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March 1, 2012

VIA ELECTRONIC FILING

Paul Clanon, Executive Director
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, California 94102-3298

Re: General Order 156 Compliance Filing - Annual Report and Annual Plan

Dear Docket Clerk:

Pursuant to Decision 11-05-019, Section 5.2, Verizon California Inc. (U 1002 C) hereby electronically files its 2011 Annual Report and Annual Plan. This report is available to others upon request.

Very truly yours,

A handwritten signature in black ink, consisting of the letters "KR" followed by a horizontal line.

Kurt R. Rasmussen
Vice President-Regulatory

Attachment

cc: Marzia Zafar
Marshall Kennedy



**WOMEN, MINORITY, AND DISABLED VETERAN
BUSINESS ENTERPRISE
ANNUAL REPORT AND ANNUAL PLAN**

CPUC

ANNUAL REPORT

**WOMEN, MINORITY, AND DISABLED VETERAN BUSINESS ENTERPRISE
ANNUAL REPORT AND ANNUAL PLAN
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INTRODUCTION

Section 9 of the California Public Utilities Commission's (CPUC) General Order 156 requires utilities to electronically file an annual report discussing ten topics. Section 10 of GO 156 requires utilities to discuss its plans to increase the following reporting year expenditures. Verizon California Inc. (U 1002 C) ("Verizon") submits this 2011 Annual Report and Annual Plan in compliance with GO 156, Sections 9 and 10.

At Verizon, we believe in the transformative power of technology and innovation. We are acting on that belief by investing in the new broadband technologies that are remaking our society, and creating economic opportunity.

Verizon is committed to integrating diverse suppliers into our supply chain. We believe that including diverse suppliers in our sourcing process provides us the greatest opportunity to develop the most innovative, highest quality, and most cost-effective business solutions. Through direct experience, we know that inclusion of diverse suppliers in our business has enabled us to deliver business benefits that would not have been possible otherwise. We strive to ensure that our business leaders have a broad understanding of the business case for working with diverse suppliers and the competitive advantage that a robust supplier diversity process provides the company.

At Verizon, diversity is a business imperative. Aligning with our customer base, engaging our communities, and attracting and retaining talented individuals are critical to our success. To integrate supplier diversity into all aspects of our business we focus on three areas: education and awareness, partnership development and measurement and accountability.

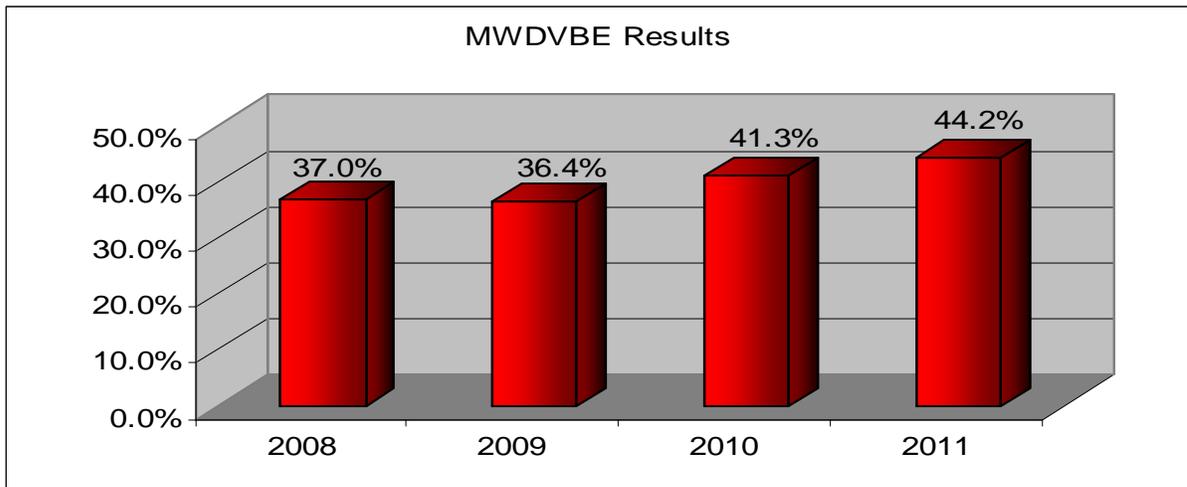
The Verizon Supplier Diversity team works to create mutually beneficial business relationships with diverse suppliers that strengthen the communities we serve and create value for our shareholders. We strive to provide maximum opportunity for diverse suppliers to compete on an equal basis with all other suppliers who meet our product, service, procurement and contractual requirements by building relationships within the communities we serve through the development, inclusion and utilization of certified minority-, women- and disabled veteran-owned business enterprises (MWDVBEs)

This report includes the Legal Diversity addendum discussing efforts to diversify spend in the legal department.

Verizon California Inc. reports on a calendar year basis (January 1 – December 31).

Overview

In 2011, Verizon continued to drive a culture of performance with our results which exceeded our total spend goals for women, minority and disabled veteran business enterprises (WMDVBEs). Verizon placed a high priority on providing competitive minority business enterprises (MBE), women business enterprises (WBE) and disabled veteran business enterprises (DVBE) with procurement opportunities. As a result, the total percentages spent on women business enterprises (WBE) and minority business enterprises MBEs continued to exceed the GO 156 goals driving Verizon to surpass the overall goal:



We continue to actively seek first tier and second tier procurement opportunities for disabled veteran business owners to increase growth in this category. In 2011, as a result of our increased efforts to recruit, retain and mentor disabled veteran business owners, Verizon spent an additional \$4.1 million with two certified, non-California resident DVBEs and spent \$10.1 million with a Resident DVBE paid out of Verizon corporate dollars. These amounts have not been considered in determining our performance in reaching the 1.5% DVBE target.

	Resident DVBE Spend (CA State-Certified)	Non-Resident DVBE Spend	Resident DVBE Corporate Spend (CA State-Certified)	Total DVBE Spend
DVBE Spend	\$2,017,966	\$4,103,712	\$10,174,987	\$16,296,664

In the following sections of this report, Verizon discusses each topic in Sections 9.1.1 through 9.1.10.

GO 156, §9.1.1: A description of WMDVBE program activities engaged in during the previous calendar year. Internal program activities.

INTERNAL PROGRAM ACTIVITIES

Key Procurement Opportunities

In 2011, Verizon intensified its focus on enhancing secure IT network services, advanced communications platforms and industry-focused solutions agreements in support of our FiOS Internet and Video projects. We increased our efforts to provide key opportunities to minority, women and disabled veteran business enterprises in these and other areas of focus in Verizon's supply chain.

Verizon's commitment to being a sustainable business model leader and transforming our industry by harnessing the power of "green" allowed Verizon to stay focused on promoting sustainability and green business efforts both within our company and to our minority suppliers by putting policies and procedures in their contracts. In our sustainability efforts, we constantly look for partnership opportunities with diverse supplier for our green fleet program and network energy efficiency initiatives while doing our part to enhance the environment and help our customers to be more sustainable.

Supply Chain Services and Supplier

Supply Chain Services establishes and maintains the policies that serve as a framework for Verizon's procurement of products and services, supplier relationship management and diversity programs. In addition, sourcing programs are continually designed to achieve value, quality, productivity, compliance, and efficiency by a team of sourcing professionals. We build into our contracts MWDVBE commitments with suppliers in support of our principles and to encourage diversity in supplier development, growth and utilization. We believe that driving diverse supplier utilization through our supply chain will fuel the economy in the diverse business community and provide a multiplier effect for diverse business utilization.

Verizon's purchases of goods and services are obtained via a competitive bid process for contracts over 1M and managed by Sourcing Process Leaders ("SPLs") within Verizon's Strategic Sourcing organization. Each SPL establishes an annual plan that includes WMDVBE objectives. Verizon's Supplier Diversity team is an integral part of Strategic Sourcing, and participates on the cross-functional teams formed by SPLs to select suppliers. For example, the Supplier Diversity team works to develop bid lists that include qualified WMDVBEs. All prospective Prime (or first tier) Suppliers are required to submit a "utilization plan," a plan that includes objectives for subcontracting WMDVBE firms. In awarding contracts, Verizon considers a prospective first tier supplier's written commitment

to use WMDVBE firms an important consideration. This written commitment becomes part of the contract. Verizon contractually requires prime suppliers to submit reports tracking adherence to this commitment.

As Verizon continues to introduce new technologies throughout California, the results have meant new and exciting opportunities for customers and also for the supplier/vendor base providing the support for those technologies. In 2011, Verizon continued to enhance the power and reliability of the company's networks concentrating on broadband initiatives and supplying opportunities to a wide spectrum of vendors providing everything from data network architectures to underground cable installation as well as the LTE (long term evolution) of the next generation of wireless services.

In 2011, the Verizon Supplier Diversity organization is led by a director who reports directly to the Vice President of Supply Chain Services. While two of the team members are fully dedicated to California, all team members support California efforts in their contracting activities. Throughout the year the team attends formal and informal training seminars and symposiums on supplier diversity and small business development. They also benchmark with the other utilities in order to share best practices. The team's overall objectives are to support and promote the company's Supplier Diversity Initiatives by tracking and reporting diversity spend results, business development, identifying prospective suppliers and including competitive diverse suppliers to enrich Verizon's supply chain, managing programs to optimize exposure and opportunities for diverse suppliers and assisting diverse suppliers with navigating through the corporate purchasing systems for bid opportunities.

Employee Education

- Training – Supplier Diversity continued to improve our informal training which is ongoing, occurring at meetings and conferences, to help employees better understand and support Verizon's Supplier Diversity Programs. Supplier Diversity Managers act as subject matter experts and provide information on certifications, reinforce the business case for supplier diversity, and continually educate the procurement teams on the various diversity resources for the identification of diverse suppliers. Additionally, in 2011, Verizon enhanced its Supplier Diversity Awareness Training. This training is designed to provide an overview of our supplier diversity strategy to all employees, and thereby increasing employee involvement in meeting our diversity goals.
- Total Quality Management – TL9000 is a standard quality system requirement for the telecommunications industry. As a quality measure, all employees involved with supplier diversity are responsible for reviewing the supplier diversity section in TL9000 annually. We encourage our suppliers to become TL9000 certified.
- Business Group Meetings and Conferences – Throughout the year, the Supplier Diversity team meets with the line of business Vice Presidents to share supplier diversity goals, results and initiatives. The Director of Supplier Diversity shared

strategic initiatives, goals and challenges including those for California at a Procurement Leadership Conference held in 2011. As the year progressed, critical meetings were held with key line of business leaders to discuss progress and commitment to insure Verizon met its supplier diversity objectives. Supplier Diversity Managers also worked with numerous prospective cross-functional teams to insure supplier diversity language was included in new contracts. These managers worked closely with employees in the various lines of business to introduce, mentor and develop qualified diverse suppliers. The Supplier Diversity Team continually provides awareness and reinforcement of Verizon's supplier diversity program in their contracts.

- Employee Communications – Supplier Diversity strategic initiatives and results are posted to the Verizon Services Organization website available to all Verizon employees. Throughout the year Supplier Diversity managers meet with the leadership team to communicate progress towards goal efforts and to enlist their support for challenges and key initiatives. Results and opportunities for improvement are discussed regularly with the California leadership team and key strategic partners.

Employee Recognition

Employee recognition is part of the Verizon Supplier Diversity Program. Each year Verizon honors an outstanding employee who supports and advocates Supplier Diversity initiatives and goals. This individual is recognized for his or her outstanding support and development of diverse suppliers and for their outstanding contribution toward meeting Verizon's diversity goals in California.

Supplier Diversity Champions

Verizon has Supplier Diversity Champions within Sourcing and Procurement and other internal organizations. These champions identify minority business opportunities and advocate at all employee levels by educating employees on the benefits of Supplier Diversity within the company and the corporate community. Verizon has a network of Supplier Diversity champions in Procurement, Marketing and the various lines of business that help broadcast and support Verizon's Supplier Diversity initiatives within their departments and the business community. The champions also educate diverse suppliers on certification and verification, on-line registration, small business development and how to do business with Verizon. These advocates also attend and participate at many outreach events such as trade fairs, conferences, community fairs, and business development workshops.

Second Tier Program

Verizon works with prime suppliers to achieve supplier diversity at multi-tiered levels within our value chain. In 2011, Verizon focused on its second tier program by conducting an internal audit of various contracts and amendments requiring

second-tier spend from prime suppliers. The program requires prime suppliers to report their utilization of WMDVBE subcontractors 30 days after each ending quarter. The purpose of the second tier program is to ensure inclusion and utilization of diverse suppliers throughout the Verizon supply chain while optimizing resources. This allows Verizon to track prime suppliers subcontracting dollars spent with diverse, women-owned, and disabled veteran suppliers. Support from all of our prime suppliers is necessary for us to achieve our goals and objectives. Prime suppliers can log into the "Supplier Portal" and report their spend data with minority, women-owned and disabled veteran-owned firms. Sourcing professionals throughout the enterprise can log on and get reports on the prime supplier's activity at any time. All prime suppliers are required to regularly report their second tier results. The Supplier Diversity team frequently conducts training sessions to insure that the prime suppliers successfully enter their spend data into the portal.

Verizon continues to require its prime suppliers to develop and/or expand their own Supplier Diversity Programs. All prime supplier contracts must have a WMDVBE utilization plan. Verizon will support the prime suppliers in their subcontracting efforts by providing the prime suppliers with information on diverse suppliers for assessment and use.

M/WBE and DVBE Supplier Certification

Verizon includes in its results only those WBE and MBE suppliers certified by the California Public Utilities Commission and DVBE suppliers certified by the State of California's Office of Small Business and Department of General Services (DGS). Verizon regularly encourages its suppliers to keep their certifications current. Verizon also continues to expand our 2nd Tier program by educating prime suppliers to get their subcontractors and value-added resellers certified. Verizon was successful in increasing spend with minority-woman owned business (MWBE) companies. MWBE accounted for 4% of total purchases.

Cross-Functional Teams

The effort and expertise of our Cross-Functional Teams created streamlined and consolidated purchases in order to generate savings and boost efficiencies as well as maintain and/or increase the utilization of diverse suppliers. Within the Verizon procurement process, Cross-Functional Teams consist of sourcing process leaders, lines of business managers and supplier diversity managers. The Cross-Functional Team collaborates to achieve either a product or service purchasing goal related assignment. Supplier Diversity Managers provide input to business solutions that include diverse suppliers in order to achieve Verizon's Supplier Diversity goals.

Supplier Recognition

Facilitated by Verizon's Supply Chain Services' Quality Management organization, Verizon's Supplier Recognition Program recognizes those suppliers

of products and services who achieved overall performance excellence during 2011. Supplier awards are presented each year in eleven (11) categories, which includes Supplier Diversity – WMDVBE and Supplier Diversity – Tier 1. Verizon's recognition program is an important element of supplier diversity as it has a multiplier effect: recognized suppliers use the award to attract business from other companies.

Internal Communication

In 2011, the Verizon Supplier Diversity team continued with an extensive internal communications effort:

1. Verizon issued monthly comprehensive reports that tracked Supplier Diversity progress at both the corporate and affiliate level. Verizon also issued reports that tracked progress towards California WMDVBE goals. Verizon's Supplier Diversity Leadership team provided detailed presentations about progress to Verizon business unit leaders, other key internal stakeholders, external advocacy groups, and WMDVBE suppliers.
2. Verizon continues to meet and communicate and partner with key prime suppliers to review requirements and develop a strategy for WMDVBE subcontracting.
3. Verizon responded to daily requests for information from prospective WMDVBE suppliers. Staff maintained daily outreach efforts to incumbent WMDVBE suppliers, directly meeting with many and answering requests for information.
4. Verizon serves on corporate advisory boards, such as the California American Indian Chamber of Commerce, Asian Business Association and the California Disabled Veteran Business Enterprise Alliance.
5. Verizon's website provides current information on certification and registration, supplier selection criteria, contact information, and other pertinent information for prospective suppliers.

California Focus

In 2011, Verizon focused on Supplier Diversity Awareness, building strategic relationships with key diverse suppliers, expanding the company's supplier diversity initiative and developing innovative procurement approaches that support Verizon's corporate strategy. Verizon continued to focus on business and procurement opportunities associated with marketing, finance, network services, workforce enhancement and service agreements in continued support of building the infrastructure for our network. Verizon's fiber network provides products in voice, data and video for an advanced fiber optics customer experience. Verizon's Supplier Diversity team led a strategic cross-functional effort to identify key focus areas, closely monitored improvement, examined service areas and found ways to infuse those areas with minority, women-owned and disabled veteran business enterprises to ensure progress

was made to meet its WMDVBE goals. Additionally, Verizon focused on internal training and education and working closely with Sourcing and Procurement on business development.

The team targeted large and small Request for Proposals (RFPs) across the various products/services that had Verizon California spend impact. Some of these products and services included sustainability, fiber optic cable and related fiber products, network construction, staff augmentation and maintenance agreements. The team worked directly with Sourcing Process Leaders and cross-functional teams to ensure that WMDVBE suppliers were considered for every opportunity.

- The Supplier Diversity team expanded their efforts and worked with Business Unit end users groups in areas where purchases are not governed by Strategic Sourcing initiatives. Partnerships with Sourcing, Network Services and Marketing Operations continued throughout 2011 to drive accountability and focus on results. In addition, the Supplier Diversity team hosted trade fairs for WMDVBEs (Minority, Women, and Disabled Veteran Business Enterprises), procurement seminars, and conducted site visits for WMDVBEs. Detailed interviews were conducted covering operations, management, and seminars for WMDVBEs designed to teach them “how to do business” with Verizon. The Supplier Diversity team also provided managerial and technical assistance to WMDVBEs.
- The Supplier Diversity team reviewed and evaluated national RFPs for possible California impact. Supplier Diversity managers joined RFP teams to ensure that California WMDVBE objectives were integral to the supplier selection process. Where purchases were to be made directly from Original Equipment Manufacturers (OEMs), the team identified opportunities in the supply chain for value-added WMDVBE service providers.
- The Supplier Diversity team also evaluated local purchasing not covered by national RFPs for WMDVBE opportunities. For example, Supplier Diversity worked with California-based network services, marketing and electronics prime suppliers to identify opportunities.
- The Supplier Diversity team maintained a strong focus on all procurement related to our build of the network infrastructure. For example, while Verizon also worked on forming strategic partnerships with Network Services and consulting prime vendor to leverage in their own supplier diversity goals, the supplier subcontracted their engineering services to assist in network buildout. Verizon also worked with the prime supplier and key internal stakeholders concerning turnkey construction and installation service providers for our FiOS projects.
- As a follow-up to each prime supplier’s utilization plan, where goals were not being met, Verizon encouraged prime suppliers to make additional concerted efforts to use more WMDVBE subcontractors, invited to participate in advocacy conferences and symposiums and to report quarterly as part of our WMDVBE second tier program. Second Tier provides Verizon with a direct means to increase contracting opportunities for minority and women business enterprises

(MWBES) through Prime Supplier (Tier 1) engagement, ensuring continued participation by diverse suppliers in the supply chain.

In addition to these strategic initiatives, Verizon continues to build and improve on processes and procedures to better measure, monitor, and improve its performance towards California WMDVBE goals. Key areas include: progress reports, communication and education.

- Progress Reports – Performance measure reports that track prime supplier overall use of diverse suppliers, which includes supplier spend.
- Communication – Continuous communication and collaboration with prime suppliers, supply chain and key stakeholders to identify possible 2nd tier opportunities.
- Education – Work to ensure internal staff and prime suppliers understand the commitment to second tier reporting and how it supports Supply Chain goals.

GO 156 §9.1.1: Description of WMDVBE program activities during the previous calendar year. External program activities.
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EXTERNAL PROGRAM ACTIVITIES

External Programs

Verizon has formed strategic alliances with chambers of commerce, business associations, and other organizations that are dedicated to helping diverse businesses be more efficient and effective in operating by partnering with them to provide technical assistance, capacity building, and training programs. In 2011, Verizon partnered with the following chambers and business associations:

American Indian Chamber of Commerce of California

Verizon partnered with the American Indian Chamber on its **Entrepreneurial Development Program** to provide business owners with practical information and training on starting new businesses, capacity building for existing businesses, and providing procurement opportunities.

Asian Business Association of Los Angeles

Verizon partnered with the ABA-LA on the **Asian Business Academy**, a technical assistance program directed at Asian micro businesses. The Academy provides Asian business owners with fundamental executive skills training in specific core competencies needed to manage and operate a successful business.

Asian Business Association of Orange County

Verizon partnered with the ABA-OC to provide **Business Education Workshops**. The workshops focus on real business opportunities for small to medium size businesses, rules and regulations of private and government contracting opportunities, getting businesses certified, targeted market research, financial outlook; capabilities structure, preparing bids and market leads.

Asian Pacific Islander Small Business Program

Verizon partnered with the Asian Pacific Islander Small Business Program to provide **Social Media and Technology Workshops**. The workshops focus on maximizing website use for small businesses and communication technologies that facilitate small business management.

Black Business Association of Los Angeles

Verizon partnered with the BBA on the **Procurement & Technology Education Series** to train small and minority owned entrepreneurs on how to use technologies, such as e-marketing, e-procurement, customer relations management tools and incorporate them into the daily operations of their businesses to increase operational efficiency. The series also educates entrepreneurs in using smart wireless technologies to run their businesses on the go.

Black Economic Council

Verizon partnered with the Black Economic Council on its **Internship Program** to increase the productivity of small businesses and addresses the lack of bandwidth issues while offering real life work experience to students. The BEC Internship Program will assist small minority and woman-owned businesses in the administrative process which includes: public and private sector bidding processes, navigating FedBizOpps, BidSync and other appropriate links for government contract opportunities, registering businesses at corporate websites, website maintenance, internet research, email marketing tools, understanding of NAICS codes and how they relate to bid opportunities, and reviewing bids.

California Black Chamber of Commerce

The **Green Business Development & Youth Entrepreneurship Program** is focused on multi-ethnic students from disadvantaged families. The program provides students with access to industry leaders, technology, and industry information - all with a focus on the ever developing green economies in the US and abroad. Students have the opportunity to acquire skills and build vital business and personal networks that will enhance their effectiveness as future business owners.

California Asian Pacific Chamber of Commerce

Verizon continued to partner with the CAPCC on its **Case Management Program**. The Case Management Program is a statewide online program helps low to moderate income (LMI) small businesses gain the training necessary to compete in contracting/bidding opportunities. The program provides procurement advocacy, counseling, training, matchmaking and business opportunities.

California Hispanic Chambers of Commerce

Verizon partnered with the CHCC on its **Broadband Technology Training Program**. The CHCC used technology to host over 20 webinars and/or classroom style trainings to the chamber's members and the general public. The training webinars include the following topics: collaborative management, e-commerce, e-marketing, e-procurement, and online communications.

California Small Business Education Foundation

Verizon partnered with California Small Business Education Foundation on two technical assistance and capacity building programs: **Small Business Resource Center** and **Technical Assistance for Small Business Program**. The Small Business Resource Center provides technical assistance and educational opportunities for small businesses and the public at-large in California by providing data and research products that help inform and educate the small business firm as well as serve as a reference for the private, public and consumer on the economic importance of the small business entity. The Technical Assistance for Small Business program provides program development including materials to furnish to other small business organizations so they can educate their members on available assistance for small business owners.

Latin Business Association Institute (LBA-I)

Verizon continued to partner with the LBA-I on its **Supplier Diversity Procurement Boot Camp**. The 6-week program offers hands-on training on the key elements of what it takes to develop a high-performance business. It provides the tools necessary to build a company's infrastructure so it can position itself to obtain contract and procurement opportunities within the public and private sectors and enables small businesses to develop key skills to build their requisite capacity.

Latino Business Chamber of Greater Los Angeles (LBC-GLA)

Verizon continued its partnership with the LBC-GLA on its **Technology and Resource and Training Center Program**. The program provides minority business owners with the tools necessary to establish their place in a digital world. The center provides "hands-on" tools and resources via LBC staff and/or guest presenters who assist participants. The center is available to individuals who may not have access to the computer equipment or software they need to prepare business plans, submit bids or proposals, or to prepare documentation required for local, state or federal DBE or small business certifications.

Mission Economic Development Agency

Verizon partnered with the Mission Economic Development Agency on its **Latino Tech Net Program** in San Francisco. The program provides technology skills training to low income Latino entrepreneurs. Entrepreneurs receive customized bilingual workshop education on business enterprise startup and development, one on one coaching to achieve financial goals related to business success, business planning, and training in relevant internet and software applications.

