

Outside Directors' Compensation Plan

We have an Outside Directors' Compensation Plan which, unless earlier terminated, will terminate on the date of the annual meeting of stockholders in the year 2010. Pursuant to the Outside Directors' Compensation Plan, non-employee directors who have agreed to serve on our board of directors at the time of this offering will receive, effective upon the completion of this offering, a \$30,000 annual cash fee and options to purchase 30,000 shares of Class A common stock at an exercise price equal to the initial public offering price. In addition, non-employee directors who agree after the initial public offering to serve on the board of directors will receive, effective upon election to the board of directors, a \$30,000 annual cash fee and options to purchase 30,000 shares of Class A common stock at an exercise price equal to the fair market value at the time of the grant. Options issued to the directors will vest in three equal installments. The first installment will immediately vest on the date of grant, but will not become exercisable until the day immediately before the first annual meeting of the stockholders. The second installment will vest and become immediately exercisable on the day immediately before the second annual meeting of the stockholders. The third installment will vest and become immediately exercisable on the day immediately before the third annual meeting of the stockholders. The number of shares subject to each award, the exercise price and other terms of stock options under the Outside Directors' Compensation Plan are subject to appropriate adjustment in the event of a stock split, stock dividend or similar event. The vesting schedule applicable to each stock option awarded under the Outside Directors' Compensation Plan will be determined by the executive compensation committee of our board of directors. If a director leaves our board of directors prior to completing any three-year term as director, any then unvested stock option would be forfeited. Any then vested and exercisable stock option would remain exercisable for five years after the director leaves our board of directors prior to the completion of a three-year term, subject to the maximum term of the stock option and except as otherwise provided by the executive compensation committee of our board of directors. Our board of directors has the power to amend or terminate the Outside Directors' Compensation Plan.

Employment Agreements

Genuity intends to enter into multi-year employment agreements with Messrs. Gudonis, Farina, D. O'Brien, and Parker. The agreements will describe the compensation opportunities and severance arrangements for each of these individuals in addition to any post-employment restrictions.

Indemnification of Directors and Executive Officers and Limitation on Liability

Our certificate of incorporation provides that our directors will not be liable to us or our stockholders for monetary damages for any breach of fiduciary duty, except to the extent otherwise required by the Delaware General Corporation Law. This provision will not prevent our stockholders from obtaining injunctive or other relief against our directors nor does it shield our directors from liability under federal or state securities laws.

Our certificate of incorporation also requires us to indemnify our directors and officers to the fullest extent permitted by the Delaware General Corporation Law, subject to a few very limited exceptions where indemnification is not permitted by applicable law. Our certificate of incorporation also requires us to advance expenses, as incurred, to our directors and executive officers in connection with any legal proceeding to the fullest extent permitted by the Delaware General Corporation Law. These rights are not exclusive.

Prior to the completion of this offering, we also intend to obtain directors' and officers' insurance to provide coverage for our directors, executive officers and some of our employees for specific liabilities, including public securities matters. We believe that these indemnification provisions and this insurance are necessary to attract and retain qualified directors and officers.

The limitation of liability and indemnification provisions in our certificate of incorporation may discourage stockholders from bringing a lawsuit against our directors for breach of their fiduciary duty. They may also reduce the likelihood of derivative litigation against directors and officers, even though an action, if successful, might benefit us and other stockholders. Furthermore, the value of the Class A common stock may be adversely affected to the extent we pay the costs of settlement and damage awards against directors and officers as required by these indemnification provisions.

RELATED PARTY TRANSACTIONS

We have provided below a summary description of the significant agreements that we expect to execute with GTE Service Corporation and other affiliates of GTE. These agreements will become effective at the completion of this offering. These descriptions, which summarize the material terms of the agreements, are not complete. You should read the full text of these agreements, which have been filed with the Securities and Exchange Commission as exhibits to the registration statement of which this prospectus is a part. We believe that the terms of these agreements are comparable to those that would have resulted from arms-length negotiations with parties other than GTE and its affiliates. We intend to negotiate any future agreements with Verizon on the same basis.

Transition Services Agreements

GTE and its affiliates currently provide a range of administrative and support services to us. We will enter into an Agreement for Transition Services and an Agreement for Information Technology Transition Services with GTE Service.

Agreement for Transition Services. Under this agreement, GTE Service will provide, to the extent we continue to require them on a transitional basis, the following services currently provided to us by various GTE affiliates:

- accounting and cash processing services, including payroll, asset accounting and accounts payable;
- billing and collection processing services;
- human resources services and benefits administration, including relationships with employee benefits providers; and
- real estate support services, including project management and environmental and safety services.

Agreement for Information Technology Transition Services. We and GTE Service will enter into this agreement in order to provide or receive, to the extent either party continues to require them on a transitional basis, the following services:

- software support services to ensure that software continues to run effectively after the offering; and
- hardware support services, including help desk support for personal computers, systems support centers for critical servers and local area network support.

In addition, we will provide wide area network support to GTE Service, and GTE Service will provide us with wide area network support in areas outside of Bell Atlantic's local service region. GTE Service also will provide us with computer programming and technical services, including the development of software interfaces and modifications and enhancements to existing systems.

Unless otherwise agreed, the ownership of any work product, including intellectual property, created during the provision of services under either of the transition service agreements will be determined under the terms and conditions of the Software Development and Technical Services Agreement described below. Similarly, any licenses relating to software will be granted on the same terms and conditions as used in the Software License Agreement described below.

The fees for these transition services are fixed under the agreements and were negotiated based on historical costs and comparable market prices. Both agreements have a term of one year, although some services will be used for less than a year. We will be able to terminate each or any portion of the agreements at any time upon 120 days notice to GTE Service. As an exception, the billing and collection processing services require 180 days notice in order to provide adequate transition time. GTE Service has the right to terminate the

agreements on 120 days notice only with respect to the information technology services that it receives from us. In connection with any termination or expiration, GTE Service will be obligated to cooperate with us to transition the work to another provider and to use commercially reasonable efforts to secure our continued use of any necessary third party technology.

Purchase, Resale and Marketing Agreement

We will enter into a Purchase, Resale and Marketing Agreement under which Verizon will purchase services from us that will include Internet access, value-added e-business services and private line and asynchronous transfer mode transport services. Verizon will be permitted to use these services internally or resell them on a stand-alone basis or as part of a bundled solution. Those services resold by Verizon may be co-branded with us or may be branded without use of our marks. To the extent we jointly market our services with Verizon, we will do so in compliance with all applicable federal law. We will not jointly market our services with Verizon in states in which Verizon would not have legal authority under applicable federal law to operate our company. We have granted Verizon most favored customer pricing and volume-based discounts. Under the terms of the agreement, Verizon will purchase at least \$500 million of our services over a five-year period. In the event that Verizon has not purchased \$200 million in services by the end of the third year of the contract, it would be required to pay to us at that time the difference between the amount of services purchased to date and \$200 million. Similarly, in the event Verizon has not purchased \$500 million in services by the end of the fifth year of the contract, it would be required to pay to us at that time the difference between the amount of services purchased to that date, including any shortfall payment made at the end of the third year, and \$500 million. The minimum purchase commitment is reduced in the event we do not comply with various obligations as to competitive pricing and other aspects of service, sale and delivery.

In order for us to properly plan for increasing demands for our services by our customers, Verizon is required to provide us with 18-month forecasts of its requirements on a quarterly basis. The agreement will remain in effect for five years and is renewable for additional one-year periods by mutual consent of the parties. Verizon may terminate the agreement on 90 days notice if a legislative or regulatory order materially or adversely changes its rights, obligations or risks in relation to the resale of our services. In this event, Verizon is obligated to cooperate with us to ensure the orderly transition to us of all outstanding reseller agreements, including the assignment of these agreements, and to reimburse us for costs incurred by us relating to this transition.

Under the agreement, if Verizon were to cause us to adjust our business as described below in this paragraph in order to convert its Class B common stock, it must provide us with 180 days prior written notice of the date on which it intends to convert its Class B common stock. This notice will also indicate if there are any states in which Verizon does not expect to have legal authority under applicable federal law to operate a long distance business at the time of the conversion of the Class B common stock. Upon receipt of this notice, we will adjust our operations in the states designated by Verizon in a manner necessary to allow Verizon to be in compliance with applicable federal law in these states after Verizon obtains a greater than 10% equity interest in our capital stock. In no event will the states designated by Verizon account for more than 3% of our total revenues during the preceding 12 months and in no event shall the adjustment of our operations result in the loss of overall revenue in excess of 3% of our total revenues during the preceding 12 months. Verizon will agree to pay an amount necessary to make us financially whole as a result of our modification of our business pursuant to this arrangement.

