

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:

ALLEGIANCE TELECOM, INC., et al.,

Debtors.

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Chapter 11

Case No. 03-13057 (RDD)

(Jointly Administered)

DECLARATION OF SHAROLYN ANN HESSENTHALER IN SUPPORT OF OBJECTION
OF THE TELEPHONE OPERATING COMPANY SUBSIDIARIES OF VERIZON
COMMUNICATIONS INC. TO DEBTORS' EMERGENCY MOTION FOR ORDER
COMPELLING VERIZON TO EXECUTE NEW AGREEMENTS

I, Sharolyn Ann Hessenthaler, depose and say:

1. I am the Vice President, Wholesale Finance, Billing and Collections of Verizon Communications Inc. ("VCI"). My responsibilities include the supervision and oversight of those VCI employees in the finance area that support the wholesale line of business and handle accounts of competitive local exchange carriers ("CLECs") and other telecommunications companies that file for bankruptcy. I have been employed by VCI or affiliated or predecessor companies for 19 years.

2. I provide this Declaration in support of the Objection of the Telephone Company Subsidiaries of Verizon Communications Inc. to Debtors' Emergency Motion for Order Compelling Verizon to Execute New Agreements.

3. Since 1996, the telephone operating company subsidiaries of Verizon Communications Inc. ("Verizon") have been creditors in approximately 160 Chapter 11 and Chapter 7 cases involving CLECs and other telecommunications companies. In the vast majority of those cases, except where such debtors have liquidated or exited the relevant markets, the debtors have assumed (and, in some instances involving sales, assumed and assigned)

interconnection agreements, contractual arrangements by tariff and/or other contracts with Verizon. The following is a partial list of such cases, in each of which Verizon obtained payment in cure of the defaults under one or more assumed contracts:

In re WorldCom, Inc., 02-13533 (Bankr. S.D.N.Y.); In re Global Crossing Ltd., 02-40188 (Bankr. S.D.N.Y.); In re CTC Communications Group, Inc., CTC Communications Corp., CTC Communications of Virginia, Inc., and CTC Communications Leasing Group, 02-12873 (Bankr. D. Del.); In re Network Plus Corp., 02-10341 (Bankr. D. Del.); In re Network Access Solutions Corp. & NASOP, Inc., 02-11611 and 02-11612 (Bankr. D. Del.); In re Adelphia Business Solutions, Inc., 02-11389 (Bankr. S.D.N.Y.); In re Arch Wireless, Inc., 01-47330 (Bankr. D. Mass.); In re ATS Telecomms. Systems, Inc., 01-33453 (Bankr. S.D. Tex.); In re Cable & Wireless USA, Inc., 03-13711 (Bankr. D. Del.); In re EXDS, Inc. (f/k/a Exodus Communications, Inc.), 01-10539 (Bankr. D. Del.); In re FastNet Corporation, 03-23143 (Bankr. E.D. Pa.); In re Focal Communications Corp., 02-13709 (Bankr. D. Del.); In re Genuity Inc., 02-43558 (Bankr. S.D.N.Y.); In re Logix Communications Corp. and Logix Communications Enters., Inc., 02-32105 and 02-32106 (Bankr. S.D. Tex); In re Mpower Holding Corporation, 02-11046 (Bankr. D. Del.); In re Northpoint Communications Group, Inc., 01-30127 (Bankr. N.D. Cal.); In re Plan B Communications, Inc., 01-11443 (Bankr. S.D.N.Y.); In re Telscape Int'l, Inc., 01-1563 (Bankr. D. Del.); *In re PSINet Inc.*, 01-13213 (Bankr. S.D.N.Y.); In re Rhythms NetConnections Inc., 01-14283 (Bankr. S.D.N.Y.); In re RSL COM PrimeCall, Inc. and RSL COM U.S.A., Inc., 01-11457 and 01-11469 (Bankr. S.D.N.Y.); In re Teligent, Inc., 01-

12974 (Bankr. S.D.N.Y.); In re TSR Wireless, LLC, 00-41857 and 00-41858

(Bankr. D.N.J.); In re Usinternetworking, Inc., 02-50215 (Bankr. D. Md.); In re World Access, Inc., 01-1286 (Bankr. D. Del.).

4. In many of these cases, the initial term of the relevant interconnection or other agreements had expired, either during the bankruptcy proceedings or before. The debtors nevertheless assumed (or assumed and assigned) the agreements, which remained in effect under various forms of “evergreen” contractual provisions. Attached hereto as Exhibit A is the motion (which Judge Gonzalez approved) filed in the WorldCom bankruptcy cases by the debtors therein to assume interconnection, tariff and other agreements with Verizon (those debtors had previously obtained court approval to assume two other sets of agreements with Verizon. As reflected therein, the debtors in those cases paid Verizon \$60 million in cash in cures (they had previously obtained court approval to assume two other sets of agreements and had already paid Verizon an additional approximately \$60 million in cash cures) and also paid Verizon through set-off another \$376.5 million.

5. Verizon and the Allegiance Debtors are parties to interconnection agreements in various jurisdictions, including the four that are the subject of the Allegiance Debtors’ “Emergency Motion”: Maryland, New York, Pennsylvania and the District of Columbia. Each of those agreements permits the Allegiance Debtors to “interconnect” with Verizon’s network, lease Verizon facilities, and resell Verizon services. Each month Verizon provides telecommunications services and facilities worth millions of dollars to the Allegiance Debtors under these agreements. Like the interconnection agreements at issue in the numerous other cases discussed above, each of these agreements specifies an initial term, after which the agreement may be terminated. But, as is typical with interconnection agreements, each of these

agreements also has an “evergreen” provision that provides for the agreement to continue even after the initial term expires unless and until the agreement is terminated. Indeed, some provide that, even after a notice of termination is sent and becomes effective, the agreement may continue to govern any services and facilities that continue to be provided.

6. Throughout this bankruptcy case, the Allegiance Debtors have continued to treat their interconnection and other agreements with Verizon as in effect. They have continued to request and obtain services and facilities from Verizon every month – the Allegiance Debtors’ average monthly payable to Verizon is currently around \$6.2 million. Indeed, they have frequently ordered new services and facilities or changes in services and facilities, and Verizon has completed these orders. These continued requests for the same, new and/or changed services and facilities have included the four jurisdictions at issue. Moreover, the Allegiance Debtors have continued to charge Verizon “reciprocal compensation” under these agreements, which would not otherwise be payable in the absence of an effective interconnection agreement.

7. I understand that, in this case, the Allegiance Debtors are asserting that they have the right to adopt new interconnection agreements with Verizon in the four jurisdictions at issue (Maryland, New York, Pennsylvania and the District of Columbia) without having their existing debts to Verizon under the pre-existing interconnection agreements with Verizon in those same jurisdictions paid or transferred to the new agreements – i.e., without assuming the pre-existing agreements and curing the defaults thereunder. I also understand that the Allegiance Debtors are asserting that they would be entitled under the new agreements to all the same services and facilities that they ordered and Verizon provisioned under the pre-existing agreements. To my knowledge, no other telecommunications company in bankruptcy has previously taken this

position with Verizon. The approach that the Allegiance Debtors have taken is, to my knowledge, unprecedented.

8. The Allegiance Debtors first notified Verizon that they wanted to adopt new interconnection agreements in any of the four jurisdictions at issue in September 2003, some eight months ago. Verizon responded in writing that it would consent to each such adoption provided that (in addition to certain other terms) the Debtors executed an adoption letter specifying that “the monetary obligations of the parties to one another under the [existing agreement] shall remain in full force and effect and shall constitute monetary obligations of the parties under the [new, restated agreement].” Copies of those letters are attached hereto as Exhibit B. This is standard language in such adoption letters (indeed, it also appears in the template for the standard Verizon interconnection agreement with CLECs), and many other CLECs (including at least one in bankruptcy) have agreed to it.

9. Indeed, this language is consistent with the history between the parties. Before the Allegiance Debtors filed for bankruptcy, they adopted different interconnection agreements with Verizon from time to time. In these situations, by agreement of the parties, the Allegiance Debtors’ outstanding obligations to Verizon for services and facilities provided under the “old” agreement, as well those service and facilities, were effectively “transferred” to the “new” agreement.

10. The Allegiance Debtors have now refused to do so, however. Instead, they have commenced proceedings before the Public Service Commissions in Maryland and the District of Columbia. Copies of its petitions are attached hereto as Exhibit C. Verizon’s initial responses are attached to the Allegiance Debtors’ Emergency Motion. The parties have also filed additional papers, and the Maryland Public Service Commission has requested additional

submissions, and has scheduled a hearing for June 9, 2004. To my knowledge, the Allegiance Debtors have not filed any application for adoption in either New York or Pennsylvania.

I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information and belief.

Executed on May 20, 2004.

/s/ Sharolyn Ann Hessenthaler
Sharolyn Ann Hessenthaler

EXHIBIT A

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**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

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In re	:
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WORLDCom, INC., <u>et al.</u> ,	:
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Debtors.	:
-----X	

Chapter 11 Case No.
02-13533 (AJG)
(Jointly Administered)

**MOTION OF THE DEBTORS PURSUANT TO
BANKRUPTCY RULE 9019 SEEKING APPROVAL OF A
SETTLEMENT AND COMPROMISE OF CERTAIN
MATTERS WITH AND VERIZON COMMUNICATIONS, INC.**

TO THE HONORABLE ARTHUR J. GONZALEZ,
UNITED STATES BANKRUPTCY JUDGE:

WorldCom, Inc. and certain of its direct and indirect subsidiaries, as debtors and debtors in possession (collectively, "WorldCom" or the "Debtors"), respectfully represent:

Background

1. On July 21, 2002 (the "Commencement Date") and November 8, 2002, WorldCom, Inc. and certain of its direct and indirect subsidiaries commenced cases under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). By Orders dated July 22, 2002 and November 12, 2002, the Debtors' chapter 11 cases have been consolidated for procedural purposes only and are being jointly administered. The

Debtors continue to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. On July 29, 2002, the United States Trustee for the Southern District of New York (the "U.S. Trustee") appointed the statutory committee of unsecured creditors (the "Committee").

2. WorldCom, Inc., one of the Debtors in the above captioned cases, together with approximately 200 direct and indirect domestic subsidiaries and 200 non-debtor foreign affiliates (collectively, the "Company"), is one of the world's preeminent global communications companies that provides a broad range of communication services in over 200 countries on six continents. Through its core communications services business, which includes voice, data, Internet and international services, the Company carries more data over its networks than any other entity. The Company is also the second largest carrier of consumer and small business long distance telecommunications services in the United States, provides a broad range of retail and wholesale communications services, including long distance voice and data communications, consumer local voice communications, wireless messaging and voice services, private line services and dial-up Internet access services.

3. For the year ended December 31, 2001, WorldCom recorded revenue of more than \$30 billion.¹ As of March 31, 2002, WorldCom's books and records reflected liabilities totaling approximately \$41 billion. As of June 30, 2002, WorldCom employed more than 63,900 individuals, of which approximately 57,700 were full-time employees and approximately 6,200 were part-time employees.

¹ The amounts in this paragraph are stated on a consolidated basis, including Debtors and non-debtor domestic subsidiaries only. WorldCom, Inc. has announced its intention to restate the financial statements for 2000, 2001 and the first quarter of 2002.

Jurisdiction

4. This Court has jurisdiction to consider this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

Background Regarding the Parties' Relationship -- Claims Against and Disputes with Verizon Communications, Inc.²

5. The Debtors and the Verizon Entities (together, the "Parties") are parties to numerous prepetition contracts and arrangements pursuant to which they provide services and furnish facilities to one another, including without limitation (a) various interconnection agreements and arrangements provided under tariffs pursuant to which Verizon has made access to its network available to WorldCom, and (b) billing and collection agreements pursuant to which Verizon has purchased accounts receivable of WorldCom and provided billing services for WorldCom (all such agreements and arrangements, collectively, the "Executory Contracts"). Pursuant to section 365 of the Bankruptcy Code, WorldCom has assumed, and cured defaults under, certain of the Executory Contracts (the "Assumed Executory Contracts") and has rejected certain other Executory Contracts. There remain still other Executory Contracts that WorldCom so far has neither assumed nor rejected. The Debtors dispute whether certain of the services provided under tariff are provided under executory contracts and further contend that the purchase of non-usage-sensitive telecommunications services for a term of thirty (30) days or less are not purchased pursuant to executory contracts.

²Verizon Communications, Inc. entered into the Settlement Agreement (as defined below) on behalf of itself and all its domestic subsidiaries and other domestic affiliates other than Puerto Rico Telephone Company and its subsidiaries and Cellco Partnership and its subsidiaries (d/b/a Verizon Wireless) (individually and collectively, "Verizon" or the "Verizon Entities").

6. On or about January 23, 2003, Verizon filed a proof of claim (the “Proof of Claim”) in the chapter 11 cases of most of the Debtors, asserting claims against WorldCom arising prior to the petition dates totaling \$790,152,169.46 plus other amounts described in an attachment thereto.

7. The Proof of Claim includes contingent claims totaling \$257,709,832.40 for reciprocal compensation and other amounts that Verizon paid WorldCom pursuant to court or regulatory orders that Verizon has sought to have reversed or overturned (the “Verizon Disputed Inter-carrier Compensation and Other Contingent Claims”). The Debtors dispute not only the Verizon Disputed Inter-carrier Compensation and Other Contingent Claims but also many of the other claims asserted in the Verizon Proof of Claim.

8. WorldCom asserts claims against Verizon arising before the petition dates of the various Debtors that total (i) about \$390,000,000 for accounts receivable other than reciprocal compensation and (ii) about \$453,000,000 for reciprocal compensation and other inter-carrier compensation charges. Verizon disputes many of the accounts receivable the Debtors claim are due. In addition, Verizon disputes all but about \$27,600,000 of claims for reciprocal compensation and other inter-carrier compensation (with the exception of such \$27,600,000 of claims, the “WorldCom Disputed Inter-carrier Compensation Claims”). There also exist certain commercial issues between the Parties affecting the cost of customer service.

9. The nature of the most significant disputes is discussed in greater detail below.

The Negotiations

10. The Parties have diligently sought to reconcile their competing prepetition claims and debts, as well as the disputes between them regarding the competing amounts each claimed the other owed as of the dates of filing of the bankruptcy petitions. As a result of such efforts, the Parties have reconciled and resolved all such competing prepetition claims and debts pursuant to the terms of the settlement, with the exceptions of the WorldCom Disputed Inter-carrier Compensation Claims, the Verizon Disputed Inter-carrier Compensation and Other Contingent Claims and certain other *de minimis* claims.

11. The Parties have also addressed and resolved some commercial disputes and the status of certain remaining executory contracts and the effect of any plan of reorganization on such remaining contracts.

The Settlement Agreement

12. On July 16, 2003, but dated as of June 2, 2003 (the “Settlement Date”), the Parties entered into a settlement agreement (the “Settlement Agreement”)³ to resolve the foregoing disputes to the extent described above. In summary, the Parties have agreed as follows:⁴

- a. The settlement will become effective on the later of the effective date of the proposed plan of reorganization or the date of the Court’s order approving the Settlement Agreement (the “Settlement Effective Date”).

³ The Settlement Agreement contains substantial proprietary and confidential information, as well as provisions imposing confidentiality and non-disclosure obligations. Accordingly, the Debtors have not attached the Settlement Agreement to this Motion.

⁴ To the extent that there are any inconsistencies between the summary description of the Settlement Agreement contained herein and the terms and conditions of the Settlement Agreement, the terms of the Settlement Agreement shall control.

- b. As to the Parties' disputes respecting certain of their competing claims arising prior to commencement of the Debtors' respective chapter 11 cases (the "Petition Dates"), WorldCom and Verizon agree to the following amounts (the "Agreed Amounts") owing as of the Petition Dates that remain owing as of the Settlement Date (and excluding amounts already paid to Verizon in connection with the Debtors' prior assumptions of executory contracts and accompanying cures of defaults), excluding the WorldCom Disputed Intercarrier Compensation Claims and the Verizon Disputed Intercarrier Compensation and Other Contingent Claims and certain other *de minimis* claims Verizon retains:
 - i. By WorldCom to Verizon: \$436,500,000;
 - ii. By Verizon to WorldCom \$376,500,000;
- c. In order to cure all prepetition defaults on all remaining Executory Contracts and to satisfy the obligation reflected above, WorldCom has agreed to setoff (the "Agreed Setoff") of the Agreed Amounts and to pay Verizon sixty million dollars (\$60,000,000) (the "Settlement Payment");
- d. For purposes of voting on the plan, Verizon will be deemed to have an allowed claim in the amount of \$436,500,000;
- e. WorldCom will be deemed to have assumed all of the remaining Executory Contracts, except those for which WorldCom had previously sought to reject or which are rejected pursuant to WorldCom's plan of reorganization;
- f. The Parties will retain any and all rights and rights to payment of any and all amounts arising postpetition;
- g. Verizon and the Debtors shall grant each other releases for any amounts owed prepetition, except for (i) claims arising under the settlement, (ii) the Verizon Disputed Intercarrier Compensation and Other Contingent Claims and the WorldCom Disputed Intercarrier Compensation Claims, (iii) any claims by or against Puerto Rico Telephone Company and its subsidiaries and Cellco Partnership and its subsidiaries, (iv) claims for postpetition payables, and (v) any claims by Verizon for rejection damages asserted in accordance with paragraph i below;
- h. The Debtors shall be deemed to have released all claims against the Verizon Entities arising under Chapter 5 of the Bankruptcy Code;

- i. Verizon will retain the right to assert further rejection damage claims, in addition to the pending rejection claims, to the extent that WorldCom rejects or has rejected any of the remaining executory contracts (including contracts or circuits that were rejected after the date Verizon prepared its Proof of Claim, or that otherwise were not specifically identified on an exhibit to the Settlement Agreement of rejected circuits), but the Parties agree to seek in good faith to resolve any disputes over the validity and amount of any such claim;
- j. With respect to recovery on the Verizon Disputed Inter-carrier Compensation and Other Contingent Claims, Verizon may use the Verizon Disputed Inter-carrier Compensation and Other Contingent Claims, to the extent such claims are allowed, to reduce or offset any liability that Verizon may have to WorldCom on the WorldCom Disputed Inter-carrier Compensation Claims and, if Verizon pays, in part or whole, any such WorldCom Disputed Inter-carrier Compensation Claims, to recoup or recover, in part or whole, any such payment (no discharge WorldCom may obtain will affect these rights of Verizon), but Verizon will not be entitled to any recovery against WorldCom on the Verizon Disputed Inter-carrier Compensation and Other Contingent Claims in excess of any amount paid or payable by Verizon to WorldCom on the WorldCom Disputed Inter-carrier Compensation Claims;
- k. The Parties reached compromises regarding certain commercial issues such as network grooming, voicemail interfaces and messaging capabilities, and rates applicable to unbundled local switching in New York and inter-carrier compensation for ISP-bound traffic; and
- l. Subject to an order approving the Motion by August 5, 2003, Verizon will not object to confirmation of the proposed plan reorganization or to any approvals from regulatory agencies that WorldCom seeks to obtain before the effective date of the plan (and that are, in fact, obtained before such effective date) and that are, in accordance with the terms of the Plan, required for such plan to go effective, but nothing bars Verizon from pursuing regulatory actions in connection with WorldCom's ongoing business operations or from objecting to or otherwise opposing any relief from any regulatory agency that WorldCom otherwise may seek.

