

Steven J. Pitterle  
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March 12, 2001

Mr. O.V. Sparks  
Vice President Administration & Finance  
First Choice Technologies, Inc.  
411 Ring Road  
Elizabethtown, KY 42701-8701

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

Dear Mr. Sparks:

Verizon South Inc., f/k/a GTE South Incorporated ("Verizon"), has received your letter stating that, under Section 252(i) of the Telecommunications Act of 1996 (the "Act"), First Choice Technologies, Inc. ("First Choice") wishes to adopt the terms of the arbitrated Interconnection Agreement between AT&T Communications of the South Central States, Inc. ("AT&T") and Verizon that was approved by the Kentucky Public Service Commission (the "Commission") as an effective agreement in the Commonwealth of Kentucky in Docket No. 96-478, as such agreement exists on the date hereof after giving effect to operation of law (the "Terms").<sup>1</sup> I understand First Choice has a copy of the Terms. Please note the following with respect to First Choice's adoption of the Terms.

1. By First Choice's countersignature on this letter, First Choice hereby represents and agrees to the following three points:
  - (A) First Choice 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 First Choice shall be substituted in place of AT&T Communications of the South Central States, Inc. and AT&T in the Terms wherever appropriate.

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<sup>1</sup> These "agreements" are not agreements in the generally accepted understanding of that term. Verizon was required to accept these agreements, which were required to reflect then-effective FCC rules and other applicable law.

- (B) First Choice requests that notice to First Choice as may be required under the Terms shall be provided as follows:

To : CHR Solutions, Inc.  
Attention: Ms. Linda P. Tipps  
5500 Triangle Parkway, Suite 250  
Norcross, GA 30092-3238  
Telephone number: 770/446-7242  
FAX number: 770/446-7243

- (C) First Choice represents and warrants that it is a certified provider of local telecommunications service in the Commonwealth of Kentucky, and that its adoption of the Terms will cover services in the Commonwealth of Kentucky only.
2. First Choice's adoption of the AT&T arbitrated Terms shall become effective upon the date of filing of this adoption letter with the Commission (which filing Verizon will promptly make upon receipt of an original of this letter countersigned by First Choice) and remain in effect no longer than the date the AT&T/Verizon arbitrated agreement terminates. The AT&T/Verizon arbitrated agreement is currently scheduled to terminate on August 9, 2002. Thus, the Terms adopted by First Choice also shall terminate on that date.
  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. 96-478, or to seek review in any way of any provisions included in these Terms as a result of First Choice's 252(i) election.
  4. On January 25, 1999, the Supreme Court of the United States ("Court") issued its decision on the appeals of the Eighth Circuit's decision in *Iowa Utilities Board*. Specifically, the Supreme Court modified several of the FCC's and the Eighth Circuit's rulings regarding unbundled network elements and pricing requirements under the Act. *AT&T Corp. v. Iowa Utilities Board*, 119 S. Ct. 721 (1999). Certain provisions of the Terms may be void or unenforceable as a result of the Court's decision of January 25, 1999, the United States Eighth Circuit Court of Appeals' recent decision in Docket No. 96-3321 regarding the FCC's pricing rules, and the current appeal before the U.S. Supreme Court regarding the FCC's new UNE rules. Moreover, 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. 96-478 (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 First Choice'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 First Choice are greater than the costs of providing them to AT&T;
  - (b) if the provision of the Terms to First Choice is not technically feasible; and/or
  - (c) to the extent that Verizon otherwise is not required to make the Terms available to First Choice under applicable law.
6. As noted above, pursuant to Rule 809, the FCC gave ILECs the ability to deny 252(i) adoptions in those instances where the cost of providing the service to the requesting carrier is higher than that incurred to serve the initial carrier or there is a technical incompatibility issue. The issue of reciprocal compensation for traffic destined for the Internet falls within this exception. Verizon never intended for Internet traffic passing through a telecommunications carrier to be included within the definition of local traffic and subject to the corresponding obligation of reciprocal compensation. Whatever doubt any party may have had with respect to this issue was removed by the Declaratory Ruling that the Federal Communications Commission (the "FCC") released on February 26, 1999 which, among other things, "conclude[d] . . . that ISP-bound traffic is non-local interstate traffic."<sup>2</sup> The FCC also reaffirmed that "section 251(b)(5) of the Act and [the FCC] rules promulgated pursuant to that provision concern inter-carrier compensation for interconnected *local* telecommunications traffic."<sup>3</sup> Based on the FCC's Declaratory Ruling (among other things), it is clear that Internet traffic is not local traffic. Despite the foregoing, some forums have required reciprocal compensation to be paid. This produces the situation where the cost of providing the service is not cost based. With this in mind, Verizon opposes, and reserves the right to deny, the adoption and/or the application of the provisions of the Terms that might be interpreted to characterize traffic destined for Internet as local traffic or requiring the payment of reciprocal compensation. However, Verizon shall, in any case, comply with the requirement of applicable law with respect to this issue.

