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March 31, 2010

E-File and Hand Delivered

Ms. Terry J. Romine
Executive Secretary
Public Service Commission of Maryland
6 St. Paul Street, 16th Floor
William Donald Schaeffer Tower
Baltimore, Maryland 21202

Re: PC 16 and Verizon Maryland Inc.'s Annual Report

Dear Ms. Romine:

Enclosed please find seventeen (17) public copies of Verizon Maryland Inc.'s 2010 Annual Report to the MD Public Service Commission in accordance with the Memorandum of Understanding on Supplier Diversity. Also enclosed are ten (10) copies of the proprietary version.

Please do not hesitate to contact me at (410) 393-3044 with any questions or concerns.

Very truly yours,

A handwritten signature in blue ink that reads "Jeff A. Rackow".

Jeffrey A. Rackow

Enclosures
cc: Odogwu Obi Linton, Director, OER

Verizon Maryland Inc.

2010 Annual Report

to the Maryland Public Service Commission

(PSC)

Submitted In Accordance With

Memorandum of Understanding

On Supplier Diversity

Dated February 6, 2009

Verizon Maryland Inc. Annual Report 2010

Verizon Maryland Inc. (“Verizon”) is pleased to submit this Annual Report pursuant to Part 6 of the Memorandum of Understanding (“MOU”) executed on February 6, 2009 with the Public Service Commission (“PSC”) of Maryland.¹

At Verizon, diversity is not just a vague concept. It is an integral part of our business. Our overall message is that diversity is a fundamental part of Verizon’s culture and it is included in everything we do. We have a long history of promoting Supplier Diversity, having established a formal Supplier Diversity Program as early as 1984.

Verizon's Supplier Diversity team encourages and supports the use of diverse suppliers in our procurement process. The team partners with supplier diversity advocacy groups, chambers of commerce, and other organizations to identify suppliers whose capabilities match the needs of the business.

The Verizon Supplier Diversity program works to create mutually beneficial business relationships with diverse suppliers that strengthen the communities we serve and create value for our shareholders. We strive to provide maximum opportunity for diverse suppliers to compete on an equal basis with all other suppliers who meet our product, service, procurement, and contractual requirements.

2009 Awards & Recognition

Verizon’s commitment to supplier diversity and its support of the minority business community has earned the company the **2009 Vision Award** from the **Sacramento Asian Pacific Chamber of Commerce**

Verizon Sourcing Director Delores Johnson-Cooper was the recipient of the “**Highest Leaf Award**” from the **Women’s Venture Fund**. The award honors women for their willingness to take risks, their creativity in leveraging resources to achieve goals, their entrepreneurial spirit and vision in managing uncertainty, their continued commitment to mentoring others, the measurability of outcomes, and their impact and value to the organization.

Black Enterprise magazine has named Verizon to the publication's list of 40 Best Companies for Diversity. The companies on the list demonstrated strength and

¹ Accompanying this Annual Report, and incorporated herein by reference, are Attachments A-1, A-2, A-3, B, C, and D. Certain portions of those attachments are confidential and are being filed on a proprietary basis with the PSC consistent with the terms of the MOU.

outperformed their peers in one or more key categories including board of directors, employee base, senior management, and supplier diversity.

Women's Business Enterprise National Council again has named Verizon as a Top American Corporation. For the fourth consecutive year, Verizon has been named to the Women's Business Enterprise National Council annual list of America's Top Corporations for Women's Business Enterprise. The WBENC's list recognizes corporations for world-class programs that create level playing fields for women's business enterprises to compete for corporate contracts.

The American Indian Chamber of Commerce of California has honored Verizon with the Chamber's **2009 Warrior Award**, in recognition of the company's commitment to supplier diversity and its support of the American Indian business community.

Hispanic Business magazine has named Verizon to the publication's **2009 DIVERSITY ELITE 60 List**. It is the fifth consecutive year that Verizon has been named to the annual list.

