Report, the following additional controls and tools have been implemented specifically to assess compliance with this Condition:

- provided Internal control workshops presenting / explaining definition of internal control with Compliance Managers and key management responsible for merger compliance;
- established program Management infrastructure to communicate, monitor and track all compliance related deliverables;
- developed notice communication follow-up process to provide required copies to independent auditors;
- obtained senior level acknowledgement and assertion of ownership of individual Conditions; and
- held periodic meetings with independent auditors, CCB and Verizon Board of Directors Audit Committee.

3.5 Documentation

Condition	Paragraph	Description of Document
21	55a	Senior Corporate Regulatory Compliance Officer appointment documented via a correspondence from Ivan Seidenberg, President and Co-Chief Executive Officer
21	55.a	Audit Committee of Verizon Board of Directors oversight of senior corporate regulatory compliance officer established via Action of Verizon Board of Directors. Documentation of Mr. Ward's presentations to the Audit Committee
21	55.b	Compliance Plan submitted to CCB Audit Staff

Section 4: Additional Action Taken

None

Condition Number: 22
Condition Name: Independent Auditor

Section 1: Summary

Condition 22 required Verizon to engage an independent auditor prior to MCD, to conduct an examination resulting in a positive opinion (with exceptions noted) regarding Verizon's compliance with all the Merger Conditions and the internal controls designed to achieve compliance. The first annual audit under this Condition excluded compliance with Conditions 8 and 13, which were the subject of separate attestations.

Verizon was also required to engage an independent auditor, prior to merger close, to perform an examination of Verizon's divestiture of Genuity and ongoing compliance with the Genuity Conditions.

In addition, Verizon was required to engage an independent auditor, prior to merger close, to perform an agreed-upon procedures engagement regarding compliance with the separate Advanced Services affiliate requirements of Section I of the Merger Conditions.

Commitments for this Condition required in 2000 were met as specified below.

Section 2: Responsible Executive

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

Section 3: Implementation of Condition

3.1 Compliance

Verizon complied with the requirements of this Condition. In particular, Verizon engaged independent auditors deemed acceptable by FCC prior to the MCD as follows:

- Genuity Audit – Mitchell & Titus, LLP;
- Advanced Services agreed-upon procedures engagement – PricewaterhouseCoopers LLP; and
- General Merger Conditions Audit (except Conditions 8 and 13) – PricewaterhouseCoopers LLP;

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

The independent auditors submitted preliminary audit programs to the FCC for review on a timely basis and informed the FCC of all matters required under the Merger Conditions during the Evaluation Period.

The independent auditors were provided access to the books, records, and operations of the Company as needed to fulfill the audit requirements of this section.

Susan H. Kennedy, Vice President – Merger Compliance, provided support to the independent auditors within her organization. Periodic meetings were held between Verizon and the independent auditors to facilitate audit planning and respond to requests for information. In addition, monthly meetings between the independent auditors, Verizon and the FCC were held to facilitate communication of audit progress.

Compliance Table

Condition	Paragraph	Milestone	Due Date	Date Completed
22	56	Engaged independent auditor acceptable to the Chief of the Common Carrier Bureau that will perform an audit of compliance with merger Conditions and sufficiency of internal controls.	6/30/00	6/30/00
22	56	Engaged independent auditor acceptable to the Chief of the Common Carrier Bureau that will perform an audit of the divestiture of Genuity and monitor ongoing compliance.	6/30/00	6/29/00
22	56, 57	Engaged independent auditor acceptable to the Chief of the Common Carrier Bureau that will perform an examination engagement regarding Advanced Services affiliate compliance.	6/30/00	6/30/00
22	56.a	Independent auditor submitted a preliminary audit program for compliance with the general merger Conditions engagement.	8/29/00	8/29/00
22	56.a	Independent auditor submitted a preliminary audit program for the divestiture of Genuity engagement.	8/29/00	8/29/00
22	56	Chief of Common Carrier Bureau, Verizon and independent auditor made good faith efforts to determine the procedures to be used in the Advanced Services affiliate agreed-upon – procedures engagement.	10/30/00	Good faith effort made by 10/30/00

3.2 Internal Controls

In addition to the corporate internal control environment described in the Introduction section of this Report, the following additional controls and tools have been designed and implemented specifically to assess compliance with this Condition.

- The Vice President - Merger Compliance is responsible for communication with the FCC and the independent auditors on audit program and resulting required availability of company books, records and subject matter experts.
- Where appropriate, documentation retention plans will be developed with independent auditors.
- Verizon audit point of contact has been named to coordinate the information and employee contacts the independent auditors require.
- Merger audit procedure has been implemented to enable independent auditors to obtain the interviews and information requested.