National Asian American Coalition

Verizon continued to partner with the National Asian American Coalition on its **Micro-Business Technical Assistance (MTA) Program**. The MTA is a 32-hour educational experience directed at micro-business owners to provide fundamental management skills training in specific core competencies needed to manage and operate a successful micro or small business. Verizon also partnered with the National Asian American Coalition on its **Capacity Building Program**. The Capacity Building Program is the next step for small business owners after completion of MTA program. The program provides further assistance for small businesses by enhancing business performance and ultimately providing contact and contract opportunities with reputable corporations. This program consists of five components: technical assistance, enhance performance, corporate commitment, mentoring and tracking.

National Latina Women's Business Association – Los Angeles (NLBWA-LA)

Verizon continued its partnership with the NLBWA-LA in support of the **Business Management Academy**. This program is an educational experience directed at minority women business owners. It is designed to provide minority women business owners with fundamental management skills training in specific core competencies needed to manage and operate a successful business.

National Latina Women's Business Association – San Diego (NLBWA-SD)

Verizon partnered with the NLBWA-LA in support of the **San Diego Emerging Latinas Entrepreneur Fellowship Technical Assistance Program**. The program curriculum provides education and training, mentoring, a support system for follow up in a series of targeted seminars for program participants. The business owners are taught the skills to effectively operate a successful business; understand the fundamental challenges of business management and the basic skills needed to excel as an owner. Business owners are provided a management template and educated on the importance of systematically planning, managing and developing their businesses.

Advertising

In an effort to reach many of the diverse markets, Verizon advertises in several diverse publications:

- American Indian Business News
- American Business News
- Black EOE Journal

- Black Enterprise Magazine
- Challenge News
- Hispanic Business Magazine
- Hispanic Network Magazine
- Minority Business Entrepreneur
- Minority Business News
- Veterans Business Journal
- Women's Enterprise Magazine

Verizon's Supplier Diversity advertisement directs the suppliers to our website, where suppliers can register their company's profile in our supplier database, learn about Verizon's products and services and find out how to do business with Verizon. Verizon's ad was also placed in programs and other publications at outreach events.

- Asian Business Association of Orange County Global Sourcing Procurement Conference
- Asian Business Association of Orange County Annual Recognition Awards
- California Hispanic Chambers of Commerce
- California Native American Indian Chamber of Commerce Expo
- DVBE Alliance Keeping The Promise Expo
- Elite Service Veteran Organization Businesses
- National Association of Women Business Organizations
- U.S. Hispanic Chamber of Commerce - Sacramento
- US Pan Asian American Chamber of Commerce –California Conference

Verizon's website is a source for diverse suppliers wanting to do business with Verizon. The competitive bid process managed by our Supply Chain Services Operations organization enables qualified suppliers to compete for Verizon's business. The website provides the guidelines for the competitive bid process. It also provides certification information, event schedules and the Supplier Diversity Team contact information. Suppliers can input their profiles on-line, which is then accessible to all procurement managers for sourcing.

Awards and Recognition

Verizon was recognized with the following awards and recognitions in 2011:

- **Asian Business Association of Los Angeles** honored Verizon with their 2011 Corporate Advisory Board Appreciation Award in recognition of the company's commitment to supplier diversity and its support of the Asian business community.
- **Black Economic Council** honored Verizon with the 2011 Leading the Way Award in recognition of Verizon's leading achievements in the area of supplier diversity.
- **Black Enterprise Magazine** named Verizon to Black Enterprise magazine's 40 Best Companies for Diversity for the 2011. The companies identified in Black Enterprise Magazine special report demonstrated strength and outperformed their peers in one or more key categories including Board of Directors, Employee Base, Senior Management and Supplier Diversity. In selecting the companies, Black Enterprise evaluated diversity programs and consulted with diversity experts and corporate diversity officers. The publication also conducted an extensive survey with the CEOs and diversity executives of the top 1,000 of the country's largest publicly traded companies more than 100 leading global companies with strong U.S. operations. The list represented the corporations that fully embrace the diversity philosophy and have maintained their commitment to such practices across the board.
- **DiversityBusiness.com's** ranked Verizon as one of the **Top 50 Companies** for Multicultural Business Opportunities. Verizon was selected by the minority and women-owned businesses themselves in an annual online poll that is available to more than 600,000 voters. The business owners based their selections on the volume, consistency and quality of business opportunities granted to women- and minority-owned companies
- **DiversityInc** has named Verizon to its list of Top 50 Companies for Diversity for the tenth consecutive year. The company, which is ranked No. 11 this year, has twice earned the No. 1 spot. The list ranks the Top 50 companies for consistent strength in four areas: CEO commitment, human capital, corporate and organizational communications, and supplier diversity.
- **Diversity MBA Magazine** ranked Verizon in the top-10 placement for Best Places for Diverse Managers to Work list.
- **Hispanic Business Magazine** has ranked Verizon No. 3 on the publication's Diversity Elite 60. This is the sixth year of recognition. The magazine has also ranked Verizon No. 3 on the Supplier Diversity Top 25 for providing equal opportunities to all of the company's diverse suppliers to compete for contracts.

- **Latin Business Association** honored Verizon with the Chairman's Historical Corporation of the Year for its efforts to increase access to business opportunities for Latino-owned businesses and for providing invaluable guidance and support to the membership of the LBA and community.
- **Women's Business Enterprise National Council (WBENC)** has named Verizon as a top American corporation for Women's Business Enterprises for the seventh consecutive year. The company was honored for its world-class supplier diversity program, which creates a level playing field for women's business enterprises to compete for corporate contracts.

Board Participation

Verizon managers and executives serve on several organizational boards as officers and advisors. They offer advice and counsel to small businesses on how to grow their business in addition to assisting suppliers on how to meet Verizon's business needs.

Business Organization Involvement - Meetings, Conferences, Trade Fairs and Recognition Events

Verizon participates in external supplier conferences and network events focused on minority-, women-, and service disabled-owned businesses, and actively seeks diverse suppliers through our ongoing commitment, collaborations, and advocacy with national, regional, and local minority-and women-owned business development organizations, advocacy groups, expos and trade shows. Over the past year Verizon supported the following external events, among others, aimed at promoting diversity in business:

- Asian Business Association (ABA) Los Angeles Small Business Exchange
- Asian Business Association of Orange County Business Symposium
- Asian Business Association of Orange County Global Sourcing Procurement Conference
- Black Business Association of Los Angeles – Procurement Exchange Conference
- Black Economic Council
- Black Economic Supplier Diversity Council Conference
- California American Indian Chamber of Commerce – Statewide Conference
- California Black Chamber of Commerce Ron Brown Economic Summit

- California Hispanic Chambers of Commerce – Statewide Convention and Trade Fair
- California Public Utilities Diversity and Small Business Panels
- California Utilities Diversity Council
- California Public Utilities Small Business Summits: Burbank, Stockton, San Bernardino
- DVBE Alliance – Keeping the Promise Awards Banquet and Trade Fair
- DVBE Alliance - Workshops for new small businesses
- Elite Services Disabled Veteran Own Business Network Annual National and State Conferences
- Inland Empire Service Disabled Veteran Organization Small Business Summit
- Los Angeles National Association of Women Business Owner's (NAWBO) Business Awards Luncheon
- Latin Business Association Awards Dinner
- Latino Business Chamber of Greater LA Business Workshop
- Minority Business Development Council of San Diego
- National Asian American Coalition
- National Association of Women's Business Organizations Annual Awards
- National Minority Supplier Development Council's National Conference and Trade Show
- Northern California Supplier Development Council – Opportunity Fair
- Northern California Supplier Development Council – Annual Awards Banquet
- National Hispanic Chamber of Commerce Expo
- National Latina Women's Business Association – Los Angeles
- National Latina Women's Business Association – San Diego
- U. S. Pan Asian American Chamber of Commerce Business Connection – National Conference and Expo
- Women Business Enterprise National Council Conference

California Joint Utilities Committee

Verizon is a very active participant on the California Joint Utilities Committee, working together with the joint utilities on common regulatory issues relative to GO 156, the Clearinghouse and other regulatory issues. The joint utilities meet at least quarterly to discuss regulatory changes that might affect the program or the way the utilities report results to the CPUC annually. In 2011 Verizon actively collaborated with the major utilities in California to successfully resolve diversity issues.

California Utilities Diversity Council (CUDC)

Verizon is a member of the CUDC and through its participation, shares diversity best practices in the areas of governance, supplier diversity, employment, philanthropy, and customer service. In 2011, Verizon's West Region President agreed to serve on the directorate of the CUDC.

CPUC Small Business Expos, Procurement Sessions and Workshops

In 2011, Verizon participated in Small Business Expos throughout the state of California to promote small business development. Verizon procurement and supplier diversity managers participated in the panel presentations on “How to Do Business with the Utilities,” one-on-one Business Matchmaking and networking with diversity businesses. Verizon was able to identify diverse suppliers to include in RFPs and engaged several new suppliers.

Verizon participated in CPUC hosted Procurement Sessions, Legal and Advertising Symposiums. Verizon also participated at the CPUC Joint Information Senate Hearing and Financial Symposium.

External Communication

The Verizon Supplier Diversity team continued with extensive communications effort.

1. Verizon participated in forums, workshops and outreach programs sponsored by key WMDVBE advocacy groups such as: (i) the National Minority Supplier Development Council (NMSDC), (ii) United States Pan Asian American Chamber of Commerce (USPAAC), (iii) the California Black Chamber of Commerce (CBCC), (iv) DVBE Alliance, (v) Black Business Association; (vi) National and California Hispanic Chambers of Commerce; (vii) Elite Service Disabled Veteran Owned Business (SDVOB) Network, (viii) Asian Business Associations-Los Angeles and Orange County Chapters, (ix) Latino Business Chamber of Greater LA and (x) Black Economic Council.
2. Verizon advertised its program in publications such as the (i) *Minority Business News*, (ii) *Hispanic Business*, (iii) *Diversity Inc.*, and (iv) *Black Enterprise Magazine*.

Education and Training

Verizon sponsored and funded several business development workshops for diverse small businesses in 2011. These workshops provided training such as: business development, loans, payroll, management, operations, and marketing. Verizon was also a sponsor of the technical assistance programs workshops taught by the California Hispanic Chamber of Commerce. Organizations that supported and benefited from Verizon’s effort were: the California Disabled Veteran’s Alliance, Asian Business Association of Los Angeles and Orange Council, Black Business Association, the California Hispanic Chambers of Commerce, Hispanic Chamber of Riverside, Elite Service Disabled Veteran Owned Business (SDVOB) Network and the American Indian Chamber of Commerce of California. Verizon managers provide formal and informal training to diverse and small business suppliers they encounter at the various events they attend such as: matchmaking, networking, opportunity fairs, business forums, symposiums, etc.

Second Tier Program

As discussed more fully above, Supplier Diversity managers work with prime supplier partners to ensure utilization of diverse suppliers. Verizon Sourcing Process Leaders work closely with prime suppliers to ensure they meet their utilization requirements, opportunity areas, and areas for expansion to achieve supplier diversity at multi-tiered levels within our value chain. Our Supplier Diversity team maintains an automated, on-line reporting system for our suppliers to report their 2nd tier diverse spend data.

Premier Supplier Academy

In 2011, Verizon launched the Premier Supplier Academy (PSA). In conjunction with Verizon's continued efforts to expand and grow our direct supplier procurement, the PSA was designed to assist Verizon's prime suppliers in the development and/or enhancement of their supplier diversity programs. The PSA enables prime suppliers and Verizon to develop new business relationships and stronger business practices while providing opportunities for minority, women, and disabled veteran owned businesses to participate in the Verizon procurement process through prime suppliers doing business with Verizon. The PSA consists of two modules – 1) How To Do Business Workshops; and 2) Supplier Diversity Fair.

How To Do Business Workshop

In September 2011, Verizon rolled out the first PSA – How To Do Business Workshop in Los Angeles. Verizon brought together 12 minority, women, and disabled veteran owned businesses with Bartech, Verizon's prime for staffing and contingent workforce services. Bartech and Verizon explained their business models and supplier diversity best practices.

Supplier Diversity Fair

Verizon conducted its first PSA - Supplier Diversity Fair in Irvine. The Diversity Fair provides diverse suppliers an opportunity to gain a better understanding of Verizon's business needs and compatibilities. Verizon brought together 10 minority, women, and disabled veteran-owned businesses for a line of business update presentation and to participate in one-on-one business matchmaking meetings with representatives from Verizon's Marketing and Network Services organizations.

GO 156 §9.1.2: A summary of WMDVBE purchases and/or contracts, with breakdowns by ethnicity, product and service categories, compared with total utility contract dollars, awarded to outside vendors in those categories.

EXHIBIT A

See Exhibit A attached hereto.

Summary of Purchases:

MWDVBE Annual Results by Ethnicity - Verizon California						
2011 GO156						
LINE NO.			DIRECT	SUB	TOTAL (\$)	TOTAL (%)
1	MINORITY MEN	ASIAN PACIFIC M	\$ 7,836,558	\$ 1,836,248	\$ 9,672,807	3.45%
2		BLACK M	\$ 6,753,397	\$ 3,841,245	\$ 10,594,643	3.78%
3		HISPANIC M	\$ 27,139,880	\$ 3,716,689	\$ 30,856,569	11.00%
4		NATIVE AMERICAN M	\$ -	\$ 2,100,860	\$ 2,100,860	0.75%
5		MULTI-ETHNIC M	\$ -	\$ -	\$ -	0.00%
6		TOTAL MINORITY MEN	\$ 41,729,836	\$ 11,495,042	\$ 53,224,878	18.97%
7	MINORITY WOMEN	ASIAN PACIFIC W	\$ 801,869	\$ 3,681,055	\$ 4,482,924	1.60%
8		BLACK W	\$ 4,195	\$ 249,343	\$ 253,538	0.09%
9		HISPANIC W	\$ 2,096,178	\$ 457,542	\$ 2,553,720	0.91%
10		NATIVE AMERICAN W	\$ 4,424	\$ 3,844,841	\$ 3,849,264	1.37%
11		MULTI-ETHNIC W	\$ -	\$ -	\$ -	0.00%
12		TOTAL MINORITY WOMEN	\$ 2,906,665	\$ 8,232,780	\$ 11,139,445	3.97%
13		TOTAL MINORITY BUSINESS ENTERPRISE	\$ 44,636,501	\$ 19,727,822	\$ 64,364,323	22.94%
14		WOMEN BUSINESS ENTERPRISE (WBE)	\$ 55,521,603	\$ 2,439,679	\$ 57,961,282	20.65%
15		SUBTOTAL WOMEN, MINORITY BUSINESS	\$ 100,158,104	\$ 22,167,501	\$ 122,325,605	43.59%
16		SERVICE DISABLED VETERAN BUSINESS	\$ 854,784	\$ 1,160,374	\$ 2,015,158	0.72%
17		TOTAL MWDVBE	\$ 101,012,888	\$ 23,327,875	\$ 124,340,762	44.31%
18		TOTAL PRODUCT/SERVICE			\$ 280,627,015	

GO 156 §9.1.3: WMDVBE program expenses incurred in 2011 include operation costs for the Supplier Diversity department
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Line No.	Expense Category	Description	2011 Actuals
1	Wages	Two (2) supplier diversity managers	\$ 207,044
2	Other Employee Expense	Travel, Mileage	\$ 15,500
3	CPUC Clearinghouse	Verizon's share of overall costs	\$ 64,566
4	Program Expense	Outreach, sponsorships, promotional material	\$ 45,000
5	Technical Assistance (TA)	Funding expended on TA programs to WMBE and small businesses	\$ 280,000
	Total		\$ 612,110

The Verizon Supplier Diversity team also receives external affairs, regulatory, legal and other support that is not quantified in the table above.

GO 156, § 9.1.4: A description of progress in meeting or exceeding set goals and an explanation of any circumstances that may have caused the utility to fall short of its goalsWBE

Verizon was successful in exceeding the CPUC objectives for WBE. WBE purchases accounted for 20.6% of total purchases, well ahead of Verizon's 5% goal.