The **Black Business Association** has awarded Verizon the **2009 Majority Corporation Award** for the company's ongoing commitment to partnering with diverse suppliers and its support of the minority-business community.

DiversityBusiness.com's eighth annual online survey named Verizon as one of the **Top 50 Companies** for Multicultural Business Opportunities. Verizon was selected by the minority and women-owned suppliers themselves in an annual online poll that is available to more than 500,000 voters.

DiversityInc ranked Verizon No. 12 on the publication's **2009 Top 50 Companies for Diversity**. Top 50 companies demonstrate consistent strength in four areas: CEO commitment, human capital, corporate and organizational communications, and supplier diversity. The publication also ranked Verizon No. 6 on its list of 2009 Top 10 Companies for African-Americans.

During the **QuEST** Forum's Asia Pacific Conference (APAC) conference Verizon was recognized for our **on-going commitment to Quality** and the QuEST Forum, through our support, participation and sponsorships of the Europe, Middle East & Africa (EMEA) Conference in Paris, France; the Americas Conference in Orlando, Florida; and the APAC Conference in Shanghai, China.

2009 Diverse Supplier Program Activities

Over the past year, Verizon supported the following external events, among others, aimed at promoting diversity in business:

- American Indian Chamber of TX Annual Conference
- Association of Service Disabled Veterans Annual Conference

- MD/DC Minority Supplier Development Council Annual Conference
- National MED Week Annual Conference
- Minority Supplier Development Council of PA/NJ/DE Annual Conference
- National Association of Minority Contractors (NAMC) Annual Conference
- US Hispanic Chamber of Commerce Annual Conference
- US Pan Asian American Chamber of Commerce Annual Conference
- VA Minority Supplier Development Council Annual Conference
- Women’s Business Enterprise National Council PA/NJ/DE Annual Conference

Verizon personnel served on the following National Organizations, among others:

- National Minority Supplier Development Council
- MD/DC Minority Supplier Development Council (Chairman of the Board)
- Women’s Business Enterprise National Council (WBENC)
- The Federal Communications Commission’s new Federal Advocacy Committee on Diversity for Communications in the Digital Age, announced April 22, 2009

Verizon used various advocacy organizations to provide the necessary third-party certification of minority, women, and service disabled veteran-owned business enterprises (MWSDVBE). Examples of these organizations are:

- Association for Service Disabled Veterans
- National Minority Supplier Development Council (NMSDC)
- California Public Utilities Commission MWBE Clearing House
- U.S. Pan Asian American Chamber of Commerce (USPAACC)
- Women’s Business Enterprise National Council (WBENC)

Verizon Maryland has actively participated in the “Maryland Utility Forum,” which consists of a subset of the companies that signed MOUs as part of Commission’s Public Conference No. 16 on Supplier Diversity. Some of the Forum’s achievements in 2009 are summarized below:

- Through a series of meetings, the Forum was able to create an open environment for collaborative efforts among the participating companies to share best practices, support supply chain and supplier diversity professionals and generally expand sourcing opportunities in the State of Maryland.
- The Forum collaborated on outreach efforts to potential diverse suppliers and established a common calendar of events.
- The Forum developed a good working partnership with MD PSC Commission Staff to further our common goals to promote supplier diversity.
- The Forum established a Google website, which is password protected, for members to share certain supplier diversity-related information like best practices. The Forum provided assistance to utilities that are launching, or have only recently launched, new supplier diversity and reporting processes.

- The Forum has reviewed commonalities and differences in NAICS Codes to gain consistency in reporting.

2009 Goals and Diverse Supplier Recruitment

Our commitment to diversity begins at the top of our company. We take Supplier Diversity seriously, and we continuously and consistently measure our progress in this area. Nationwide, Verizon companies purchased more than \$3.7 billion in goods and services from diverse businesses in 2009. Our goal is to increase our percentage of spend with certified diverse suppliers year-over-year.