3.3 Documentation

Condition	Paragraph	Description of Document
22	56	Letter from Chief of CCB approving the selection of PricewaterhouseCoopers LLP for general merger conditions audit
22	56	Engagement letter for PricewaterhouseCoopers LLP general merger conditions audit
22	56, Appendix B	Letter from Chief of CCB approving the selection of Mitchell & Titus for the Genuity divestiture audit
22	56, Appendix B	Engagement letter for Mitchell & Titus Genuity divestiture audit
22	56, 57	Letter from Chief of CCB approving the selection of PricewaterhouseCoopers LLP for advanced services affiliate agreed-upon-procedures engagement
22	56, 57	Engagement letter for PricewaterhouseCoopers LLP Advanced Services affiliate agreed-upon-procedures engagement

Section 4: Additional Action Taken

None

Condition Number: 23
Condition Name: Enforcement

Section 1: Summary

Verizon is required to make any payments due under these Conditions within 10 business days of a determination by Verizon's Regulatory Compliance Officer, the Chief of the Common Carrier Bureau, the FCC, or an arbitrator, that payment is due. Disputes must be filed within 10 days of the date payment is due. If Verizon disputes the payment amount, the payment amount will be held in an interest-bearing account until a final and non-appealable FCC or judicial order.

There were no payments required related to merger compliance activities through December 31, 2000.

Section 2: Responsible Executive(s)

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

Section 3: Implementation of Condition

3.1 Compliance

There has been no determination that Verizon failed to comply with the Merger Conditions during the effective period of any Condition, and hence no enforcement action has been required.

3.2 Internal Controls

In addition to the corporate internal control environment described in the Introduction section of this report, the following additional controls and tools have been implemented specifically to assess compliance with this Condition.

- Program Management infrastructure has been established to communicate, monitor, and track compliance-related deliverables and the associated penalties.
- Other function specific education and training initiatives for each Condition has occurred.
- Merger Condition Responsible Executives and Compliance Managers have been informed of requirement to make payments in an accurate and timely manner.

3.3 Documentation

Condition	Paragraph	Description of Document
23	60	Schedule of potential non-compliance penalties with references to the applicable work plans

Section 4: Additional Action Taken

None

Condition Number: 24
Condition Name: Sunset

Section 1: Summary

Except where other termination dates are specifically established in the Merger Conditions, all Conditions, except for the Conditions requiring Verizon to provide Advanced Services through one or more separate affiliates, shall cease to be in effect 36 months after the Merger Closing Date.

There were no commitments required for this Condition in 2000.

Section 2: Responsible Executive

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

Section 3: Implementation of Condition

3.1 Compliance

There were no commitments required for this Condition in 2000.

3.2 Internal Controls

In addition to the corporate internal control environment described in the Introduction section of this Report, a program management infrastructure has been established to communicate, monitor, and track all compliance related deliverables and their mandated termination dates.

3.3 Documentation

Sunset dates that vary by Condition will be tracked and documented individually.

Section 4: Additional Action Taken

None

Condition Number: 25
Condition Name: Effect of Conditions

Section 1: Summary

Where both the Federal Conditions and state Conditions imposed in connection with the merger grant parties similar rights against Verizon, affected parties shall not have a right to invoke the relevant terms of the Federal Conditions in a given state if they have invoked a substantially related state Condition.

There are no Verizon commitments for this Condition.

Condition Name: Genuity

Section 1: Summary

Bell Atlantic and GTE were required to implement the initial public offering (“IPO”) of Genuity in accordance with the FCC’s order (Appendix B, Genuity Conditions). GTE exchanged its common stock for a new class of common stock of Genuity (Class B stock) representing a 9.5% interest in Genuity, and Genuity sold Class A stock representing 90.5% of its equity to public shareholders through the IPO. The merger closed after the IPO was completed.

Until Verizon eliminates section 271 restrictions in accordance with Appendix B and exercises its option to take ownership and control of Genuity, Genuity will be independent of Verizon.

Commitments for this Condition required in 2000 were met as specified below. A corrective amendment was added to the IT transition services agreement as described in Section 4: Additional Action Taken.

Section 2: Responsible Executives

Name	Title
Steven Zipperstein	Senior Vice President & Deputy General Counsel
Jeffrey W. Ward	Senior Vice President – Regulatory Compliance

Section 3: Implementation of Condition

3.1 Compliance

The Genuity Conditions were designed to be in large part self-executing. A portion of the conditions were met through the process of developing and offering the IPO to the public. As a result, Genuity and Verizon are separate, and not affiliated corporations. Accordingly, the corporation’s Certificate of Incorporation and By-Laws, as well as other corporate documents (such as the Subscription and Recapitalization Agreement), were designed to satisfy the independence obligation. Genuity does not require Verizon’s assistance in running its operations other than to the limited extent permitted under the transition services arrangements.

