



826 Broadway, 9th floor
New York, NY 10003

Mr. William O'Brien
Chairman Audit and Finance Committee, Verizon Board of Directors
4951 Lake Brook Drive, Suite 500
Glen Allen, VA 23060

Re: Request for investigation of accounting fraud at Nynex/Verizon North

Dear Mr. O'Brien:

Teletruth seeks your support for an investigation into a long standing accounting fraud at the former Nynex and present Verizon North as per obligations defined in the Sarbanes-Oxley Act of 2002.

Teletruth obtained direct evidence and testimony that Verizon North lost control of its fixed assets by disregarding obligations to perform physical inventory. Verizon North does not reconcile its fixed asset property records with the perpetual financial tracking of assets used in reporting to the FCC, IRS, and SEC.

GAAP requires maintenance of reliable fixed asset inventory. The IRS requires annual physical inventories to assure validity of depreciation claims.

Teletruth made a formal complaint to the Securities and Exchange Commission (File # HO 375124) about the resulting fraudulent reporting regarding the value of company assets.

Verizon reported assets with value of \$167 billion in its 10-K to the SEC for 2002. The company does not even on a sample basis audit or reconcile this high level number with equipment at company central offices.

Verizon and its outside auditor, Ernst & Young, can not vouch for the integrity of fixed asset reporting without tracking the variance between physical inventory and property records. Simple inspection of the equipment inventory reveals 10% of the value attributed to "Unallocated Other Costs" and "Undetailed Investment." Numerous records include the description "Dummy". Line items even omit descriptions altogether - blank. A piece of equipment costing \$5000 shows up at various places in the inventory with listed cost from \$5.00 to \$133,000.

The inventory made available to the SEC by Teletruth shows errors tend to overstate value of assets. See attached excerpts from the Nynex inventory record.

A Federal Communication Commission audit could not verify the existence of equipment associated with entries accounting for 20% of the total value claimed.

Verizon's Q103 results included a \$2.3 billion gain due to a change in accounting for asset retirements based on these same unreliable records.

Verizon argues price remains discounted relative to historical costs without adequate controls to know costs.

Company denials in the context of the May 12, 2003 article "Shortchanged" in Forbes and the hypocrisy of General Counsel William Barr's campaign against MCI noted in the May 15, 2003 article "Verizon to MCI: