

Connie Nicholas
Assistant Vice President
Wholesale Markets-Interconnection



**GTE Network
Services**

HQE03B28
600 Hidden Ridge
P.O. Box 152092
Irving, TX 75038
972/718-4586
FAX 972/719-1523

March 3, 2000

Mr. Brent McMahan
Network Telephone Corporation
815 South Palafox Street
Pensacola, FL 32501

Dear Mr. McMahan:

GTE has received your letter stating that, under Section 252(i) of the Telecommunications Act of 1996 (the "Act"), Network Telephone Corporation wishes to adopt the terms of the Interconnection Agreement between Dakota Services, Limited and GTE that was approved by the Commission as an effective agreement in the State of Kentucky in Docket No. 98-547 (the "Terms"). The Terms provide for the election by Dakota Services, Limited of certain additional provisions from a GTE arbitrated agreement ("Arbitrated Provisions")¹. I understand you have a copy of the Terms. Please note the following with respect to your adoption of the Terms.

1. Network Telephone Corporation does not necessarily concur with GTE's position as stated below in its entirety. Network Telephone Corporation has reviewed and countersigned to the following three points only:
 - (A) Network Telephone Corporation adopts the Terms of the Dakota Services, Limited agreement for interconnection with GTE and in applying the Terms, agrees that Network Telephone Corporation shall be substituted in place of Dakota Services, Limited in the Terms wherever appropriate.
 - (B) Network Telephone Corporation requests that notice to Network Telephone Corporation as may be required under the Terms shall be provided as follows:

To : Network Telephone Corporation
Attention: Mr. Brent McMahan
815 South Palafox Street
Pensacola, FL 32501
Telephone number: 850/469-9904
FAX number: 850/470-9641

¹ These "agreements" are not agreements in the generally accepted understanding of that term. GTE was required to accept these agreements, which were required to reflect then-effective FCC rules and other applicable law. All references to the Terms herein shall include the Arbitrated Provisions.

- (C) Network Telephone Corporation represents and warrants that it is a certified provider of local telecommunications service in the State of Kentucky, and that its adoption of the Terms will cover services in the State of Kentucky only.
2. Network Telephone Corporation's adoption of the Dakota Services, Limited Terms shall become effective upon GTE's filing of this letter with the Kentucky Public Service Commission and remain in effect no longer than the date the Dakota Services, Limited Terms are terminated. The Dakota Services, Limited agreement is currently scheduled to expire on December 23, 2000.
 3. As the Terms are being adopted by you pursuant to your statutory rights under section 252(i), GTE does not provide the Terms to you as either a voluntary or negotiated agreement. The filing and performance by GTE of the Terms does not in any way constitute a waiver by GTE of its position as to the illegality or unreasonableness of the Terms or a portion thereof, nor does it constitute a waiver by GTE 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. 98-547, or to seek review in any way of any provisions included in these Terms as a result of Network Telephone Corporation'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*, No. 97-826, 1999 U.S. LEXIS 903 (1999). Certain provisions of the Terms may be void or unenforceable as a result of the Court's decision of January 25, 1999 and the remand of the pricing rules to the United States Eighth Circuit Court of Appeals. Moreover, nothing herein shall be construed as or is intended to be a concession or admission by either GTE or Network Telephone Corporation that any provision in the Terms complies with the rights and duties imposed by the Act, the decision of the FCC and the Commission, the decisions of the courts, or other law, and both GTE and Network Telephone Corporation expressly reserve their full right to assert and pursue claims arising from or related to the Terms.
 5. GTE reserves the right to deny Network Telephone Corporation'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 Network Telephone Corporation are greater than the costs of providing it to the Dakota Services, Limited;
 - (b) if the provision of the Terms to Network Telephone Corporation is not technically feasible; and/or

- (c) to the extent Network Telephone Corporation already has an existing interconnection agreement (or existing 252(i) adoption) with GTE and the Terms were approved before the date of approval of the existing interconnection agreement (or the effective date of the existing 252(i) adoption).
6. 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 are not available for adoption. 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. GTE 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. 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.
7. Should Network Telephone Corporation attempt to apply the Terms in a manner that conflicts with paragraphs 3-6 above, GTE reserves its rights to seek appropriate legal and/or equitable relief.

Please sign this letter on the space provided below and return it to the undersigned.

Sincerely,

GTE South Incorporated

Connie Nicholas
Assistant Vice President
Wholesale Markets-Interconnection

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

Network Telephone Corporation

(SIGNATURE)

(PRINT NAME)

c: R. Ragsdale – GTE