Relief Requested

13. By this Motion, the Debtors respectfully request entry of an order pursuant to Rule 9019 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”) and section 362 of the Bankruptcy Code (a) approving the Settlement Agreement in its entirety, and (b) authorizing the Parties to enter into and implement the Settlement Agreement, including payment of and setoff of agreed amounts and prosecution of certain claims outside this Court, in accordance with the intent of the Parties. All of the various remaining Executory Contracts between the Parties are being assumed pursuant to section 365 of the Bankruptcy Code and the Debtors’ proposed plan of reorganization.

Basis for Relief Requested

Standard for Approving the Agreement

14. This Court may authorize the Debtors to enter into the Settlement Agreement with Verizon pursuant to section 105 of the Bankruptcy Code and Rule 9019 of the Bankruptcy Rules.

15. Bankruptcy Rule 9019 governs the procedural requirements to be followed before a settlement may be approved. Bankruptcy Rule 9019(a) provides, in relevant part, that “[o]n motion by the trustee and after notice and a hearing, the court may approve a compromise and settlement.” Fed. R. Bankr. P. 9019(a). Settlements and compromises are “a normal part of the process of reorganization.” *Protective Comm. for Indep. Stockholders of TMT Trailer Ferry, Inc. v. Anderson*, 390 U.S. 414, 428 (1968) (quoting *Case v. Los Angeles Lumber Prods. Co.*, 308 U.S. 106, 130 (1939)).

16. To approve a compromise and settlement under Bankruptcy Rule 9019(a), a bankruptcy court should find that the compromise and settlement is fair and

equitable, reasonable, and in the best interests of the debtor's estate. *See, e.g., In re Ionosphere Clubs, Inc.*, 156 B.R. 414, 426 (S.D.N.Y. 1993), *aff'd*, 17 F.3d 600 (2d Cir. 1994). The decision to approve a particular settlement lies within the sound discretion of the bankruptcy court. *Nellis v. Shugrue*, 165 B.R. 115, 123 (S.D.N.Y. 1994). In exercising its discretion, the bankruptcy court must make an independent determination that the settlement is fair and reasonable. *Id.* at 122. The court may consider the opinions of the trustee or debtor in possession that the settlement is fair and reasonable. *Id.*; *In re Purofied Down Prods. Corp.*, 150 B.R. 519, 522 (S.D.N.Y. 1993). In addition, the bankruptcy court may exercise its discretion "in light of the general public policy favoring settlements." *In re Hibbard Brown & Co., Inc.*, 217 B.R. 41 (Bankr. S.D.N.Y. 1998); *see also Shugrue*, 165 B.R. at 123 ("the general rule [is] that settlements are favored and, in fact, encouraged by the approval process outlined above").

17. In determining whether to approve a proposed settlement, a bankruptcy court need not decide the numerous issues of law and fact raised by the settlement, but rather should "canvass the issues and see whether the settlement 'fall[s] below the lowest point in the range of reasonableness.'" *In re W.T. Grant Co.*, 699 F.2d 599, 608 (2d Cir. 1983); *see also Purofied Down Prods.*, 150 B.R. at 522 ("the court need not conduct a 'mini-trial' to determine the merits of the underlying litigation").

18. In deciding whether a particular settlement falls within the "range of reasonableness," courts consider the following factors:

- (i) the probability of success in the litigation;
- (ii) the difficulties associated with collection;
- (iii) the complexity of the litigation, and the attendant expense, inconvenience and delay; and
- (iv) the paramount interests of creditors.

See, e.g., In re Drexel Burnham Lambert Group, Inc., 960 F.2d 285, 292 (2d Cir. 1992).

19. “The ‘reasonableness’ of a settlement depends upon all factors, including probability of success, the length and cost of the litigation, and the extent to which the settlement is truly the product of ‘arms-length’ bargaining, and not of fraud or collusions [sic].” *Ionosphere Clubs*, 156 B.R. at 428.

Basis for Approving the Agreement

20. The Debtors submit that the proposed Settlement Agreement is fair and reasonable under the circumstances and in no way unjustly enriches any of the Parties. The Debtors submit that the Settlement Agreement is in the best interest of the Debtors, their estates and creditors.

21. The Parties’ differences are complex, involving both pre-bankruptcy disagreements and disputes arising from the intersection of bankruptcy and telecommunications law. The bankruptcy issues arise primarily from (i) differing positions on which telecommunications transactions between the Parties constitute executory contracts for purposes of assumption and cure, and (ii) the effect of substantive consolidation (as set forth in the Debtors’ proposed plan of reorganization) on the mutuality of debts between Verizon and separate Debtor entities.

22. WorldCom asserts that many usage-sensitive services Verizon provides to the Debtors do not arise from “executory contracts” as that term is used in section 365 of the Bankruptcy Code, but are more in the nature of open accounts not governed by such section. The same holds true for certain very short-term non-usage-based services. The terms of the proposed plan incorporate WorldCom’s understanding by providing that such services are not executory contracts and thus require no cure.

Verizon urges that the “term” distinction set forth in the plan is ambiguous, arbitrary, and contrary to law, and that all of the services it provides to the Debtors are under executory contracts.

23. Further, the Debtors’ proposed plan of reorganization provides for substantive consolidation of Debtor entities. Because of the significant debts Verizon owes the various Debtors, Verizon asserts that substantive consolidation has the effect of making any debt between it and any Debtor entity mutual for setoff purposes under section 553 of the Bankruptcy Code. The Debtors maintain that while the plan preserves creditors’ rights to setoff, such rights arose prior to commencement of the bankruptcy case under non-bankruptcy law, and it is the law under which a setoff right arises that delimits its scope. Verizon argues to the contrary.

24. While the Debtors strongly believe that they would prevail on a trial of any of these issues, the risks associated with losing are far reaching.

25. Because of the geographic scope of the Debtors’ interaction with Verizon and highly regulated field from which many of the disputes arise, the Debtors face complex and expensive fights to resolve them. Some of the issues may require use of dispute resolution procedures before regulatory agencies at the state and federal level: procedures that, even in one only jurisdiction, often take years complete. Moreover, the bankruptcy issues involve the complicated areas of executory contracts and substantive consolidation. Given the business pressures WorldCom confronts to quickly emerge from bankruptcy, time is a major consideration. Litigation and administrative proceedings would be costly, time consuming, and distracting to management and employees alike.

26. In short, the opportunity to settle almost all matters between the Parties except reciprocal compensation on favorable terms and to continue uninterrupted services has high value for the Debtors. Approval of the Settlement Agreement and authorization of the Parties to enter into and implement it would eliminate the attendant risk of litigation and the expenditure of time it would consume. Creditors as well as the Debtors' customers are the direct beneficiaries of such settlement.

27. The settlement is the product of extensive, arms' length, good faith negotiations between the Parties. The Debtors expect the goodwill wrought through the compromise and settlement to benefit them as the Parties continue to negotiate outstanding issues. The settlement falls well within the range of reasonableness. Additionally, the settlement provides substantial benefits to the Debtors and their estates without the need for protracted litigation and insures uninterrupted service. Accordingly, the Debtors believe that the settlement is appropriate in light of the relevant factors and should be approved.

Memorandum of Law

28. This Motion does not raise any novel issues of law, and, accordingly, the Debtors respectfully request that the Court waive the requirement contained in Rule 9013-1(b) of the Local Bankruptcy Rules for the Southern District of New York that a separate memorandum of law be submitted in support of the Motion.

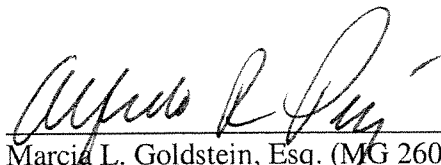
Notice

29. Notice of this Motion has been provided in accordance with the First Amended Case Management Order dated December 23, 2002. The Debtors submit that no other or further notice need be provided.

30. No previous motion or application for the relief sought herein has been made to this or any other Court.

WHEREFORE the Debtors respectfully request that the Court grant the relief requested herein and such other and further relief as is just.