The following summarizes actions associated with the initial IPO and by Verizon to comply with these requirements:

Compliance Table

Condition	Paragraph	Milestone	Due Date	Date Completed
Genuity	Appendix B, Genuity Conditions Sect. III- Para.16	Genuity established an independent board of directors. Before the IPO, Genuity elected 6 directors, including the CEO of Genuity and 4 independent directors with no prior relationship with GTE or Bell Atlantic. One director was elected by Class B (Verizon) shareholders.	Prior to MCD	6/26/00
Genuity	Appendix B, Genuity Conditions Sect. III, Para.16	Within 90 days following the IPO, the 4 independent directors selected 7 additional directors with no prior relationship with Bell Atlantic or GTE.	IPO + 90 days	9/26/00 ⁵
Genuity	Appendix B, Genuity Conditions Sect. VI, Para. 23	Verizon hired Mitchell and Titus audit Verizon's compliance with the terms of the Genuity Conditions.	Prior to MCD	6/29/00
Genuity	Appendix B, Genuity Conditions Sect. III, Para. 17	From the MCD through December 31, 2000, Verizon has provided no debt financing to Genuity and is in compliance with the obligation to provide no more than 25% of aggregate debt financing that Genuity is permitted to incur.	Start Date: MCD	Ongoing
Genuity	Appendix B, Genuity Conditions Sect. V, Para. 20-22	Verizon carries out commercial relationships with Genuity based on commercially reasonable contracts (see section 4 of this report).	Start Date: MCD	Ongoing
Genuity	Appendix B, Genuity Conditions Sect. V, Para. 22	Verizon has provided transitional services to Genuity in accordance with Attachment 2 to Appendix B.	Start Date: MCD	Ongoing
Genuity	Appendix D, Marketing Opening Conditions	Verizon provided service quality reports to the FCC and the independent auditor.	8/29/00	Ongoing
Genuity	Appendix B, Genuity Conditions Sect. II, Para. 3-15	Verizon has not converted any Class B stock or increased its equity interest in Genuity at this time.	Start Date: MCD	Ongoing

⁵ Compliance with this item is based on a certification provided by Genuity. See Memorandum from Ira H. Parker, Senior Vice President and General Counsel, Genuity Inc., to Steven Zipperstein, Senior Vice President and Deputy General Counsel, Verizon (Nov. 6, 2000).

Condition	Paragraph	Milestone	Due Date	Date Completed
Genuity	Appendix B, Genuity Conditions Sect. IV, Para. 18 & 19	Verizon has voted Class B shares in accordance with investor safeguards. Verizon was not asked by Genuity to consent, and did not consent, to Genuity's acquisition of a traditional voice long-distance provider.	Start Date: Prior to MCD	Ongoing
Genuity	Appendix B, Genuity Conditions Sect. III, Para. 16	The Class B director, who represents Verizon, did not vote at Genuity board meetings until Genuity had at least 10 directors. The Class B director has at no time served as the chairman of the board.	Start Date: Prior to MCD	Ongoing

3.2 Methods and Procedures/ Internal Controls

Verizon has implemented a three-element plan to reasonably achieve compliance with Genuity Conditions set forth in the merger order.

First, Verizon senior management appointed management coordinators for Verizon business units that deal or will likely deal with Genuity matters. These managers are primarily accountable for reasonably ensuring understanding of and compliance with Genuity Conditions, including IPO, independence, financing, and transactional conditions, in their respective business units. They also have counsel available to them to resolve issues arising under the Genuity conditions. Finally, they will be responsible for providing quarterly compliance reports on Genuity compliance to the compliance oversight committee described below.

Second, Verizon established a compliance oversight committee comprised of senior management, regulatory compliance management and counsel. This group meets weekly to review compliance status, to develop and oversee implementation of compliance initiatives, and to identify and resolve issues arising under the Genuity Conditions. Many of the initiatives developed by this group are implemented through the management coordinators.

Third, Verizon, through the compliance oversight committee, counsel, and regulatory compliance management, developed and disseminated to responsible management, including the management coordinators, training, procedures, and guidelines on Genuity Conditions and compliance with such conditions.

During 2000, the above process generated the following six key methods/rule summaries, which were used to educate targeted Verizon employees on their obligations and establish tracking processes to meet these obligations.