In conjunction with the Purchase, Resale and Marketing Agreement described above, we also plan to provide to Verizon undersea cable capacity in the ARCOS-1 Caribbean Ring System and have committed to negotiate with Verizon with respect to operating capacity on the Americas III Cable Network currently under construction.

Intellectual Property Agreements

We intend to enter into the following agreements with GTE Service in order to allocate rights relating to existing and future patents, software, other types of intellectual property and technical services.

Intellectual Property Ownership and Cross License Agreement. This agreement will apportion the ownership of existing patents, patent applications and other types of intellectual property between GTE Service and us. Under the agreement, existing patents and patent applications that relate exclusively to us will be owned exclusively by us. Existing patents and patent applications that relate to both us and GTE Service will be jointly owned by us and GTE Service. The remaining existing patents and patent applications that relate to GTE Service will be owned exclusively by GTE Service. Both we and GTE Service will grant each other a perpetual, non-exclusive, royalty-free worldwide license to each other's existing patents and patent applications. In addition, we will jointly own any currently existing, non-statutory intellectual property. Those patents and patent applications that either GTE Service or we develop in the future will be owned pursuant to applicable laws or any controlling agreements.

Software License Agreement. We plan to enter into a Software License Agreement with GTE Service under which it will grant us a non-exclusive, non-transferable, worldwide license to use software programs owned by GTE Service for our internal operations. In addition, GTE Service will provide us with updates to the licensed software programs pursuant to the Agreement for Information Technology Transition Services described above. In exchange for the license, we will pay GTE Service an annual license fee for each licensed software program. The term of each license will be one year and will be automatically renewable for successive one-year periods upon the payment of annual license fees. We may terminate or cancel any software license upon 30 days written notice to GTE Service. The licenses that GTE Service will grant us pertain to the object code of the licensed software programs only. The source code of the licensed software programs will be placed in an escrow account and will be made available to us pursuant to the terms and conditions of a separate escrow agreement.

Software Development and Technical Services Agreement. Under this agreement, GTE Service will provide us with software development and other technical services. For services related exclusively to our business, the newly created deliverable, including any newly created software and accompanying documentation, and all intellectual property rights in the deliverable, will be transferred to us by GTE Service. In return, we will grant to GTE Service a perpetual, royalty-free worldwide license to any deliverable owned by us for the internal use of GTE Service only. For services not related exclusively to us, GTE Service will retain ownership of any deliverable and will grant us a non-exclusive, royalty-free, non-sublicensable, non-transferable license to use the deliverable owned by GTE Service for our internal use only. The agreement will have a term of one year and will be renewable for successive one-year terms by mutual consent of the parties. We may terminate the agreement at any time following written notice to GTE Service.

Network Monitoring Agreement

Under the terms of an existing agreement, we receive continuous monitoring for some elements of our network infrastructure from GTE Network Services, including monitoring of network-enabling devices and processes to detect anomalies occurring in the network. The fees for monitoring services are fixed under the agreement and were negotiated based on historical costs and comparable market prices. The agreement may be terminated by us on 90 days notice.

Real Estate Agreements

We plan to enter into several agreements with Verizon to allocate space in various leased and owned properties between us and Verizon. None of the properties involved are material to our operations or business. Provisions of each agreement, including the lease and sublease payment of rent terms, vary depending on the underlying lease at the specified property and the result of negotiations pertaining to specific issues at a specified property.

In order to effect our transition to a stand-alone company, GTE also has agreed to issue new guaranties and to continue existing guaranties in order to support our real estate obligations. GTE has agreed to continue to issue new guaranties until six months following this offering or the date on which both Standard & Poor's and Moody's publish a credit rating for us, whichever occurs first. We have agreed to pay GTE a commercially reasonable fee during the time the guaranties are in force.

Registration Rights Agreement

Immediately after the completion of this offering, under a Registration Rights Agreement dated _____, 2000, Verizon and its transferees or assignees will be entitled to cause us to register shares of Class A common stock that are issued following the conversion of either our Class B common stock or our Class C common stock. We may postpone the filing of any registration statement up to two times for a total of 90 days in the event that the filing (1) would require the disclosure of sensitive information that would be seriously detrimental to us or (2) would occur at a time in which we are working on our annual audited financial statements. If marketing reasons dictate, the managing underwriter of any underwritten offering will have the right to limit the number of shares of common stock that Verizon and its transferees or assignees include in any registration statement. We will pay all expenses incurred in connection with the filings described below, except for underwriters' and brokers' discounts and commissions, which will be paid by each of the selling stockholders.