MBE

Verizon was successful in exceeding the CPUC objectives for MBE. MBE purchases accounted for 22.9% spend in 2011. The team focused on large and small RFPs across the various products/services that had Verizon California spend impact. Some of these products included electronic equipment, fiber optic cable, inside wire, fiber installation and construction material. The team worked directly with Supply Chain Services Sourcing Process Leaders and cross-functional teams to ensure that MBE suppliers were considered for every opportunity. Verizon continues to focus on increasing spend with MBE suppliers in historically underutilized product service areas. Verizon increased its support of small and minority businesses by sponsoring technical assistance workshops, small business educational scholarships, business development workshops and other projects to increase the skill and knowledge of the growing small business segment in California. Verizon did this through organizations such as: the Black Business Association, the Institute of the National Black Business Council, the California Black Chamber, Elite Service Disabled Veteran Owned Business Network, Asian Business Associations, and the California Hispanic Chambers of Commerce. Through these organizations Verizon was able to identify potential suppliers in areas with low utilization. Significant efforts in 2009 and throughout 2010 positioned Verizon to show improvement in these areas.

DVBE

Verizon continued its collaboration with five major utilities who worked in conjunction with the Elite Service Disabled Veteran Owned Business (SDVOB) Network and DVBE Alliance to develop a database to identify more qualified suppliers in this category. Verizon continued to identify and introduce (via the RFP/bidding process) those suppliers in order to increase spend in their respective categories. Three California certified DVBEs, along with two other non-California certified DVBEs, were included in several major RFP opportunities throughout 2011. Verizon continues its support of DVBEs (whether in-state or otherwise). As a result of our increased efforts to engage and identify qualified DVBEs, Verizon successfully spent \$4.1M with two certified non-California resident DVBEs. Verizon also spent \$10.2M with a California state-certified DVBE firm headquartered in Walnut Creek, CA by providing Verizon with management solutions and a streamlined fleet management process. This reflects Verizon's commitment to continuously improve spend in this category. Verizon's DVBE purchases

accounted for 5.82% of its spend and we continue to increase our outreach efforts to successfully position DVBEs for bid opportunities.

Through the California DVBE Alliance and Elite SDVOB Network, Verizon sponsored business development workshops for disabled veterans who want to start businesses. These workshops taught the veterans how to begin, where to acquire financing, and how to create a business plan. At the DVBE Alliance “Keeping The Promise” event, Verizon managers participated in the one-on-one Business Matchmaking sessions identifying three suppliers that are likely to partner with Verizon on state and federal contracts.

The Supplier Diversity team worked closely within the Sourcing, Marketing and Sales teams to identify opportunities for DVBEs to be included in Verizon’s business proposals for various contracts.

GO 156, § 9.1.5: Summary of Prime Contractor utilization of WMDVBE subcontractors
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In 2011, Verizon focused on Second Tier Spend which provided a direct means to increase contracting opportunities for minority and women business enterprises (MWBEs) through Prime Supplier (Tier 1) engagement, ensuring continued participation by diverse suppliers in the supply chain. In addition we worked with various state and nationally recognized organizations whose mission is to link minority, women owned and disabled veteran owned firms to corporate business opportunities. We identified and worked with several Verizon prime suppliers who we view as essential to our company's operations to utilize WMDVBE firms.

With the utilization of WMDVBE suppliers, we have had several successes of increasing opportunities and increasing contract opportunities to diverse suppliers. An example of one of these successes was in our Operations organization. Verizon Supplier Diversity and Sourcing teams collaborated to mentor existing MWBEs in achieving additional business with a Verizon prime supplier and successfully guided their growth to spend over \$9 million in 2011. Prime suppliers submitted second tier spend with WMDVBE suppliers in the following categories:

Asian Pacific	\$5,517,303
Black	\$4,090,588
Hispanic	\$4,174,230
Native American	\$5,945,701
<u>MBE Total</u>	<u>\$19,272,822</u>
WBE	\$2,436,871
DVBE	\$1,163,182

GO 156, § 9.1.6: A list of WMDVBE complaints received during the past year, accompanied by a brief description of the nature of each complaint and its resolution or current status.

Verizon is proactive in resolving issues that arise as a result of direct or subcontracting relationships. There were no formal complaints in 2011.

GO 156, § 9.1.7: A summary of purchases and/or contracts for products and services in excluded categories.

Verizon does not exclude any product/service category from its purchase base. Only exclusions specifically stated in General Order 156, Section 8 such as payments to other utilities, government fees and taxes and Verizon affiliates are excluded.

GO 156, § 9.1.8: A description of any efforts made to recruit WMDVBE suppliers of products or services in procurement categories where WMDVBE utilization has been low, such as legal and financial services, fuel procurement, and areas that are considered highly technical in nature.

Verizon continued to focus on areas of low utilization. One of the key successes in our supplier diversity program is involvement in numerous diverse organizations. Verizon utilized several minority, women and disabled veteran databases to identify potential diverse suppliers; for example, the National Minority Supplier Development Council's MBSYS database, the CPUC Clearinghouse database, the Women's Business Enterprise National Council's database, the Small Business Administration database, the Department of General Services and other federal, local and state databases. Verizon continued to target advertising and outreach events in order to maximize recruiting opportunities and partnerships. At the diversity events, Verizon Supplier Diversity Managers, procurement members and line of business champions, met one-on-one with suppliers

GO 156, §9.1.9: A justification for the continued existence of any “excluded category” of products or services which has been removed from the procurement dollar base used to set goals because of the established unavailability of WMDVBE suppliers. Such justification must include a description of any efforts made to find and/or recruit WMDVBE suppliers of products or services in the excluded category.

Verizon does not exclude any product/service category from its purchase base. Only exclusions specifically stated in GO 156, Section 8 such as payments to utilities, government fees (e.g., taxes, licenses, etc.) and Verizon affiliates are excluded.

GO 156, §9.1.10a: Each utility which elects to report fuel procurement separately must file with the Executive Director by March 1 of each year, beginning in 1991, a separate detailed and verifiable report on WMDVBE participation in fuel markets.

This section does not apply to Verizon.

GO 156, §9.1.10b: WMDVBE purchases in product or services categories that include renewable and non-renewable energy, wireless communications, broadband, smart grid and rail projects.

Verizon has partnered with the Department of Energy's National Renewable Energy Laboratory (NREL) to develop energy reduction methods in the information and communications technology (ICT) industry.

To date Verizon has completed the first two solar energy projects in our headquarters location, New York. Both projects were completed in early November 2011. No MWDVBE dollars were spent in California year-to-date.

Section 10 of GO 156 requires utilities to discuss their plans to increase spend in supplier diversity for the next reporting year. Verizon's plan is as follows:

GO 156, §10.1.1: Short, mid and long terms goals by product and service category. *EXHIBIT B.*

Exhibit B shows Verizon on track to meet the short, mid and long-term GO 156 goals as required by Section 8. Verizon's Section 10.1.1 Chart is attached as Exhibit B.

GO 156, §10.1.2: A description of WMDVBE program planned for the next calendar year (internal program activities).

PLANNED WMDVBE PROGRAM ACTIVITIES FOR 2012

Verizon will continue to make concerted efforts to strengthen its Supplier Diversity results:

Internal Program Activities

Verizon will continue to implement its California Supplier Diversity program with an emphasis on objectives for all key products/services and continuous improvement across all business units. Verizon will also take additional steps to reach its goals, including:

- Analyze, develop and implement strategic plan to increase commitments to existing diverse suppliers and to provide opportunities for suppliers in low utilization areas.
- Actively include qualified diverse suppliers as subcontractors/2nd tier vendors in Verizon procurement opportunities
- Proceed with next phase of Supplier Diversity Awareness Campaign and Premier Supplier Academy to include training, “how to do business” workshops and processes and strategies.
- Emphasize utilization on non-traditional such as legal, asset recovery and investment management areas.
- Strategically partner and collaborate with internal business units and Suppliers to develop and implement strategies to increase diverse spend.
- Increase supplier diversity representation on RFP Cross Functional Teams.
- Assess direct and indirect procurement opportunities and identify crucial RFPs with an impact on Verizon California and proactively work with the Cross-Functional Teams to emphasize key strategies.
- Partner with Sourcing and strategic prime suppliers to ensure multi-tier diversity inclusion.
- Continue to work with internal customer groups outside of the sourcing process whose functions impact use of key California suppliers. Ensure WMDVBEs are included in the competitive process for every contract opportunity.