Dated: New York, New York
July 18, 2003



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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re	:	
	:	Chapter 11 Case No.
WORLDCOM, INC., <u>et al.</u> ,	:	02-13533 (AJG)
	:	
	:	(Jointly Administered)
Debtors.	:	
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**ORDER APPROVING SETTLEMENT AND COMPROMISE
OF CERTAIN MATTERS WITH VERIZON COMMUNICATIONS, INC.**

Upon consideration of the motion (the "Motion") of WorldCom, Inc. and certain of its direct and indirect subsidiaries, as debtors and debtors in possession (collectively, the "Debtors"), for an order pursuant to Rule 9019 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), approving a settlement and compromise of certain matters with Verizon Communications Inc., (including all its domestic subsidiaries and other domestic affiliates except Puerto Rico Telephone Company and its subsidiaries and Celco Partnership and its subsidiaries (d/b/a Verizon Wireless)) (individually and collectively, "Verizon"), as more fully set forth in the Motion; and upon all the proceedings before the Court; and after due deliberation and good and sufficient cause appearing therefor,

IT IS HEREBY FOUND AND DETERMINED THAT:

A. The Court has jurisdiction to consider the Motion and the relief requested therein pursuant to 28 U.S.C. § § 157 and 1334 and the Standing Order of Referral of Cases to Bankruptcy Court Judges of the District Court for the Southern District of New York, dated July 19, 1984 (Ward, Acting C.J.), and this matter is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue of these chapter 11 cases is proper pursuant to 28 U.S.C. § § 1408 and 1409.

B. As evidenced by the affidavits of service filed with the Court, (i) proper, timely and adequate notice of the Motion and the hearing thereon was provided in accordance with the First Amended Case Management Order dated December 23, 2002; (ii) such notice was good and sufficient and appropriate under the particular circumstances; and (iii) no other or further notice of the Motion or the hearing thereon is required.

C. In the Motion, the Debtors moved this Court for the entry of an order pursuant to Bankruptcy Rule 9019 approving a settlement and compromise of certain matters with Verizon.

D. The legal and factual bases set forth in the Motion establish just cause for the relief requested. The settlement is fair and reasonable under the circumstances and in no way unjustly enriches any of the Parties.¹ In addition, such settlement is in the best interest of the Debtors, their estates and creditors.

E. Absent authorization to implement the settlement, the Parties might require extensive court and agency intervention to resolve their many disputes, and it is uncertain which of the Parties would emerge with a favorable and successful resolution of their claims. Such litigation would be costly, time consuming, and distracting to management and employees alike. Approval of the settlement and authorization of the Parties to implement it would eliminate the attendant risks of litigation and agency proceedings and insure uninterrupted service.

F. The settlement is the product of extensive, arms' length, good faith negotiations between the Parties.

¹ Capitalized terms used herein, except as otherwise noted, shall have the meanings ascribed to them in the Motion.

G. Only one objection to the Motion has been filed. That objection, filed by the MCI Ad Hoc Trade Claims Committee (the "Ad Hoc Trade Committee"), is (by that committee's own acknowledgement) rendered moot by the terms of this Order.

NOW, THEREFORE, IT IS HEREBY ORDERED, ADJUDGED, AND DECREED THAT:

1. The Motion of the Debtors is hereby granted in all respects; this Order constitutes a Final Order within the meaning of 28 U.S.C. § 158(a); and the provisions of this Order are non-severable and mutually dependent.

2. The objection of the Ad Hoc Trade Committee is resolved by the provisions of this paragraph. Verizon and the Debtors have agreed that, in light of the terms of the settlement and the setoffs by and payments to Verizon authorized thereunder, Verizon's allowed claim of \$436.5 million will be deemed to be a claim not falling within Class 6 (general unsecured claims) under the Debtors' pending plan of reorganization and that, therefore, Verizon will not have a vote on that plan in Class 6. The objection of the Ad Hoc Trade Committee is moot.

3. The terms and conditions of the settlement and the Settlement Agreement are hereby authorized and approved, and the Debtors are authorized to implement the Settlement Agreement.

4. The Debtors are authorized to execute, deliver, implement, and fully perform any and all obligations, instruments, documents and papers and to take any and all actions reasonably necessary or appropriate to consummate the Settlement Agreement and to perform any and all obligations contemplated therein immediately upon entry of this Order.

5. The automatic stay created by operation of section 362(a) of the Bankruptcy Code is hereby modified, and the Parties are authorized, to make the payments and effect the setoffs the Settlement Agreement provides; the Parties are authorized litigate the Verizon Disputed Inter-carrier Compensation and Other Contingent Claims, the WorldCom Disputed Inter-carrier Compensation Claims, and any postpetition claims, including any appeals of any judgments or orders, outside the Bankruptcy Court in such courts or regulatory bodies as may have jurisdiction thereof.

6. This Court shall retain jurisdiction over any and all disputes arising under or otherwise relating to the construction, performance, and enforcement of the terms of this Order and the terms and conditions of the settlement and the Settlement Agreement are hereby authorized and approved.

7. The requirement under Rule 9013-1(b) of the Local Bankruptcy Rules for the Southern District of New York for the filing of a memorandum of law is waived.

Dated: New York, New York
July 29, 2003

s/Arthur J. Gonzalez
HONORABLE ARTHUR J. GONZALEZ,
UNITED STATES BANKRUPTCY JUDGE

EXHIBIT B

Steven J. Pitterle
Director – Contract Negotiations
Wholesale Markets



600 Hidden Ridge HQE03B13
P.O. Box 152092
Irving, Texas 75038

Phone 972/718-1333
Fax 972/718-1279
steve.pitterle@verizon.com

November 17, 2003

Mr. John C. Gockley
Vice President - Interconnection
Allegiance Telecom of Maryland, Inc.
700 E. Butterfield Road, Suite 300
Lombard, IL 60148

Re: Requested Adoption Under Section 252(i) of the TA96

Dear Mr. Gockley:

Verizon Maryland Inc. ("Verizon"), a Maryland corporation, with principal place of business at 1 East Pratt Street, Baltimore, Maryland 21202, has received your letter stating that, under Section 252(i) of the Telecommunications Act of 1996 (the "Act"), Allegiance Telecom of Maryland, Inc. ("Allegiance"), a Delaware corporation, with principal place of business at 9201 North Central Expressway, Dallas, Texas 75231, wishes to adopt the terms of the arbitrated Interconnection Agreement between Sprint Communications Company L.P. ("Sprint") and Verizon that was approved by the Maryland Public Service Commission (the "Commission") as an effective agreement in the State of Maryland in Docket No. 8887, as such agreement exists on the date hereof after giving effect to operation of law (the "Terms"). I understand Allegiance has a copy of the Terms. Please note the following with respect to Allegiance's adoption of the Terms.

1. By Allegiance's countersignature on this letter, Allegiance hereby represents and agrees to the following five points:
 - (A) Allegiance adopts (and agrees to be bound by) the Terms of the Sprint/Verizon arbitrated agreement for interconnection as it is in effect on the date hereof after giving effect to operation of law, and in applying the Terms, agrees that Allegiance shall be substituted in place of Sprint

Communications Company L.P. and Sprint in the Terms wherever appropriate.

- (B) Notice to Allegiance and Verizon as may be required under the Terms shall be provided as follows:

To: Allegiance Telecom of Maryland, Inc.
Attention: John C. Gockley
700 E. Butterfield Road, Suite 300
Lombard, IL 60148
Telephone Number: 630-522-5493
Facsimile Number: 630-522-5453
Internet Address: john.gockley@algx.com

with a copy to:

Allegiance Telecom, Inc.
Attention: Gegi Leeger
Director of Interconnection Agreements
1919 M Street, NW, Suite 420
Washington, DC 20036
Telephone Number: 202-464-1791
Facsimile: 202-464-0762
Internet Address: gegi.leeger@algx.com

To Verizon:

Director-Contract Performance & Administration
Verizon Wholesale Markets
600 Hidden Ridge
HQEWMNOTICES
Irving, TX 75038
Telephone Number: 972-718-5988
Facsimile Number: 972-719-1519
Internet Address: wmnotices@verizon.com

with a copy to:

Vice President and Associate General Counsel
Verizon Wholesale Markets
1515 N. Court House Road
Suite 500
Arlington, VA 22201
Facsimile: 703-351-3664

- (C) Allegiance represents and warrants that it is a certified provider of local telecommunications service in the State of Maryland, and that its adoption of the Terms will cover services in the State of Maryland only.
- (D) In the event that a voluntary or involuntary petition has been or is in the future filed against Allegiance under bankruptcy or insolvency laws, or any law relating to the relief of debtors, readjustment of indebtedness, debtor reorganization or composition or extension of debt (any such proceeding, an "Insolvency Proceeding"), then: (i) all rights of Verizon under such laws, including, without limitation, all rights of Verizon under 11 U.S.C. § 366, shall be preserved, and Allegiance's adoption of the Verizon Terms shall in no way impair such rights of Verizon; and (ii) all rights of Allegiance resulting from Allegiance's adoption of the Verizon terms shall be subject to and modified by any Stipulations and Orders entered in the Insolvency Proceeding, including, without limitation, any Stipulation or Order providing adequate assurance of payment to Verizon pursuant to 11 U.S.C. § 366. In the event that an interconnection agreement between Verizon and Allegiance is currently in force in the State of Maryland (the "Original ICA"), Allegiance's adoption of the Terms (the "Amended and Restated Interconnection Agreement") shall be an amendment and restatement of, and replace in its entirety, the Original ICA. The Amended and Restated Interconnection Agreement is not intended to be, nor shall it be construed to create, a novation or accord and satisfaction with respect to the Original ICA. All monetary obligations of the parties to one another under the Original ICA shall remain in full force and effect and shall constitute monetary obligations of the parties under the Amended and Restated Interconnection Agreement; provided, however, in the event that Allegiance is currently a debtor in an Insolvency Proceeding nothing contained herein shall convert any claim or debt that would otherwise constitute a prepetition claim or debt in Allegiance's Insolvency Proceeding into a post-petition claim or debt.
- (E) Verizon's standard pricing schedule for interconnection agreements in the State of Maryland (as such schedule may be amended from time to time) (attached as Appendix 1 hereto) shall apply to Allegiance's adoption of the Terms. Allegiance should note that the aforementioned pricing schedule may contain rates for certain services the terms for which are not included in the Terms or that are otherwise not part of this adoption, and may include phrases or wording not identical to those utilized in the Terms. In an effort to expedite the adoption process, Verizon has not deleted such rates from the pricing schedule or attempted to customize the wording in the pricing schedule to match the Terms. However, the inclusion of such rates in no way obligates Verizon to provide the subject services and in no way waives Verizon's rights, and the use of slightly different wording or phrasing in the pricing schedule does not alter the obligations and rights set forth in the Terms.