Demand Registration Rights. At any time after six months following this offering, Verizon and its transferees or assignees can request on sixteen occasions that we register all or a portion of their shares of Class A common stock on a registration statement so long as the total number of shares requested to be registered is at least the greater of (1) the value of five percent of the shares of Class A common stock issued and outstanding on the date of this offering and (2) an aggregate value of \$100,000,000. We are not required to file more than one demand registration statement within 90 days of the effectiveness of any registration statement, other than a shelf registration statement as described below.

Piggyback Registration Rights. At any time after six months following this offering, if we register any of our securities for public sale, either for our own account or for the account of any holder of our securities, Verizon and its transferees or assignees will have the right to include their shares of common stock in such registration. This right, however, applies only to a registration statement relating to an underwritten public offering for cash.

Shelf Registration Rights. At any time after six months following this offering, in the event that Verizon or one of its affiliates issues any securities that are convertible into or exchangeable for shares of Class A common stock owned by Verizon, Verizon will have the right to request that we file a registration statement relating to the conversion or exchange of the securities issued by Verizon or its affiliates. However, we will not be required to make such a filing unless the total number of shares requested to be registered is at least the greater of (1) the value of five percent of the shares of Class A common stock issued and outstanding on the date of this offering and (2) an aggregate value of \$100,000,000, in each case based on the closing trading price of the Class A common stock on the date the demand to file the shares is made.

Recapitalization Agreement

GTE will execute a recapitalization agreement in connection with its receipt of the Class B common stock. Under this agreement, GTE will exchange all of the shares of our common stock for such number of shares of Class B common stock that will equal 9.5% of the total number of shares of our common stock outstanding immediately after the completion of this offering. The recapitalization agreement contains customary representations and warranties, including with respect to the issuance of the Class B common stock. The recapitalization agreement also includes provisions enabling Verizon to purchase additional shares of Class B common stock under the circumstances described in the section in "Description of Capital Stock" entitled "Right to Purchase Additional Shares Upon Conversion." In addition, the recapitalization agreement contains provisions requiring us to obtain the consent of Verizon prior to taking the following actions:

- making any acquisition or series of related acquisitions with a purchase price that exceeds 20% of our market capitalization at the time of such acquisition. Market capitalization is determined by multiplying the closing price of our Class A common stock on the date of determination by the number of shares of common stock outstanding on that date, assuming for purposes of this calculation that the Class B common stock has been converted to the maximum extent permitted under our certificate of incorporation;

- making any acquisition with a purchase price in excess of \$100 million or entering into any joint venture which has a fair market value in excess of \$100 million immediately after formation, in each case that is not closely related to our business;
- making any disposition or series of related dispositions for consideration, including the assumption of indebtedness in excess of 20% of our market capitalization at the time of such disposition or, if earlier, of our entering into such disposition agreement;
- incurring indebtedness (including capital leases, guarantees of indebtedness of others, letters of credit and indebtedness acquired in connection with any acquisition, but excluding trade accounts payable) (1) in any calendar year that exceeds \$3.85 billion, net of any indebtedness repaid during that same calendar year, or (2) at any time, if immediately after the incurrence thereof, our indebtedness would exceed \$11.0 billion;
- entering into any agreement or arrangement that (1) binds or purports to bind, or following conversion, would bind or purport to bind, Verizon or any of its affiliates, or (2) contains provisions that trigger a default or require a material payment when Verizon exercises its rights to convert the Class B common stock;
- declaring extraordinary dividends or making other extraordinary distributions to the holders of our capital stock;
- issuing any equity securities or securities convertible or exercisable into equity securities except for:
 - (1) equity securities issued in connection with acquisitions, in an aggregate amount not to exceed 30% of the shares of common stock outstanding upon the completion of this offering, including shares of common stock outstanding immediately after the exercise of the underwriters' over-allotment option, if any;
 - (2) equity securities issued to fund operating needs, including capital expenditures, in an aggregate amount not to exceed 5% of the shares of common stock outstanding upon the completion of this offering, including shares of common stock outstanding immediately after the exercise of the underwriters' over-allotment option, if any;
 - (3) equity securities issued or granted to our employees, provided that:
 - (a) the number of equity securities issued or granted to individuals who were employees on April 6, 2000 does not exceed in the aggregate 5% of the shares of common stock outstanding upon the completion of this offering, including shares of common stock outstanding immediately after the exercise of the underwriters' over-allotment option, if any;
 - (b) the number of equity securities issued or granted to individuals who first become our employees within nine months of April 6, 2000, other than individuals who become our employees as a result of their former employer being acquired by us, does not exceed in the aggregate 1.0% of the shares of common stock outstanding upon the completion of this offering, including shares of common stock outstanding immediately after the exercise of the underwriters' over-allotment option, if any;
 - (c) the number of equity securities issued or granted to individuals who become our employees beginning on or after January 6, 2001, other than individuals who become our employees as a result of their former employer being acquired by us, does not exceed in the aggregate 3.0% of the shares of common stock outstanding upon the completion of this offering, including shares of common stock outstanding immediately after the exercise of the underwriters' over-allotment option, if any;
 - (d) the number of equity securities issued to a trustee or other fiduciary, or granted or reserved for issuance to our employees described in the previous clauses (a), (b) and (c) in connection with