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<sup>2</sup> Declaratory Ruling in FCC CC Docket No. 96-98 and Notice of Proposed Rulemaking in CC Docket No. 99-68 (rel. February 26, 1999), fn. 87. The D.C. Circuit Court has recently asked the FCC to explain more fully its reasoning in arriving at this conclusion in the Declaratory Ruling, but it has not rejected the conclusion. The FCC, moreover, has publicly since reiterated the correctness of its conclusion.

<sup>3</sup> *Id.* (emphasis in original).

7. Should First Choice 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.

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

Sincerely,

VERIZON SOUTH INC.

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Steven J. Pitterle  
Director – Negotiations  
Network Services

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

FIRST CHOICE TECHNOLOGIES, INC.

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(SIGNATURE)

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(PRINT NAME)

c: R. Ragsdale – Verizon

**SUPPLEMENTAL AGREEMENT NO. 1**

**between**

**VERIZON SOUTH INC., F/K/A GTE SOUTH INCORPORATED**

**and**

**FIRST CHOICE TECHNOLOGIES, INC.**

Verizon South Inc., f/k/a GTE South Incorporated ("Verizon"), a Virginia corporation, and First Choice Technologies, Inc. a Kentucky corporation ("First Choice"), enter into this Supplemental Agreement No. 1 regarding Location of Hearing, dated as of April 4, 2001 (this "Supplemental Agreement No. 1") (each of Verizon and First Choice being referred to individually as a "Party" and collectively as the "Parties"). This Agreement covers services in the Commonwealth of Kentucky (the "State").

**WHEREAS**, pursuant to an adoption letter dated March 12, 2001 (the "Adoption Letter"), First Choice adopted in the State, pursuant to Section 252(i) of the Act, the interconnection agreement between AT&T Communications of the South Central States, Inc. and Verizon (the "Terms");

**WHEREAS**, the Parties desire to supplement the Terms as set forth herein; and

**NOW, THEREFORE**, in consideration of the mutual promises set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. Supplemental Agreement No. 1 to the Terms. Effective as of the date first set forth above, the Terms are hereby supplemented as follows:

Attachment 1 Section 10 is deleted in its entirety and replaced with the following:

10. Unless both Parties agree otherwise, any hearings shall take place at a location to be mutually agreed to in the Commonwealth of Kentucky.

2. Conflict between this Agreement and the Interconnection Agreement. This Agreement shall be deemed to revise the terms and provisions of the Interconnection Agreement to the extent necessary to give effect to the terms and provisions of this Agreement. In the event of a conflict between the terms and provisions of this Agreement and the terms and provisions of the Interconnection Agreement, this Agreement shall govern, *provided, however*, that the fact that a term or provision appears in this Agreement but not in the Interconnection Agreement, or in the Interconnection Agreement but not in this Agreement, shall not be interpreted as, or deemed grounds for finding, a conflict for purposes of this Section 2.

3. Counterparts. This Agreement may be executed in one or more counterparts, each of which when so executed and delivered shall be an original and all of which together shall constitute one and the same instrument.

4. Captions. The Parties acknowledge that the captions in this Agreement have been inserted solely for convenience of reference and in no way define or limit the scope or substance of any term or provision of this Agreement.

5. Scope of this Agreement. This Agreement shall amend, modify and revise the Interconnection Agreement only to the extent set forth expressly in Section 1 of this Agreement, and, except to the extent set forth in Section 1 of this Agreement, the terms and provisions of the Interconnection Agreement shall remain in full force and effect after the date first set forth above.

**IN WITNESS WHEREOF**, the Parties hereto have caused this Supplemental Agreement No. 1 to be duly executed and delivered by their authorized representatives as of the date first set forth above.

**VERIZON SOUTH INC.**

**FIRST CHOICE TECHNOLOGIES,  
INC.**

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_