- Communicate Verizon's short and long term supplier diversity related strategic directions to key internal stakeholders.
- Continue to educate, increase awareness and work closely with prime suppliers to ensure they meet their utilization requirements.
- Consistently monitor, review and analyze reports to track progress to ensure diversity initiatives are being executed.
- Conduct periodic quantitative analysis of overall supplier diversity performance by internal business units.
- Continue to communicate and educate the supplier diversity message of diversity and inclusion through the monthly Sourcing and Procurement Operations Newsletter.
- Continue to collaborate with minority and non-minority advocacy organizations and prime contractors to support doing business with and encourage economic development of minority, women-owned and disabled veteran suppliers and contractors.
- Support and mentor suppliers by nurturing their successes, providing favorable feedback, and suggest partnerships with organizations that are work to improve their opportunities.
- Encourage primary suppliers to diversify their own base of minority-owned suppliers and subcontractors, and develop relationships that would be mutually beneficial.

GO 156, §10.1.2: A description of WMDVBE program planned for the next calendar year (external program activities).

External Program Activities

Verizon will continue to develop its Supplier Diversity program, with an emphasis on outreach to supplier community, web-based tools to allow effective supplier access, and the development of best practices within our industry. Verizon will also closely monitor opportunities to increase spending results, to promote Supplier Diversity and to meet its objectives, including:

- Work with various Chambers of Commerce and business associations to conduct one-on-one meetings between WMDVBEs and Verizon Sourcing Process Leaders to discuss both current opportunities in California and general Verizon requirements for the applicable product or service.
- Partner with prime suppliers to host Premier Supplier Academy informational and opportunity seminars.
- Host Diversity Fairs with focus on the segments with greatest underutilization.
- Develop existing MWDVBEs for 2nd tier strategic opportunities.
- Provide greater communication and guidance to potential 2nd tier partners into the next generation of master contracts.
- Encourage diverse suppliers to achieve and maintain certifications and to enter and update their profiles on our website registration database.
- Participate in local, regional and national Supplier Diversity events which include: conferences, forums, symposiums, trade fairs and workshops.
- Continue to actively partner with the CPUC, Elite Service Disabled Veteran Owned Businesses (SDVOB) and DVBE Alliance organizations to build awareness of Verizon's procurement requirements by participating in business matchmaking and one-on-one supplier meetings between Supplier Diversity and a qualified pool of DVBE firms.
- Monitor results and work closely with prime suppliers to ensure that they meet their 2nd tier utilization requirements and review and expand areas of opportunity for diverse spend.
- Continue to invest in and partner with California minority business associations to provide their members with technical assistance programs designed to

increase the number of minority businesses serving as qualified suppliers of goods and services with major utilities and telecommunications companies.

- Maintain active membership in several supplier diversity organizations and various associations including the National Minority Supplier Development Council, the Women's Business Enterprise Council, and Asian Business Association.

GO 156, §10.1.3: Plans for recruiting WMDVBE suppliers of products or services where WMDVBE utilization has been low, such as legal and financial services, fuel procurement, and areas that are considered highly technical in nature.

- Verizon will continue to participate in the CPUC legal, professional services and financial forums throughout the state in order to identify diverse suppliers in these areas.
- Verizon will communicate professional legal and financial organizations to identify diverse suppliers.
- Verizon will continue to benchmark with other utilities to identify diverse suppliers in low utilization areas.
- Verizon will continue to work with prime suppliers in such areas as logistics, fiber optic cable cutting, and real estate services to encourage use of WMDVBEs in areas related to such prime suppliers' core competencies. Verizon's policy is to accept as part of its second tier program only expenditures related to direct costs incurred in the production of products or the provisioning of services for Verizon, including subcontracting costs where applicable.
- Verizon will work within the industry to continue to develop best practices for developing sustainable supplier diversity growth.
- Verizon will utilize the numerous diverse databases for sourcing.
- Verizon will continue to focus on recruiting, identifying and positioning DVBE suppliers for key RFPs.

GO 156, §10.1.4: Plans for seeking and/or recruiting WMDVBE suppliers of products or services in any “excluded category” of products or services which has been removed from the procurement dollar base used to set goals because of the established unavailability of WMDVBE suppliers.

The CPUC issued Decision 05-11-024 on November 13, 2005 in which it eliminated the use of exclusions in reporting diversity procurement results. Verizon has not used exclusions in providing this report.

GO 156, §10.1.5: Plans for encouraging both prime contractors and grantees to engage WMDVBE in subcontracts in all categories that provide subcontracting opportunities.

Guidelines for utilization of WMDVBE subcontractors by non-WMDVBE First Tier suppliers are included in each RFP. As part of their response to Verizon RFPs, prime suppliers are required to include their WMDVBE utilization plan. In addition, Verizon contracts include a diverse spend target. The plan requires a list of specific WMDVBE to be utilized as well as projected dollars or percentage of work they will receive. Audits are periodically conducted to assure contract compliance. A verbal and written communication is sent to any supplier that is under-performing reminding it of contractual commitments. Prime suppliers are also required to report their WMDVBE subcontracting activity to Verizon on a regular basis. The Supplier Diversity organization is responsible for tracking this information.

**LEGAL DIVERSITY ADDENDUM TO
VERIZON CALIFORNIA INC.'S
2011 GENERAL ORDER 156
SUPPLIER DIVERSITY REPORT**

Verizon has committed itself to the Commission's efforts to increase supplier diversity within the legal profession. Indeed, Verizon increased spend with diverse law firms from 9.3% in 2009 to 11.47% in 2010. Verizon's relevant legal diversity commitments and efforts initiated in past years continue and are described below.

THE ASSOCIATION OF CORPORATE COUNSEL'S CALL TO ACTION

Verizon continues its corporate-wide efforts in support of this commitment to diversity in the law profession undertaken four years ago. The specific initiatives discussed in Verizon's 2006 General Order 156 Supplier Diversity Report (2006 Report) are ongoing.

ANNUAL AND QUARTERLY DIVERSITY REPORTING REQUIREMENTS

As described in the 2006 Report, all outside counsel continue to be required to provide an annual diversity report to the Verizon Legal department, which reaffirms Verizon's continued interest and focus on this topic. In 2010, Verizon asked all firms to provide specific information regarding the demographic profiles of their firms, the number and percentage of diverse associates and partners, diverse law students in their summer associate class, diverse attorneys hired and promoted, and diverse attorneys in key leadership positions. In addition, outside counsel providing services for Verizon in California are asked to submit quarterly reports of work performed by women and minority attorneys in those firms on California matters. This information is reviewed internally in considering further recommendations.

VERIZON'S LEGAL BILLING GUIDELINES

The legal department's published billing guidelines – applicable to outside counsel retained by Verizon on a nationwide basis – continue to inform outside counsel of Verizon's commitment to the Call to Action, including applicability of the above diversity reporting initiatives. The diversity-related changes to these guidelines were described in the 2006 Report and continue in force.

ATTORNEY DIVERSITY COMMITTEE

Verizon formed the Attorney Diversity Committee early in 2007, including senior representatives from throughout Verizon's legal department, as well as Verizon California Inc.'s General Counsel. The Committee's mission was described in the 2007 report.

SPECIFIC INITIATIVES DIRECTED TO OUTSIDE COUNSEL

The legal department implemented several initiatives to reinforce its commitment to diversity with outside counsel. These include all of the following:

- **RETENTION OF MINORITY OR WOMEN-OWNED LAW FIRMS:** Verizon California's legal department continues to seek out WMDVBE law firms to retain them on legal matters. Outreach efforts will continue in these and other legal practice areas as well. For those firms not currently CPUC-certified, Verizon will continue to encourage such certification.
- **ENCOURAGING NATIONAL AND REGIONAL LAW FIRMS TO PARTNER WITH CALIFORNIA WMDVBE FIRMS:** Because of efficiencies and budget pressures, Verizon in many instances hires national or regional firms to provide legal or related services. Consistent with that approach, Verizon encourages all outside counsel to review opportunities to partner with WMDVBE firms on some aspects of their engagements, including legal work, court reporting, copy services and other services.
- **OUTREACH:** During 2011, Verizon's West Region General Counsel and staff continued their participation in forums designed to enable inside counsel to meet minority and women attorneys and begin the process of acquainting them with each other. Verizon supports our Assistant General Counsel for Litigation matters in his activities as Chair of the Hispanic National Bar Association's Regional Corporate Connections program, which has meet-and-greet sessions for diverse-owned law firms and corporate counsel from a diverse number of utility and non-utility corporations. These events occur on a quarterly basis.

Verizon California WMDVBE 2011 Expenditures - Joint Telecom Utilities Format Using SIC Categories

Report Modifications		ASIAN-PACIFIC		HISPANIC		BLACK		NATIVE-AMER		MULTI-ETHNIC		TOTAL MEN	TOTAL WOMEN	TOTAL MBE	TOTAL WBE	SUBTOTAL MWBE	TOTAL DVBE	TOTAL MWBE-DVBE	TOTAL COMPANY		
Major Group - SIC Categories	Telecom Categories	Product/Service Descriptions	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	Minority Business Enterprise	Minority Business Enterprise	Minority Business Enterprise	Women Business Enterprise	Minority/ Women Business Enterprise	Disabled Veteran Business Enterprise	Minority/ Women/ Disabled Veteran Business Enterprise	PURCHASES	
15	1	General Contracting	\$ 0	0	50,684	0	0	0	0	0	0	0	50,684	0	50,684	820,829	871,513	0	871,513	1,460,346	
		%	0.00%	0.00%	3.47%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	3.47%	0.00%	3.47%	56.21%	59.68%	0.00%	59.68%	100.00%	
17	2	Construction - Special Trade	\$		20,700,742	1,274,528	878						20,701,619	1,274,528	21,976,147	12,795,714	34,771,862	1,829,307	36,601,168	73,207,987	
		%	0.00%	0.00%	28.28%	1.74%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	28.28%	1.74%	30.02%	17.48%	47.50%	2.50%	50.00%	100.00%	
25	3	Furniture & Fixtures	\$	0	0	0	0	0	0	0	0	0	0	0	0	2,174	2,174	0	2,174	26,707	
		%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	8.14%	8.14%	0.00%	8.14%	100.00%	
27	4	Printing & Publishing	\$	369	0	0	0	0	0	0	0	0	369	0	369	0	369	0	369	1,918	
		%	19.23%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	19.23%	0.00%	19.23%	0.00%	19.23%	0.00%	19.23%	100.00%		
35	5	Machinery & Computers	\$	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	227,616	
		%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	
36	6	Electronic Equipment	\$	8,593,657	0	539,531	0	0	0	0	0	0	9,133,189	0	9,133,189	8,742	9,141,331	2,808	9,144,139	17,349,311	
		%	49.53%	0.00%	3.11%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	52.64%	0.00%	52.64%	0.05%	52.69%	0.02%	52.71%	100.00%		
47	7	Transportation	\$			1,457,342			2,041,594				3,498,936		3,498,936	0	3,498,936	0	3,498,936	3,655,929	
		%	0.00%	0.00%	0.00%	0.00%	39.86%	0.00%	55.84%	0.00%	0.00%	0.00%	95.71%	0.00%	95.71%	0.00%	95.71%	0.00%	95.71%	100.00%	
50	8	Wholesale Trade - Durable Goods	\$	242,822	194,253	5,706,585		66,874					6,016,282	194,253	6,210,535	6,410,160	12,620,695		12,620,695	23,137,325	
		%	1.05%	0.84%	24.66%	0.00%	0.29%	0.00%	0.00%	0.00%	0.00%	26.00%	0.84%	26.84%	27.70%	54.55%	0.00%	54.55%	100.00%		
51	9	Wholesale Trade - Non-durable Goods	\$	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	63,377	
		%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	
55	10	Automotive Dealers & Gas Stations	\$	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	909,046	
		%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	
73	11	Business Services	\$	334,785	4,312,047	3,562,680	1,279,118	7,093,128	227,294	59,266	3,849,264		11,049,859	9,667,722	20,717,581	25,243,873	45,961,454	185,851	46,147,305	128,930,389	
		%	0.26%	3.34%	2.76%	0.99%	5.50%	0.18%	0.05%	2.99%	0.00%	8.57%	7.50%	16.07%	19.58%	35.65%	0.14%	35.79%	100.00%		
81	12	Legal Services	\$	433,890	0	123,334	0	61,085	26,244	0	0	0	618,308	26,244	644,552	170,445	814,997	0	814,997	7,105,496	
		%	6.11%	0.00%	1.74%	0.00%	0.86%	0.37%	0.00%	0.00%	0.00%	8.70%	0.37%	9.07%	2.40%	11.47%	0.00%	11.47%	100.00%		
87	13	Engineering, Accounting, Research, Mgt. & Rel. Serv.	\$	43,907	0	173,012	74	1,915,336	0	0	0	0	2,132,256	74	2,132,330	12,507,137	14,639,466	0	14,639,466	24,124,319	
		%	0.18%	0.00%	0.72%	0.00%	7.94%	0.00%	0.00%	0.00%	0.00%	8.84%	0.00%	8.84%	51.84%	60.68%	0.00%	60.68%	100.00%		
67	14	Holding and Other Investment Offices	\$	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	427,251	
		%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	
		GROSS PRODUCTS/SERVICES PROCUREMENT	\$	9,649,430	4,506,300	30,856,569	2,553,720	10,594,643	253,538	2,100,860	3,849,264	0	0	53,201,502	11,162,821	64,364,323	57,958,474	122,322,797	2,017,966	124,340,762	280,627,015
		%	3.44%	1.61%	11.00%	0.91%	3.78%	0.09%	0.75%	1.37%	0.00%	0.00%	18.96%	3.98%	22.94%	20.65%	43.59%	0.72%	44.31%	100.00%	

VERIZON CALIFORNIA INC.		2011	G.O. #156 Sec. 10.1.1
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WMBE ANNUAL SHORT, MID & LONG TERM GOALS BY PRODUCT AND SERVICE CATEGORY

PRODUCTS		Short-Term (2012)				Mid-Term (2014)				Long-Term (2016)			
		Minority		Women Business	Women, Minority Business	Minority		Women Business	Women, Minority Business	Minority		Women Business	Women, Minority Business
		Men	Women	Enterprise (WBE)	Enterprise (WMBE)	Men	Women	Enterprise (WBE)	Enterprise (WMBE)	Men	Women	Enterprise (WBE)	Enterprise (WMBE)
General Contracting	%	3.5%	0.0%	57.3%	60.9%	3.6%	0.0%	58.5%	62.1%	3.7%	0.0%	59.6%	63.3%
Construction - Special Trade	%	28.8%	1.8%	17.8%	48.4%	29.4%	1.8%	18.2%	49.4%	30.0%	1.8%	18.5%	50.4%
Furniture & Fixtures	%	0.0%	0.0%	8.3%	8.3%	0.0%	0.0%	8.5%	8.5%	0.0%	0.0%	8.6%	8.6%
Printing & Publishing	%	19.6%	0.0%	0.0%	19.6%	20.0%	0.0%	0.0%	20.0%	20.4%	0.0%	0.0%	20.4%
Machinery & Computers	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Electronic Equipment	%	53.7%	0.0%	0.0%	53.7%	54.8%	0.0%	0.0%	54.8%	55.9%	0.0%	0.0%	55.9%
Transportation	%	97.6%	0.0%	0.0%	97.6%	98.0%	0.0%	0.0%	98.0%	98.0%	0.0%	0.0%	98.0%
Wholesale Trade - Durable Goods	%	26.5%	0.9%	28.3%	55.6%	27.1%	0.9%	28.8%	56.8%	27.6%	0.9%	29.4%	57.9%
Wholesale Trade - Non-durable Goods	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Automotive Dealers & Gas Stations	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Business Services	%	8.7%	7.6%	20.0%	36.4%	8.9%	7.8%	20.4%	37.1%	9.1%	8.0%	20.8%	37.8%
Legal Services	%	8.9%	0.4%	2.4%	11.7%	9.1%	0.4%	2.5%	11.9%	9.2%	0.4%	2.5%	12.2%
Engineering, Accounting, Research, Mgt, & Rel. Serv.	%	9.0%	0.0%	52.9%	61.9%	9.2%	0.0%	53.9%	63.1%	9.4%	0.0%	55.0%	64.4%
Holding and Other Investment Offices	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
TOTAL		19.3%	4.1%	21.1%	44.5%	19.7%	4.1%	21.5%	45.4%	20.1%	4.2%	21.9%	46.3%