our 401(k) or any similar plan does not exceed 0.5% of the shares outstanding upon completion of this offering, including shares of common stock outstanding immediately after the exercise of the underwriters over-allotment option, if any; and

- (e) the number of shares issued or granted to individuals who become our employees as a result of their former employer being acquired by us, including equity securities issued, granted or reserved for issuance to a trustee or other fiduciary or to our employees described in clause (d) in connection with our 401(k) or any similar plan, does not exceed 6.0% multiplied by the total of (i) the number of shares of common stock outstanding upon the completion of this offering plus (ii) the number of shares issued in connection with acquisitions completed by us minus (iii) the aggregate number of shares of common stock that may be issued under clauses (a), (b), (c) and (d) above.

For the purpose of calculating the percentage of the shares of common stock outstanding upon the completion of this offering, all shares of Class B common stock shall be deemed to have been converted into shares of Class A common stock to the maximum extent permitted under our certificate of incorporation. If options expire or terminate after being granted under subsection (3) above, those shares become available for any of the purposes stated in subsections (1) through (3).

We will not be required to obtain the consent of Verizon to take the above actions if at any time:

- Verizon and its affiliates do not have the right to vote more than 50% of the then outstanding shares of Class B common stock; or
- Verizon and its affiliates do not own shares of common stock constituting more than 10% of our then outstanding common stock; or
- Any third party and its affiliates own more than 50% of the then outstanding shares of Class B common stock.

Verizon may assign these consent rights to a third party who may exercise them so long as the third party directly or indirectly:

- owns and has the right to vote more than 50% of the then outstanding shares of Class B common stock; and
- owns or has the right to acquire more than 50% of our then outstanding common stock.

For purposes of calculating the ownership of our common stock in the two preceding paragraphs, shares of Class B common stock that can never be converted into more than their proportionate share of 10% of our total common stock outstanding shall be considered to have been converted on that basis. All other shares of Class B common stock shall be considered to have been converted to the maximum extent permitted under our certificate of incorporation.

SOLE STOCKHOLDER

Prior to this offering, all of the outstanding shares of our common stock will be owned by GTE. The mailing address of GTE Corporation is 1255 Corporate Drive, Irving, Texas 75038. Upon completion of this offering, Verizon will beneficially hold all of the outstanding shares of our Class B common stock, which will represent 9.5% of the voting power of our outstanding capital stock at that time, before giving effect to any outstanding options to purchase shares of our Class A common stock under our long-term incentive plans. Except for Verizon, we are not aware of any person or group that will beneficially own more than five percent of our Class A common stock or Class B common stock upon completion of this offering. There will not be any shares of our Class C common stock outstanding immediately after this offering.

None of our directors and executive officers beneficially owns any shares of our common stock. We intend to grant to our officers and directors options to purchase an aggregate of 6,075,000 shares of our Class A common stock with an exercise price equal to the public offering price set forth on the cover page of this prospectus. Assuming the exercise of these options, these officers and directors would beneficially own 3% of our Class A common stock.

DESCRIPTION OF CAPITAL STOCK

Immediately following the completion of this offering, our authorized capital stock will consist of 1,600,000,000 shares of Class A common stock, par value \$0.01 per share, 21,000,000 shares of Class B common stock, par value \$0.01 per share, 800,000,000 shares of Class C common stock, par value \$0.01 per share, and 50,000,000 shares of preferred stock, par value \$0.01 per share. Immediately following the completion of this offering, there will be outstanding:

- 173,913,000 shares of Class A common stock, all of which will be owned by the investors purchasing shares in this offering;
- options to purchase approximately 50,000,000 shares of Class A common stock;
- 18,256,000 shares of Class B common stock, all of which will be owned by Verizon;
- no shares of Class C common stock; and
- no shares of preferred stock.