Diverse vendors interested in becoming Verizon suppliers must be certified by, for example, one of the following organizations: the National Minority Supplier Development Council, the United States Hispanic Chamber of Commerce, the Association for Service Disabled Veterans, the Native American Business Alliance, U.S. PAN Asian American Chamber of Commerce, the Women's Business Enterprise National Council, or the federal or state government.

Our sourcing and procurement process enables qualified suppliers to compete for business opportunities. We use the following as guidelines to position a company for favorable consideration.

Financial Stability – Verizon's policy is that all suppliers must be financially sound and credit-worthy. Reports from services such as Dunn & Bradstreet will be reviewed to verify financial stability. Suppliers must be able to provide copies of most recent financial statements.

Continuous Improvement – Suppliers must be able to demonstrate fully their processes for continuous improvement of processes, performance and/or features of products and services.

Established Business – Suppliers must be able to provide a legal company name and should be in business for a minimum of three years. Suppliers must be able to demonstrate revenue for this period.

Federal Taxpayer ID – Suppliers must be able to provide a Federal Taxpayer ID.

Proven Track Record and References – Suppliers must be able to provide references of satisfied past and current customers.

Electronic Data Interchange (EDI) and E-commerce – Suppliers must have EDI and/or E-commerce capabilities for receiving, confirming and invoicing orders. Suppliers should also have bar code technology for inventory and tracking purposes.

Insurance & Bonding Requirements – Suppliers must provide Commercial General Liability Insurance, Commercial Automobile Liability, Workers' Compensation,

Employer's Liability and Professional Liability. Additional Umbrella/Excess Liability insurance may also be required. Suppliers must be able to obtain bonding when required.

Background Checks - Suppliers must certify to Verizon that they have conducted (or used an agency to conduct) criminal history checking, drug testing, and verification of education, employment history, Social Security number and legal right to work for all employees and contract personnel.

Third-party MWDVBE Certification - If registering as a Minority, Woman, or Service Disabled Veteran Business Enterprise (MWSDVBE), suppliers must provide certification documentation. Self-certification is not accepted.

Prime Contractor Utilization of Diverse Supplier Subcontractors

Verizon prime suppliers are asked to honor their commitment to diversity by:

- Actively including qualified diverse suppliers or MWSDVBEs as subcontractors/2nd Tier vendors in Verizon procurements
- Ensuring that those MWSDVBEs are certified
- Giving consideration to mentoring MWSDVBEs
- Partnering with Verizon to host MWSDVBE information and opportunity seminars
- Submitting to Verizon Prime Supplier relevant data

Progress in Meeting Goals and Efforts to Recruit Diverse Suppliers for Underserved Areas

Verizon has achieved a great deal of success in meeting or exceeding many of its goals for supplier diversity, showing over 24% for diverse supplier spend for Maryland in 2009. However, Verizon does not rest on its past achievements, and will continue to strive for increased supplier diversity. This will include subcategories where its diverse spend in 2009 was lower than targeted, such as for women-owned businesses and not-for-profit workshops. This will also include subcategories of products or services where diverse supplier utilization has been low, either in actual or relative terms.

Historically suppliers in some industries have been reluctant to become certified as diverse suppliers. Verizon has aggressively encouraged MWSDVBE suppliers to achieve and maintain current certification and to enter and update their “profiles” on our web-based registration database.

Verizon has collaborated with the State of Maryland MBE office to support the MBE University Initiative and will support this same program during the new year. MBE University is a new initiative, designed as a conference that travels to each of the State’s

regions and offers training and information on the tools necessary for successfully doing business with the State of Maryland as a minority- or woman-owned business. MBE University was created in collaboration with the State's minority business coordinating agencies and the Governor's Office. The first MBE University Conference was held in Prince George's County on December 1, 2009; over 300 attendees joined Governor O'Malley and Lt. Governor Brown for the kick-off. Verizon participated in the first conference as a private sector partner and also hosted workshops at the event to educate MBEs on how to do business with Verizon. The second MBE University Conference is expected to take place in Baltimore during spring 2010.