Methods and Procedures Table

Condition	Paragraph	Procedure	Date Completed
Genuity	Appendix B, Genuity Conditions	<u>Executive Notice on Genuity Obligations</u> Early communication with notice to all executives describing post merger obligations regarding Genuity	7/7/00
Genuity	Appendix B, Genuity Conditions Sect. V, Para. 22	<u>Rules of Transition</u> Instructions sent to those responsible for transitional agreements addressing their responsibility for providing the transitional service per the terms of the contractual services, applicable billing of the service to Genuity, plans to terminate the service and instructions to address compliance matters. Included final copy of Statement of Work and copies of the merger order	10/5/00
Genuity	Appendix B, Genuity Conditions Sect. V, Para. 22	<u>Billing for Transition Services</u> Method utilized to provide reasonable assurance that billing for the transition agreements was accomplished. Included responsibility to review billing and payment documents so that billing to Genuity was performed as required	9/12/00
Genuity	Appendix B, Genuity Conditions Sect. V, Para. 20	<u>Rules for Real Estate and IP Services</u> Instructions sent to those responsible for certain services in place at the merger close addressing their responsibility for providing the service. Included final copy of Statement of Work and copies of the merger order	10/23/00
Genuity	Appendix B, Genuity Conditions Sect. V, Para. 21	<u>Summary of the Purchase, Resale and Marketing Agreement</u> Summary of agreement as tool for managers and counsel involved with potential transactions under the agreement	10/11/00 (legal) 10/23/00 (managers)
Genuity	Appendix B, Genuity Conditions Sect. V, Para. 21	<u>Rules of Engagement When Relying on the Purchase, Resale and Marketing Agreement</u> Training materials used with the sales groups to outline the basic rules of engagement that will govern the interaction between Verizon Enterprise Solutions Group and Genuity under the Purchase, Resale and Marketing Agreement	10/00
Genuity	Appendix B, Genuity Conditions	<u>Genuity Obligations Summary and Compliance Oversight for Departmental Coordinators, including Quarterly Reporting Form</u> A series of guidelines were provided for departmental coordinators addressing commercial transactions with Genuity, both long term and transitional, investor safeguards, Genuity independence and governance matters. The guidelines included a requirement for a quarterly report that identifies Genuity Condition compliance	12/28/00

3.3 Training

Communication and training using the above documents has occurred since the merger.

Senior managers received a letter within a week of the merger providing a high level outline of the Genuity Merger Conditions and emphasizing that Genuity is to be treated as an unaffiliated party.

Business owners for transitional contracts received direction on how to execute their obligations. Written letters were sent and individual and group calls were held to reinforce these obligations.

The non-transitional activities were communicated to the Verizon Legal team and to key business owners. The business owners have been asked to provide regular quarterly updates on their departments' Genuity relationship. In addition, they have been directed to report compliance concerns immediately through their counsel.

The Enterprise sales teams attended training sessions, which emphasized Verizon's obligations, particularly under the Purchase, Resale and Marketing Agreement.

3.4 Documentation

Condition	Paragraph	Description of Document
Genuity	Appendix B, Genuity Conditions	Executive Notice on Genuity Obligations
Genuity	Appendix B, Genuity Conditions Sect. V, Para. 22	Rules of Transition
Genuity	Appendix B, Genuity Conditions Sect. V, Para. 22	Billing for Transition Services Procedures
Genuity	Appendix B, Genuity Conditions Sect. V, Para.21	Summary of the Purchase, Resale and Marketing Agreement
Genuity	Appendix B, Genuity Conditions Sect. V, Para. 21	Rules of Engagement When Relying on the Purchase, Resale and Marketing Agreement

Condition	Paragraph	Description of Document
Genuity	Appendix B, Genuity Conditions	Genuity Obligations Summary and Compliance Oversight for Departmental Coordinators, including Quarterly Reporting Form
Genuity	Appendix B, Genuity Conditions Sect. III Para. 16	Genuity's initial Board of Director's named
Genuity	Appendix B, Genuity Conditions Sect. I, Para. 2	Memo certifying that the Class B shares of Genuity held by Verizon constitute 9.5% of Genuity's current equity
Genuity	Appendix B, Genuity Conditions Sect. I, Para. 2	IPO completion
Genuity	Terms in Contract Appendix B, Genuity Conditions Sect. V, Para. 20	Letter to Genuity Treasurer from Verizon stating that Verizon will no longer issue any guaranties in support of real estate lease obligation of Genuity
Genuity	Appendix B, Genuity Conditions Attach. 2	Termination of Master Services Agreement for Monitoring and Services between GTE GNI and GTENS
Genuity	Appendix B, Genuity Conditions Attach. 2	Termination of Real Estate Services Agreement
Genuity	Appendix B, Genuity Conditions Attach 2	Termination of NSAC and NBOC. Termination of Environmental Services. Termination of Uniform security, Investigation services, Consulting services, Forensic services and Background investigations
Genuity	Appendix B, Genuity Conditions Attach 2	Evidence that network monitoring is being provided consistent with Attachment 2 of Appendix B

Section 4: Additional Action Taken

Certain functions were inadvertently omitted from the Computing Infrastructure Services Statement of Work for Genuity at Williams Square in Irving, TX. A corrective amendment to the IT transition services agreement was completed to cover these functions.