2. Allegiance's adoption of the Sprint arbitrated Terms shall become effective as of October 1, 2003. The Parties understand and agree that Verizon will file this adoption letter with the Commission promptly upon my receipt of a copy of this letter, countersigned by Allegiance as to points (A), (B), (C), (D) and (E) of paragraph 1 above. The term and termination provisions of the Sprint/Verizon agreement shall govern Allegiance's adoption of the Terms. The adoption of the Terms is currently scheduled to expire on August 8, 2004.
3. As the Terms are being adopted by you pursuant to your statutory rights under section 252(i), Verizon does not provide the Terms to you as either a voluntary or negotiated agreement. The filing and performance by Verizon of the Terms does not in any way constitute a waiver by Verizon of any position as to the Terms or a portion thereof, nor does it constitute a waiver by Verizon of all rights and remedies it may have to seek review of the Terms, or to petition the Commission, other administrative body, or court for reconsideration or reversal of any determination made by the Commission pursuant to arbitration in Docket No. 8887, or to seek review in any way of any provisions included in these Terms as a result of Allegiance's 252(i) election.
4. Nothing herein shall be construed as or is intended to be a concession or admission by Verizon that any contractual provision required by the Commission in Docket No. 8887 (the Sprint arbitration) or any provision in the Terms complies with the rights and duties imposed by the Act, the decisions of the FCC and the Commissions, the decisions of the courts, or other law, and Verizon expressly reserves its full right to assert and pursue claims arising from or related to the Terms.
5. Verizon reserves the right to deny Allegiance's adoption and/or application of the Terms, in whole or in part, at any time:
 - (a) when the costs of providing the Terms to Allegiance are greater than the costs of providing them to Sprint;
 - (b) if the provision of the Terms to Allegiance is not technically feasible; and/or
 - (c) to the extent that Verizon otherwise is not required to make the Terms available to Allegiance under applicable law.
6. For avoidance of doubt, please note that adoption of the Terms will not result in reciprocal compensation payments for Internet traffic. Verizon has always taken the position that reciprocal compensation was not due to be paid for Internet traffic under section 251(b)(5) of the Act. Verizon's position that reciprocal compensation is not to be paid for Internet traffic was confirmed by the FCC in the Order on Remand and Report and Order adopted on April 18, 2001 ("*FCC Internet Order*"), which held that Internet traffic constitutes "information access" outside the scope of the reciprocal compensation obligations set forth in section

251(b)(5) of the Act.¹ Accordingly, any compensation to be paid for Internet traffic will be handled pursuant to the terms of the *FCC Internet Order*, not pursuant to adoption of the Terms.² Moreover, in light of the *FCC Internet Order*, even if the Terms include provisions invoking an intercarrier compensation mechanism for Internet traffic, any reasonable amount of time permitted for adopting such provisions has expired under the FCC's rules implementing section 252(i) of the Act.³ In fact, the *FCC Internet Order* made clear that carriers may not adopt provisions of an existing interconnection agreement to the extent that such provisions provide compensation for Internet traffic.⁴

7. Should Allegiance attempt to apply the Terms in a manner that conflicts with paragraphs 3-6 above, Verizon reserves its rights to seek appropriate legal and/or equitable relief:

¹ Order on Remand and Report and Order, In the Matters of: Implementation of the Local Competition Provisions in the Telecommunications Act of 1996 and Intercarrier Compensation for ISP-Bound Traffic, CC Docket No. 99-68 (rel. April 27, 2001) ("*FCC Remand Order*") ¶44, *remanded*, *WorldCom, Inc. v. FCC*, No. 01-1218 (D.C. Cir. May 3, 2002). Although the D.C. Circuit remanded the *FCC Remand Order* to permit the FCC to clarify its reasoning, it left the order in place as governing federal law. *See WorldCom, Inc. v. FCC*, No. 01-1218, slip op. at 5 (D.C. Cir. May 3, 2002).

² For your convenience, an industry letter distributed by Verizon explaining its plans to implement the *FCC Internet Order* can be viewed at Verizon's Customer Support Website at URL www.verizon.com/wise (select Verizon East Customer Support, Business Resources, Customer Documentation, Resources, Industry Letters, CLEC, May 21, 2001 Order on Remand).

³ *See, e.g.*, 47 C.F.R. Section 51.809(c).

⁴ *FCC Internet Order* ¶ 82.

SIGNATURE PAGE

Please arrange for a duly authorized representative of Allegiance to sign this letter in the space provided below and return it to Verizon.

Sincerely,

VERION MARYLAND INC.

Steven J. Pitterle
Director – Contract Negotiations
Wholesale Markets

Reviewed and countersigned as to points A, B, C, D and E of paragraph 1:

ALLEGIANCE TELECOM OF MARYLAND, INC.

(SIGNATURE)

(PRINT NAME)

c: R. Ragsdale – Verizon

John C. Peterson, Director
Contract Performance and Administration
Wholesale Markets



Wholesale Markets
600 Hidden Ridge, HQE03D52
P.O. Box 152092
Irving, TX 75038

Phone 972-718-5988
Fax 972-719-1519
john.c.peterson@verizon.com

November 17, 2003

Mr. John C. Gockley
Vice President - Interconnection
Allegiance Telecom of the District of Columbia, Inc.
700 E. Butterfield Road, Suite 300
Lombard, IL 60148

Re: Requested Adoption Under Section 252(i) of the TA96

Dear Mr. Gockley:

Verizon Washington, DC Inc. ("Verizon"), a New York corporation, with principal place of business at 1710 H Street NW, Washington, DC 20006, has received your letter stating that, under Section 252(i) of the Telecommunications Act of 1996 (the "Act"), Allegiance Telecom of the District of Columbia, Inc. ("Allegiance"), a Delaware corporation, with principal place of business at 9201 North Central Expressway, Dallas, Texas 75231, wishes to adopt the terms of the arbitrated Interconnection Agreement between Yipes Transmission Incorporated ("Yipes") and Verizon that was approved by the District of Columbia Public Service Commission (the "Commission") as an effective agreement in the District of Columbia in Docket Nos. TAC 12 and TIA 02-19, as such agreement exists on the date hereof after giving effect to operation of law (the "Terms"). I understand Allegiance has a copy of the Terms. Please note the following with respect to Allegiance's adoption of the Terms.

1. By Allegiance's countersignature on this letter, Allegiance hereby represents and agrees to the following five points:
 - (A) Allegiance adopts (and agrees to be bound by) the Terms of the Yipes/Verizon arbitrated agreement for interconnection as it is in effect on the date hereof after giving effect to operation of law, and in applying the Terms, agrees that

Allegiance shall be substituted in place of Yipes Transmission Incorporated and Yipes in the Terms wherever appropriate.

- (B) For avoidance of doubt, adoption of the Terms does not include adoption of any provision imposing an unbundling obligation on Verizon that no longer applies under the Report and Order and Order on Remand (FCC 03-36) released by the Federal Communications Commission ("FCC") on August 21, 2003 in CC Docket Nos. 01-338, 96-98, 98-147 ("Triennial Review Order"), which became effective on October 2, 2003. In light of the effectiveness of the Triennial Review Order, any reasonable period of time for adopting such provisions has expired under the FCC's rules implementing section 252(i) of the Act (*see, e.g.*, 47 CFR Section 51.809(c)).
- (C) Notice to Allegiance and Verizon as may be required under the Terms shall be provided as follows:

To: Allegiance Telecom of the District of Columbia, Inc.
Attention: John C. Gockley
700 E. Butterfield Road, Suite 300
Lombard, IL 60148
Telephone Number: 630-522-5493
Facsimile Number: 630-522-5453
Internet Address: john.gockley@algx.com

with a copy to:

Allegiance Telecom, Inc.
Attention: Gegi Leeger
Director of Interconnection Agreements
1919 M Street, NW, Suite 420
Washington, DC 20036
Telephone Number: 202-464-1791
Facsimile: 202-464-0762
Internet Address: gegi.leeger@algx.com

To Verizon:

Director-Contract Performance & Administration
Verizon Wholesale Markets
600 Hidden Ridge
HQEWMNOTICES
Irving, TX 75038
Telephone Number: 972-718-5988
Facsimile Number: 972-719-1519
Internet Address: wmnotices@verizon.com

with a copy to:

Vice President and Associate General Counsel
Verizon Wholesale Markets
1515 N. Court House Road
Suite 500
Arlington, VA 22201
Facsimile: 703-351-3664

