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«Carrier»
«Name»
«Title»
«Adr1» «Adr2»
«City», «St» «ZIP»

Dear Customer:

On April 18, 2001, the Federal Communications Commission ("FCC") adopted an order addressing the charges that carriers may bill to and collect from each other in connection with their exchange of dial-up Internet traffic. See, *Order on Remand and Report and Order*, CC Docket Nos. 96-98, 99-68 (adopted April 18, 2001) (the "Order"). This letter is intended to advise you of the key provisions of the Order, and to notify you of steps that Verizon is taking to implement the Order. Because the Order may have a material effect on your operations, please read this letter carefully.

In the Order, the FCC determines that Internet traffic is interstate exchange access traffic – specifically, information access traffic – and that such traffic is not subject to payment of reciprocal compensation under Section 251(b)(5) of the Communications Act. In addition, the FCC reconfirms its prior analysis that led to its earlier ruling that Internet traffic is not "local" traffic because a call to the Internet is one, continuous call and not two separate calls. In order to limit the regulatory arbitrage opportunity that has existed in those states where reciprocal compensation has been paid on Internet traffic prior to adoption of the Order, the FCC exercises its authority under Section 201 of the Communications Act to prescribe an alternative, transitional intercarrier compensation regime for Internet traffic.

In order to give effect to the Order, and to ensure its continued compliance with applicable law, Verizon will implement the following practices on the effective date of the rate-affecting provisions of the Order (*i.e.*, thirty days after publication in the Federal Register):

- To the extent Verizon is exchanging dial-up Internet traffic and traffic properly compensable under Section 251(b)(5) with you in a given state over facilities obtained under a particular interconnection agreement or local interconnection tariff, Verizon will presume, as an initial matter, that any such traffic that exceeds a 3:1 ratio of terminating to originating traffic is Internet traffic (and therefore interstate exchange access traffic). Either party may seek to rebut this presumption by

demonstrating to the appropriate state regulatory commission that traffic below this ratio is in fact Internet traffic, or that traffic above this ratio is non-Internet traffic that is subject to reciprocal compensation pursuant to Section 251(b)(5) of the Act. During the pendency of any such proceedings, traffic above the 3:1 ratio will continue to be governed by the intercarrier compensation regime set forth in the Order, and upon conclusion of such proceedings, compensation paid between the parties will be subject to true-up, if appropriate.

- Initially, and continuing for six months after the effective date of the Order, the intercarrier compensation rate for Internet traffic will be capped at \$.0015 per minute of use. Starting in the seventh month, and continuing for eighteen months, the rate will be capped at \$.001 per minute of use. Starting in the twenty-fifth month, and continuing through the thirty-sixth month or until further FCC action (whichever is later), the rate will be capped at \$.0007 per minute of use. If state law has previously required payment on Internet traffic at a rate lower than the applicable rate caps established in the Order, or has previously required a lower rate structure for Internet traffic, such as "bill and keep," then that lower rate or rate structure may apply under the terms of the Order.
- The amount of Internet traffic on which Verizon will pay intercarrier compensation to you in 2001 in a given state may not exceed 110% of the total number of Internet-bound minutes for which you were entitled to compensation under your interconnection agreement or local interconnection tariff in that state in the first quarter of 2001, annualized. (The volume of compensable Internet traffic in 2002 may not exceed 110% of the 2001 compensable Internet traffic volume originated on Verizon's network in a given state, and in 2003 may not exceed the 2002 compensable volume originated on Verizon's network in that state.) Accordingly, if you were not exchanging Internet traffic with Verizon in the first quarter of this year, or if for any reason you were not entitled under your interconnection agreement or local interconnection tariff to compensation on Internet traffic during that period, then you will not be entitled to compensation for Internet traffic under the Order.
- Verizon will pay properly invoiced intercarrier compensation charges on dial-up Internet traffic that originates on Verizon's network on or after the effective date of the Order up to the rate caps and payment limits authorized by the Order, as described above. **You are hereby put on notice, to the extent such notice is required, that Verizon will not pay any amounts invoiced by you that exceed the applicable rate caps or payment limits, as described above.**
- With respect to those states in which the state regulatory commission or any court of competent jurisdiction has previously determined that you are entitled to receive compensation for Internet traffic under the terms of your interconnection agreement, the Order recognizes Verizon's right to invoke the change of law provisions set forth in that agreement. Without waiving its position that neither Section 251(b)(5) nor your current interconnection agreement or any relevant tariff obligates Verizon to pay or continue paying reciprocal compensation on Internet traffic, **Verizon hereby gives written notice, to the extent such notice is required, that the Order constitutes a material change of law in the aforementioned states. Verizon hereby invokes any and all rights it may have under your interconnection agreement or**

otherwise with respect to government orders affecting its obligations to you or other changes in law, including, where applicable, the right to terminate any provision of your interconnection agreement that imposes obligations on Verizon that are no longer required under applicable law.

The Order requires Verizon to offer all CLECs and CMRS providers an optional reciprocal compensation rate plan for termination of non-Internet traffic subject to Section 251(b)(5). Under this optional plan, such traffic exchanged between Verizon and a Local Exchange Carrier or CMRS provider in a given state will be subject to compensation at the same rate applicable to Internet traffic in that state under the terms of the Order. The terms and conditions applicable to this optional rate plan are available from your account manager or your designated Verizon Contract Negotiator, and will take effect no earlier than the date that is thirty days after publication of the Order in the Federal Register.

Because we anticipate that all parties will experience temporary billing difficulties in implementing the Order, you are encouraged to work with your assigned Verizon Account Manager to understand how the terms of the Order will be applied to you in each of the Verizon states in which you do business.

Very truly yours,

A handwritten signature in cursive script that reads "Jeffrey A. Masoner". The signature is written in black ink and is positioned above the printed name and title.

Jeffrey A. Masoner
Vice President Interconnection Services