Verizon has worked with local advocacy groups to develop more effective "trade fair" type events that target the non-traditional supplier. For example, Verizon has encouraged meetings between highly qualified MWSDVBES and Verizon Sourcing Process Leaders to discuss both current opportunities and general Verizon requirements for the applicable product or service.

In support of placing emphasis on the utilization of non-traditional suppliers, Verizon has developed certain target industries, such as in the financial, legal, insurance, assets recovery, and investment areas. Emphasis will also be placed on the effective execution of our Supplier Diversity communications program, as well as increased emphasis on outreach participation in non-traditional events and the participation in best practices within the supplier community.

Verizon, through its working relationship with the Utility Forum, MD Department of Minority Business, and the Maryland/District of Columbia Supplier Development Council, has provided for the identification and the inclusion of non-traditional suppliers in Verizon's supply chain.

Complaint Process

Verizon attempts to resolve supplier diversity issues prior to the filing of a formal complaint. When resolution is not successful, complaints should be in writing and fully documented.

To complete the complaint process, the following information should be provided:

- Complainant's representative's name and the name of company
- Mailing address and phone number
- Name of the company of person or organization that is the subject of the complaint
- Address and telephone number of the subject company or person, if known
- The name of the company's representative who was contacted (if applicable)
- A brief description of the complaint
- Completed complaints should be sent to:

Delores Johnson-Cooper, Director of Supplier Diversity and Quality Management

Email: delores.johnson-cooper@verizon.com

Upon receipt of a complaint, the Director of Supplier Diversity will evaluate the complaint, assess its validity, and designate an appropriate person within Supplier Diversity as a point of contact (“POC”) for resolution of the complaint. The POC will generally:

1. Contact the complainant to determine the full extent of the complaint.
2. Make necessary inquiries within Verizon in an effort to investigate and assess the complaint.
3. After a determination is made as to the validity of the complaint, make a recommendation to the Director of Supplier Diversity for resolution.
4. Upon review of the recommendation, the POC will formalize any necessary documentation to communicate to the complainant.
5. Records of complaints are maintained and noted in the annual filing.

Public Service Commission of Maryland
Supplier Diversity Annual Report of
Socially Disadvantaged Groups
(MOU Sec. 6.2.2)

ATTACHMENT A-1							
	UTILITY NAME:	Verizon					
	FOR THE REPORTING YEAR:	2009					
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
LINE #	DESCRIPTION	DIRECT (\$)	SUB CONTRACT (\$)	DIVERSE SUPPLIER PROCUREMENT (\$)	PERCENTAGE (%) OF DIVERSE SUPPLIER PROCUREMENT	TOTAL UTILITY PROCUREMENT (\$)	PERCENTAGE (%) OF DIVERSE SUPPLIER (\$) TO TOTAL UTILITY PROCUREMENT
				COLS. (C) + (D)	\$/ TOTAL COL. (E)		Col. (E) / Col. G
	MINORITY BUSINESS ENTERPRISE						
1	AFRICAN-AMERICAN	\$13,127,019	\$556,714	\$13,683,733	12.61%		3.09%
2	AMERICAN INDIAN/NATIVE AMERICAN	\$3,007,332	\$0	\$3,007,332	2.77%		0.68%
3	ASIAN	\$1,579,716	\$3,248,244	\$4,827,960	4.45%		1.09%
4	HISPANIC	\$6,191,895	\$13,257,671	\$19,449,566	17.92%		4.39%
5	TOTAL MINORITY BUSINESS ENTERPRISE	\$23,905,961	\$17,062,629	\$40,968,590	37.75%		9.24%
6							
7							
8	WOMEN BUSINESS ENTERPRISE	\$31,933,801	\$1,017,852	\$32,951,653	30.37%		7.43%
9							
10	SERVICE DISABLED VETERAN BE	\$4,893,575	\$29,700,985	\$34,594,560	31.88%		7.80%
11							
12	NOT FOR PROFIT WORKSHOPS	\$0	\$0	\$0	0.00%		0.00%
13							
14	GRAND TOTAL	\$60,733,337	\$47,781,466	\$108,514,803	100.00%		\$443,256,904