- (D) Allegiance represents and warrants that it is a certified provider of local telecommunications service in the District of Columbia, and that its adoption of the Terms will cover services in the District of Columbia only.
- (E) In the event that a voluntary or involuntary petition has been or is in the future filed against Allegiance under bankruptcy or insolvency laws, or any law relating to the relief of debtors, readjustment of indebtedness, debtor reorganization or composition or extension of debt (any such proceeding, an "Insolvency Proceeding"), then: (i) all rights of Verizon under such laws, including, without limitation, all rights of Verizon under 11 U.S.C. § 366, shall be preserved, and Allegiance's adoption of the Verizon Terms shall in no way impair such rights of Verizon; and (ii) all rights of Allegiance resulting from Allegiance's adoption of the Verizon terms shall be subject to and modified by any Stipulations and Orders entered in the Insolvency Proceeding, including, without limitation, any Stipulation or Order providing adequate assurance of payment to Verizon pursuant to 11 U.S.C. § 366. In the event that an interconnection agreement between Verizon and Allegiance is currently in force in the District of Columbia (the "Original ICA"), Allegiance's adoption of the Terms (the "Amended and Restated Interconnection Agreement") shall be an amendment and restatement of, and replace in its entirety, the Original ICA. The Amended and Restated Interconnection Agreement is not intended to be, nor shall it be construed to create, a novation or accord and satisfaction with respect to the Original ICA. All monetary obligations of the parties to one another under the Original ICA shall remain in full force and effect and shall constitute monetary obligations of the parties under the Amended and Restated Interconnection Agreement; provided, however, in the event that Allegiance is currently a debtor in an Insolvency Proceeding nothing contained herein shall convert any claim or debt that would otherwise constitute a prepetition claim or debt in Allegiance's Insolvency Proceeding into a post-petition claim or debt.
- (F) Verizon's standard pricing schedule for interconnection agreements in the District of Columbia (as such schedule may be amended from time to time) (attached as Appendix 1 hereto) shall apply to Allegiance's adoption of the Terms. Allegiance should note that the aforementioned pricing schedule may contain rates for certain services the terms for which are not included in the Terms or that are otherwise not part of this adoption, and

may include phrases or wording not identical to those utilized in the Terms. In an effort to expedite the adoption process, Verizon has not deleted such rates from the pricing schedule or attempted to customize the wording in the pricing schedule to match the Terms. However, the inclusion of such rates in no way obligates Verizon to provide the subject services and in no way waives Verizon's rights, and the use of slightly different wording or phrasing in the pricing schedule does not alter the obligations and rights set forth in the Terms.

2. Allegiance's adoption of the Yipes arbitrated Terms shall become effective as of December 1, 2003. The Parties understand and agree that Verizon will file this adoption letter with the Commission promptly upon my receipt of a copy of this letter, countersigned by Allegiance as to points (A), (B), (C), (D), (E) and (F) of paragraph 1 above. The term and termination provisions of the Yipes/Verizon agreement shall govern Allegiance's adoption of the Terms. The adoption of the Terms is currently scheduled to expire on July 17, 2004.
3. As the Terms are being adopted by you pursuant to your statutory rights under section 252(i), Verizon does not provide the Terms to you as either a voluntary or negotiated agreement. The filing and performance by Verizon of the Terms does not in any way constitute a waiver by Verizon of any position as to the Terms or a portion thereof, nor does it constitute a waiver by Verizon of all rights and remedies it may have to seek review of the Terms, or to petition the Commission, other administrative body, or court for reconsideration or reversal of any determination made by the Commission pursuant to arbitration in Docket Nos. TAC 12 and TIA 02-19, or to seek review in any way of any provisions included in these Terms as a result of Allegiance's 252(i) election.
4. Nothing herein shall be construed as or is intended to be a concession or admission by Verizon that any contractual provision required by the Commission in Docket Nos. TAC 12 and TIA 02-19 (the Yipes arbitration) or any provision in the Terms complies with the rights and duties imposed by the Act, the decisions of the FCC and the Commissions, the decisions of the courts, or other law, and Verizon expressly reserves its full right to assert and pursue claims arising from or related to the Terms.
5. Verizon reserves the right to deny Allegiance's adoption and/or application of the Terms, in whole or in part, at any time:
 - (a) when the costs of providing the Terms to Allegiance are greater than the costs of providing them to Yipes;
 - (b) if the provision of the Terms to Allegiance is not technically feasible; and/or
 - (c) to the extent that Verizon otherwise is not required to make the Terms available to Allegiance under applicable law.

6. For avoidance of doubt, please note that adoption of the Terms will not result in reciprocal compensation payments for Internet traffic. Verizon has always taken the position that reciprocal compensation was not due to be paid for Internet traffic under section 251(b)(5) of the Act. Verizon's position that reciprocal compensation is not to be paid for Internet traffic was confirmed by the FCC in the Order on Remand and Report and Order adopted on April 18, 2001 ("*FCC Internet Order*"), which held that Internet traffic constitutes "information access" outside the scope of the reciprocal compensation obligations set forth in section 251(b)(5) of the Act.¹ Accordingly, any compensation to be paid for Internet traffic will be handled pursuant to the terms of the *FCC Internet Order*, not pursuant to adoption of the Terms.² Moreover, in light of the *FCC Internet Order*, even if the Terms include provisions invoking an intercarrier compensation mechanism for Internet traffic, any reasonable amount of time permitted for adopting such provisions has expired under the FCC's rules implementing section 252(i) of the Act.³ In fact, the *FCC Internet Order* made clear that carriers may not adopt provisions of an existing interconnection agreement to the extent that such provisions provide compensation for Internet traffic.⁴
7. Should Allegiance attempt to apply the Terms in a manner that conflicts with paragraphs 3-6 above, Verizon reserves its rights to seek appropriate legal and/or equitable relief.

¹ Order on Remand and Report and Order, In the Matters of: Implementation of the Local Competition Provisions in the Telecommunications Act of 1996 and Intercarrier Compensation for ISP-Bound Traffic, CC Docket No. 99-68 (rel. April 27, 2001) ("*FCC Remand Order*") ¶44, remanded, *WorldCom, Inc. v. FCC*, No. 01-1218 (D.C. Cir. May 3, 2002). Although the D.C. Circuit remanded the *FCC Remand Order* to permit the FCC to clarify its reasoning, it left the order in place as governing federal law. See *WorldCom, Inc. v. FCC*, No. 01-1218, slip op. at 5 (D.C. Cir. May 3, 2002).

² For your convenience, an industry letter distributed by Verizon explaining its plans to implement the *FCC Internet Order* can be viewed at Verizon's Customer Support Website at URL www.verizon.com/wise (select Verizon East Customer Support, Business Resources, Customer Documentation, Resources, Industry Letters, CLEC, May 21, 2001 Order on Remand).

³ See, e.g., 47 C.F.R. Section 51.809(c).

⁴ *FCC Internet Order* ¶ 82.

SIGNATURE PAGE

Please arrange for a duly authorized representative of Allegiance to sign this letter in the space provided below and return it to Verizon.

Sincerely,

VERIZON WASHINGTON, DC INC.

John C. Peterson, Director
Contract Performance and Administration
Wholesale Markets

Reviewed and countersigned as to points A, B, C, D, E and F of paragraph 1:

ALLEGIANCE TELECOM OF THE DISTRICT OF COLUMBIA, INC.

(SIGNATURE)

(PRINT NAME)

c: R. Ragsdale – Verizon

John C. Peterson, Director
Contract Performance and Administration
Wholesale Markets



Wholesale Markets
600 Hidden Ridge, HQE03D52
P.O. Box 152092
Irving, TX 75038

Phone 972-718-5988
Fax 972-719-1519
john.c.peterson@verizon.com

April 15, 2004

Gegi Leeger
Director of Agreements
Allegiance Telecom of Pennsylvania, Inc.
1919 M Street, N.W., Suite 420
Washington, DC 20036

Re: Requested Adoption Under Section 252(i) of the TA96

Dear Ms. Leeger:

Verizon Pennsylvania Inc, f/k/a Bell Atlantic – Pennsylvania, Inc. (“Verizon”), a Pennsylvania corporation, with principal place of business at 1717 Arch Street, Philadelphia, Pennsylvania 19103, has received your letter stating that, under Section 252(i) of the Telecommunications Act of 1996 (the “Act”), Allegiance Telecom of Pennsylvania, Inc. (“Allegiance”), a Delaware corporation, with principal place of business at 9201 North Central Expressway, Dallas, Texas 75231, wishes to adopt the terms of the Interconnection Agreement between BullsEye Telecom Inc. (“BullsEye”) and Verizon that was approved by the Pennsylvania Public Utility Commission (the “Commission”) as an effective agreement in the Commonwealth of Pennsylvania, as such agreement exists on the date hereof after giving effect to operation of law (the “Terms”). I understand Allegiance has a copy of the Terms. Please note the following with respect to Allegiance’s adoption of the Terms.

1. By Allegiance’s countersignature on this letter, Allegiance hereby represents and agrees to the following five points:
 - (A) Allegiance adopts (and agrees to be bound by) the Terms of the BullsEye/Verizon agreement for interconnection as it is in effect on the date hereof after giving effect to operation of law, and in applying the Terms,

agrees that Allegiance shall be substituted in place of BullsEye Telecom Inc. and BullsEye in the Terms wherever appropriate.

- (B) For avoidance of doubt, adoption of the Terms does not include adoption of any provision imposing an unbundling obligation on Verizon that no longer applies under the Report and Order and Order on Remand (FCC 03-36) released by the Federal Communications Commission ("FCC") on August 21, 2003 in CC Docket Nos. 01-338, 96-98, 98-147 ("Triennial Review Order"), or that is otherwise not required by both 47 U.S.C. Section 251(c)(3) and 47 C.F.R. Part 51. Moreover, Verizon, on February 26, 2004, filed a petition at the Pennsylvania Public Utility Commission to arbitrate amendments to interconnection agreements (including the Terms) with respect to the Triennial Review Order ("TRO Arbitration"). Once the Commission issues an effective order approving an amendment with respect to the Triennial Review Order in the TRO Arbitration (an "Approved Amendment"): 1) the terms of such Approved Amendment shall be deemed to amend this adoption effective on the effective date of such Commission order, 2) Allegiance agrees to be bound by the terms of such Approved Amendment effective on the effective date of such Commission order, and 3) Verizon and Allegiance shall execute an amendment to this adoption to memorialize that this adoption is amended by the terms of such Approved Amendment effective on the effective date of such Commission order; provided, however, failure by either party to do so shall not be cited as a basis for contesting the effectiveness of the provisions in 1) and 2) above.
- (C) Notice to Allegiance and Verizon as may be required under the Terms shall be provided as follows:

To: Allegiance Telecom of Pennsylvania, Inc.
Attention: Senior Vice President - Industry Development
Allegiance Telecom, Inc.
700 E. Butterfield Road, Suite 300
Lombard, IL 60148
Telephone Number: 630-522-5454
Facsimile Number: 630-522-5453
Internet Address: larry.strickling@algx.com

with a copy to:

Allegiance Telecom of Pennsylvania, Inc.
Director of Agreements
Allegiance Telecom, Inc.
1919 M Street, N.W., Suite 420
Washington, DC 20036

To Verizon:

Director-Contract Performance & Administration
Verizon Wholesale Markets
600 Hidden Ridge
HQEWMNOTICES
Irving, TX 75038
Telephone Number: 972-718-5988
Facsimile Number: 972-719-1519
Internet Address: wmnotices@verizon.com

with a copy to:

Vice President and Associate General Counsel
Verizon Wholesale Markets
1515 N. Court House Road
Suite 500
Arlington, VA 22201
Facsimile: 703-351-3664

- (D) Allegiance represents and warrants that it is a certified provider of local telecommunications service in the Commonwealth of Pennsylvania, and that its adoption of the Terms will cover services in Verizon Pennsylvania's service territory in the Commonwealth of Pennsylvania only.
- (E) In the event that a voluntary or involuntary petition has been or is in the future filed against Allegiance under bankruptcy or insolvency laws, or any law relating to the relief of debtors, readjustment of indebtedness, debtor reorganization or composition or extension of debt (any such proceeding, an "Insolvency Proceeding"), then: (i) all rights of Verizon under such laws, including, without limitation, all rights of Verizon under 11 U.S.C. § 366, shall be preserved, and Allegiance's adoption of the Verizon Terms shall in no way impair such rights of Verizon; and (ii) all rights of Allegiance resulting from Allegiance's adoption of the Verizon terms shall be subject to and modified by any Stipulations and Orders entered in the Insolvency Proceeding, including, without limitation, any Stipulation or Order providing adequate assurance of payment to Verizon pursuant to 11 U.S.C. § 366. In the event that an interconnection agreement between Verizon and Allegiance is currently in force in the former Bell Atlantic service territory within the Commonwealth of Pennsylvania (the "Original ICA"), Allegiance's adoption of the Terms (the "Amended and Restated Interconnection Agreement") shall be an amendment and restatement of, and replace in its entirety, the Original ICA. The Amended and Restated Interconnection Agreement is not intended to be, nor shall it be construed to create, a novation or accord and satisfaction with respect to the Original ICA. All monetary obligations of

the parties to one another under the Original ICA shall remain in full force and effect and shall constitute monetary obligations of the parties under the Amended and Restated Interconnection Agreement; provided, however, in the event that Allegiance is currently a debtor in an Insolvency Proceeding nothing contained herein shall convert any claim or debt that would otherwise constitute a prepetition claim or debt in Allegiance's Insolvency Proceeding into a post-petition claim or debt.

- (F) Verizon's standard pricing schedule for interconnection agreements in the Commonwealth of Pennsylvania (as such schedule may be amended from time to time) (attached as Appendix 1 hereto) shall apply to Allegiance's adoption of the Terms. Allegiance should note that the aforementioned pricing schedule may contain rates for certain services the terms for which are not included in the Terms or that are otherwise not part of this adoption, and may include phrases or wording not identical to those utilized in the Terms. In an effort to expedite the adoption process, Verizon has not deleted such rates from the pricing schedule or attempted to customize the wording in the pricing schedule to match the Terms. However, the inclusion of such rates in no way obligates Verizon to provide the subject services and in no way waives Verizon's rights, and the use of slightly different wording or phrasing in the pricing schedule does not alter the obligations and rights set forth in the Terms.
2. Allegiance's adoption of the BullsEye Terms shall become effective on April 29, 2004. Verizon shall file this adoption letter with the Commission promptly upon receipt of an original of this letter countersigned by an authorized officer of Allegiance. The term and termination provisions of the BullsEye/Verizon agreement shall govern Allegiance's adoption of the Terms. The adoption of the Terms is currently scheduled to expire on September 3, 2004.
 3. As the Terms are being adopted by you pursuant to your statutory rights under section 252(i), Verizon does not provide the Terms to you as either a voluntary or negotiated agreement. The filing and performance by Verizon of the Terms does not in any way constitute a waiver by Verizon of any position as to the Terms or a portion thereof, nor does it constitute a waiver by Verizon of all rights and remedies it may have to seek review of the Terms, or to seek review in any way of any provisions included in these Terms as a result of Allegiance's 252(i) election.
 4. Nothing herein shall be construed as or is intended to be a concession or admission by Verizon that any provision in the Terms complies with the rights and duties imposed by the Act, the decisions of the FCC and the Commissions, the decisions of the courts, or other law, and Verizon expressly reserves its full right to assert and pursue claims arising from or related to the Terms.
 5. Verizon reserves the right to deny Allegiance's adoption and/or application of the Terms, in whole or in part, at any time:

- (a) when the costs of providing the Terms to Allegiance are greater than the costs of providing them to BullsEye;
 - (b) if the provision of the Terms to Allegiance is not technically feasible; and/or
 - (c) to the extent that Verizon otherwise is not required to make the Terms available to Allegiance under applicable law.
6. For avoidance of doubt, please note that adoption of the Terms will not result in reciprocal compensation payments for Internet traffic. Verizon has always taken the position that reciprocal compensation was not due to be paid for Internet traffic under section 251(b)(5) of the Act. Verizon's position that reciprocal compensation is not to be paid for Internet traffic was confirmed by the FCC in the Order on Remand and Report and Order adopted on April 18, 2001 ("*FCC Internet Order*"), which held that Internet traffic constitutes "information access" outside the scope of the reciprocal compensation obligations set forth in section 251(b)(5) of the Act.¹ Accordingly, any compensation to be paid for Internet traffic will be handled pursuant to the terms of the *FCC Internet Order*, not pursuant to adoption of the Terms.² Moreover, in light of the *FCC Internet Order*, even if the Terms include provisions invoking an intercarrier compensation mechanism for Internet traffic, any reasonable amount of time permitted for adopting such provisions has expired under the FCC's rules implementing section 252(i) of the Act.³ In fact, the *FCC Internet Order* made clear that carriers may not adopt provisions of an existing interconnection agreement to the extent that such provisions provide compensation for Internet traffic.⁴
7. Should Allegiance attempt to apply the Terms in a manner that conflicts with paragraphs 3-6 above, Verizon reserves its rights to seek appropriate legal and/or equitable relief.

¹ Order on Remand and Report and Order, In the Matters of: Implementation of the Local Competition Provisions in the Telecommunications Act of 1996 and Intercarrier Compensation for ISP-Bound Traffic, CC Docket No. 99-68 (rel. April 27, 2001) ("*FCC Remand Order*") ¶44, *remanded*, *WorldCom, Inc. v. FCC*, No. 01-1218 (D.C. Cir. May 3, 2002). Although the D.C. Circuit remanded the *FCC Remand Order* to permit the FCC to clarify its reasoning, it left the order in place as governing federal law. See *WorldCom, Inc. v. FCC*, No. 01-1218, slip op. at 5 (D.C. Cir. May 3, 2002).

² For your convenience, an industry letter distributed by Verizon explaining its plans to implement the *FCC Internet Order* can be viewed at Verizon's Customer Support Website at URL www.verizon.com/wise (select Verizon East Customer Support, Business Resources, Customer Documentation, Resources, Industry Letters, CLEC, May 21, 2001 Order on Remand).

³ See, e.g., 47 C.F.R. Section 51.809(c).

⁴ *FCC Internet Order* ¶ 82.

SIGNATURE PAGE

Please arrange for a duly authorized representative of Allegiance to sign this letter in the space provided below and return it to Verizon.

Sincerely,

VERIZON PENNSYLVANIA INC.

John C. Peterson, Director
Contract Performance and Administration
Wholesale Markets

(DATE)

Reviewed and countersigned as to points A, B, C, D, E and F of paragraph 1:

ALLEGIANCE TELECOM OF PENNSYLVANIA, INC.

Lawrence E. Strickling
Senior Vice President - Industry Development

(DATE)

c: K. Robertson – Verizon

'jack.h.white@verizon.com'; 'sherry.hessenthaler@verizon.com';
'william.g.cummings@verizon.com'; 'steven.h.hartmann@verizon.com'

John C. Peterson, Director
Contract Performance and Administration
Wholesale Markets



Wholesale Markets
600 Hidden Ridge, HQE03D52
P.O. Box 152092
Irving, TX 75038

Phone 972-718-5988
Fax 972-719-1519
john.c.peterson@verizon.com

April 5, 2004

Gegi Leeger
Director of Agreements
Allegiance Telecom of New York, Inc.
1919 M Street, N.W., Suite 420
Washington, DC 20036

Re: Requested Adoption Under Section 252(i) of the TA96

Dear Ms. Leeger:

Verizon New York Inc. ("Verizon"), a New York corporation, with principal place of business at 1095 Avenue of The Americas, New York, New York 10036, has received your letter stating that, under Section 252(i) of the Telecommunications Act of 1996 (the "Act"), Allegiance Telecom of New York, Inc. ("Allegiance"), a Delaware corporation, with principal place of business at 9201 North Central Expressway, Dallas, Texas 75231, wishes to adopt the terms of the arbitrated Interconnection Agreement between AT&T Communications of New York Inc. ("AT&T") and Verizon that was approved by the New York Public Service Commission (the "Commission") as an effective agreement in the State of New York in Docket No. 01-C-0095, as such agreement exists on the date hereof after giving effect to operation of law (the "Terms"). I understand Allegiance has a copy of the Terms. Please note the following with respect to Allegiance's adoption of the Terms.

1. By Allegiance's countersignature on this letter, Allegiance hereby represents and agrees to the following five points:
 - (A) Allegiance adopts (and agrees to be bound by) the Terms of the AT&T/Verizon arbitrated agreement for interconnection as it is in effect on the date hereof after giving effect to operation of law, and in applying the Terms, agrees that Allegiance shall be substituted in place of AT&T

Communications of New York Inc. and AT&T in the Terms wherever appropriate.

- (B) For avoidance of doubt, adoption of the Terms does not include adoption of any provision imposing an unbundling obligation on Verizon that no longer applies under the Report and Order and Order on Remand (FCC 03-36) released by the Federal Communications Commission ("FCC") on August 21, 2003 in CC Docket Nos. 01-338, 96-98, 98-147 ("Triennial Review Order"), or that is otherwise not required by both 47 U.S.C. Section 251(c)(3) and 47 C.F.R. Part 51. Moreover, Verizon, on March 10, 2004, filed a petition at the New York Public Service Commission to arbitrate amendments to interconnection agreements (including the Terms) with respect to the Triennial Review Order ("TRO Arbitration"). Once the Commission issues an effective order approving an amendment with respect to the Triennial Review Order in the TRO Arbitration (an "Approved Amendment"): 1) the terms of such Approved Amendment shall be deemed to amend this adoption effective on the effective date of such Commission order, 2) Allegiance agrees to be bound by the terms of such Approved Amendment effective on the effective date of such Commission order, and 3) Verizon and Allegiance shall execute an amendment to this adoption to memorialize that this adoption is amended by the terms of such Approved Amendment effective on the effective date of such Commission order; provided, however, failure by either party to do so shall not be cited as a basis for contesting the effectiveness of the provisions in 1) and 2) above.

- (C) Notice to Allegiance and Verizon as may be required under the Terms shall be provided as follows:

To: Allegiance Telecom of New York, Inc.
Attention: Senior Vice President - Industry Development
Allegiance Telecom Inc.
700 E. Butterfield Road, Suite 300
Lombard, IL 60148
Telephone Number: 630-522-5454
Facsimile Number: 630-522-5453
Internet Address: larry.strickling@algx.com

with a copy to:

Allegiance Telecom of New York, Inc.
Attention: Director of Agreements
Allegiance Telecom Inc.
1919 M Street, N.W., Suite 420
Washington, DC 20036

To Verizon:

Director-Contract Performance & Administration
Verizon Wholesale Markets
600 Hidden Ridge
HQEWMNOTICES
Irving, TX 75038
Telephone Number: 972-718-5988
Facsimile Number: 972-719-1519
Internet Address: wmnotices@verizon.com

with a copy to:

Vice President and Associate General Counsel
Verizon Wholesale Markets
1515 N. Court House Road
Suite 500
Arlington, VA 22201
Facsimile: 703-351-3664

- (D) Allegiance represents and warrants that it is a certified provider of local telecommunications service in the State of New York, and that its adoption of the Terms will cover services in the State of New York only.
- (E) In the event that a voluntary or involuntary petition has been or is in the future filed against Allegiance under bankruptcy or insolvency laws, or any law relating to the relief of debtors, readjustment of indebtedness, debtor reorganization or composition or extension of debt (any such proceeding, an "Insolvency Proceeding"), then: (i) all rights of Verizon under such laws, including, without limitation, all rights of Verizon under 11 U.S.C. § 366, shall be preserved, and Allegiance's adoption of the Verizon Terms shall in no way impair such rights of Verizon; and (ii) all rights of Allegiance resulting from Allegiance's adoption of the Verizon terms shall be subject to and modified by any Stipulations and Orders entered in the Insolvency Proceeding, including, without limitation, any Stipulation or Order providing adequate assurance of payment to Verizon pursuant to 11 U.S.C. § 366. In the event that an interconnection agreement between Verizon and Allegiance is currently in force in the State of New York (the "Original ICA"), Allegiance's adoption of the Terms (the "Amended and Restated Interconnection Agreement") shall be an amendment and restatement of, and replace in its entirety, the Original ICA. The Amended and Restated Interconnection Agreement is not intended to be, nor shall it be construed to create, a novation or accord and satisfaction with respect to the Original ICA. All monetary obligations of the parties to one another under the Original ICA shall remain in full force and effect and shall constitute monetary obligations of the parties under the Amended and Restated Interconnection Agreement; provided,

however, in the event that Allegiance is currently a debtor in an Insolvency Proceeding nothing contained herein shall convert any claim or debt that would otherwise constitute a prepetition claim or debt in Allegiance's Insolvency Proceeding into a post-petition claim or debt.

- (F) Verizon's standard pricing schedule for interconnection agreements in the State of New York (as such schedule may be amended from time to time) (attached as Appendix 1 hereto) shall apply to Allegiance's adoption of the Terms. Allegiance should note that the aforementioned pricing schedule may contain rates for certain services the terms for which are not included in the Terms or that are otherwise not part of this adoption, and may include phrases or wording not identical to those utilized in the Terms. In an effort to expedite the adoption process, Verizon has not deleted such rates from the pricing schedule or attempted to customize the wording in the pricing schedule to match the Terms. However, the inclusion of such rates in no way obligates Verizon to provide the subject services and in no way waives Verizon's rights, and the use of slightly different wording or phrasing in the pricing schedule does not alter the obligations and rights set forth in the Terms.
2. Allegiance's adoption of the AT&T arbitrated Terms shall become effective as of April 19, 2004. The Parties understand and agree that Verizon will file this adoption letter with the Commission promptly upon my receipt of a copy of this letter, countersigned by Allegiance as to points (A), (B), (C), (D), (E) and (F) of paragraph 1 above. The term and termination provisions of the AT&T/Verizon agreement shall govern Allegiance's adoption of the Terms. The adoption of the Terms is currently scheduled to expire on June 23, 2005.
3. As the Terms are being adopted by you pursuant to your statutory rights under section 252(i), Verizon does not provide the Terms to you as either a voluntary or negotiated agreement. The filing and performance by Verizon of the Terms does not in any way constitute a waiver by Verizon of any position as to the Terms or a portion thereof, nor does it constitute a waiver by Verizon of all rights and remedies it may have to seek review of the Terms, or to petition the Commission, other administrative body, or court for reconsideration or reversal of any determination made by the Commission pursuant to arbitration in Docket No. 01-C-0095, or to seek review in any way of any provisions included in these Terms as a result of Allegiance's 252(i) election.
4. Nothing herein shall be construed as or is intended to be a concession or admission by Verizon that any contractual provision required by the Commission in Docket No. 01-C-0095 (the AT&T arbitration) or any provision in the Terms complies with the rights and duties imposed by the Act, the decisions of the FCC and the Commissions, the decisions of the courts, or other law, and Verizon expressly reserves its full right to assert and pursue claims arising from or related to the Terms.

5. Verizon reserves the right to deny Allegiance's adoption and/or application of the Terms, in whole or in part, at any time:
- (a) when the costs of providing the Terms to Allegiance are greater than the costs of providing them to AT&T;
 - (b) if the provision of the Terms to Allegiance is not technically feasible; and/or
 - (c) to the extent that Verizon otherwise is not required to make the Terms available to Allegiance under applicable law.
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³ See, e.g., 47 C.F.R. Section 51.809(c).

⁴ *FCC Internet Order* ¶ 82.

SIGNATURE PAGE

Please arrange for a duly authorized representative of Allegiance to sign this letter in the space provided below and return it to Verizon.

Sincerely,

VERIZON NEW YORK INC.

John C. Peterson, Director
Contract Performance and Administration
Wholesale Markets

Reviewed and countersigned as to points A, B, C, D, E and F of paragraph 1:

ALLEGIANCE TELECOM OF NEW YORK, INC.

Lawrence E. Strickling
Senior Vice President - Industry Development

c: K. Robertson – Verizon