Public Service Commission of Maryland
 Supplier Diversity Annual Report of
 Goal Comparison
 (MOU Sec. 6.2.2)

ATTACHMENT A-3			
	UTILITY NAME: Verizon		
	FOR THE REPORTING YEAR: 2009		
(A)	(B)	(C)	(D)
LINE #	DESCRIPTION	CURRENT YEAR RESULTS (%)	CURRENT YEAR GOALS (%)
1	MINORITY BUSINESS ENTERPRISE	9.24%	7.40%
2			
3	WOMEN OWNED BUSINESS ENTERPRISE	7.43%	9.50%
4			
5	SERVICE DISABLED VETERAN BUSINESS ENTERPRISE	7.80%	1.10%
6			
7	NOT FOR PROFIT WORKSHOPS	0.00%	0.00%
8			
9	TOTAL	24.48%	18.00%

Public Service Commission of Maryland
 Supplier Diversity Annual Report of
 Program Expenses
 (MOU Sec. 6.2.3)

ATTACHMENT B					
UTILITY NAME: Verizon					
FOR THE REPORTING YEAR:		2009			
(A)	(B)	(C)	(D)	(E)	(F)
LINE #	EXPENSE CATEGORY	EXPENSE AMOUNT (\$)¹	PERCENTAGE TO TOTAL PROGRAM EXPENSES	TOTAL UTILITY SPEND ON GENERAL AND ADMINISTRATIVE EXPENSES	PERCENTAGE (\$) OF PROGRAM EXPENSES TO TOTAL UTILITY G&A EXPENSES
			Col. (C) \$ / Total Col. (C)		Col. (C) \$ / Total Col. (E)
1	Employee Salary Expenses ²				
2	Other Employee Expenses				
3	Program Expenses				
4	Reporting Expenses				
5	Training				
6	Consultants				
7	Other Program Expenses (List)				
8	Tradeshows/sponsorships				
9					
10					
11					
12					
13					
14					
15	TOTAL EXPENSES	140,527	100%		\$288,236,000
Footnotes:					
<p>1 Column "C" data were calculated by applying a fixed % to the respective categories of expenses of the Supplier Diversity program nationally to represent a proxy for the Maryland portion of the program. The fixed % (after rounding) was derived from the % of the expenses that Column "E" shows for Verizon Maryland compared to such comparable expenses nationally.</p>					
<p>2 Under MOU § 6.2.3, salary information may be filed with the PSC on a confidential, proprietary basis. In order to protect the confidentiality of such salary data (which may be calculated using subcategory data from other rows), all figures other than row 15 totals appear only in the proprietary version.</p>					

Public Service Commission of Maryland
 Supplier Diversity Annual Report of
 Complaints
 (MOU Sec. 6.2.5)

ATTACHMENT C					
	UTILITY NAME: Verizon				
	FOR THE REPORTING YEAR: 2009				
(A)	(B)	(C)	(D)	(E)	(F)
LINE #	NAME OF COMPANY	FILING DATE OF COMPLAINT	NATURE OF COMPLAINT	RESOLVED YES OR NO	IF NO, PLEASE PROVIDE CURRENT STATUS
No Complaints were filed during the calendar year 2009.					
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Public Service Commission of Maryland
 Supplier Diversity Annual Report of
 Vendor Contracts
 (MOU Sec. 6.2.8)

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108	Footnotes:									
109	1	Under MOU § 6.2.8, this Attachment "D" may be filed with the PSC on a confidential, proprietary basis.								
110										
	2	Vendors listed are Tier 1 Diverse vendors only								