In the event that the underwriters exercise any portion of the over-allotment option, we will subdivide our shares of Class B common stock so that Verizon will beneficially own 9.5% of the total number of shares of common stock then outstanding, before giving effect to any issuance of shares of Class A common stock upon the exercise of outstanding options of Genuity.

Common Stock

The shares of our Class A common stock, Class B common stock and Class C common stock are identical in all respects except for voting rights, conversion rights and as otherwise described below. The rights, preferences and privileges of holders of our Class A common stock, Class B common stock and Class C common stock are subject to the rights of the holders of shares of any other class of common stock that we may authorize and issue and any series of preferred stock that we may designate and issue in the future.

Voting Rights. Each share of Class A common stock and Class B common stock entitles the holder to one vote on each matter submitted to a vote of our stockholders. Each share of Class C common stock entitles the holder to five votes on each matter. Except as required by applicable law or as discussed below, the holders of the Class A common stock, Class B common stock and Class C common stock vote together as a single class on all matters submitted to a vote of our stockholders.

So long as 50% of the shares of Class B common stock outstanding immediately following the completion of this offering, including additional shares of Class B common stock issued to Verizon in connection with the exercise of the over-allotment option, remain outstanding, no person or group of persons acting together, as determined pursuant to Rule 13d-3 under the Securities Exchange Act of 1934, will be permitted to vote any of the shares of Class A common stock beneficially owned by that person or group of persons in excess of 20% of the aggregate number of then outstanding shares of Class A common stock, except as set forth below. To the extent any person or group of persons beneficially owns more than 20% of the shares of Class A common stock, the vote of any excess shares will be apportioned among the other holders of Class A common stock in accordance with their respective percentage ownership. In order to enforce this limitation, our certificate of incorporation permits us to require stockholders or groups that have filed or, in the reasonable judgment of our board of directors after consultation with legal counsel, were required by law to have filed, a Schedule 13D or Schedule 13G, or any successor schedules or forms, under the Securities Exchange Act, to certify to us in writing the number of shares of Class A common stock beneficially owned by them as of the applicable record date. This prohibition on voting excess shares of Class A common stock does not apply to Verizon or its affiliates or to any person or group of persons that acquired Class A common stock by converting Class B common stock.

So long as any shares of Class B common stock remain outstanding, the holders of Class B common stock, voting separately as a class, will have the right to elect one member of our board of directors.

The holders of Class B common stock are also entitled to vote with the holders of the Class A common stock and Class C common stock in the election of the other directors. You should refer to the section in “Management” entitled “Composition of Board of Directors” for a more detailed description of our board of directors.

In addition, the affirmative vote of the holders of a majority of the outstanding shares of Class B common stock, voting separately as a class, is required before we:

- amend our certificate of incorporation, or amend our bylaws in a way that affects the rights of the holders of the Class B common stock;
- agree to enter into a merger, consolidation or sale, lease or other disposition of all or substantially all of our assets;
- file or declare bankruptcy or liquidation;
- authorize additional shares of our capital stock;
- materially change the nature or scope of our business from the description of the business and business plan in this prospectus; or
- take any action that would make it unlawful for a holder of Class B common stock to exercise its conversion rights.

Except as described in the next paragraph, this class vote will not be required if at any time:

- Verizon and its affiliates do not have the right to vote more than 50% of the then outstanding shares of Class B common stock;
- Verizon and its affiliates do not own shares of common stock constituting more than 10% of our then outstanding common stock; or
- Any third party and its affiliates own more than 50% of the then outstanding shares of Class B common stock.

The class vote of the holders of Class B common stock will still be required if:

- Verizon has transferred shares of Class B common stock to a third party that directly or indirectly owns and has the right to vote more than 50% of the then outstanding shares of Class B common stock; and
- the Class B common stock at the time constitutes more than 50% of our then outstanding common stock.

For purposes of calculating the ownership of our common stock in the two preceding paragraphs, shares of Class B common stock that can never be converted into more than their proportionate share of 10% of our total common stock outstanding shall be considered to have been converted on that basis. All other shares of Class B common stock shall be considered to have been converted to the maximum extent permitted under our certificate of incorporation.

We have also entered into an agreement that requires us to obtain the consent of Verizon or its assignees prior to taking other actions. You should refer to the section in “Related Party Transactions” entitled “Recapitalization Agreement.”

Dividends, Distributions and Stock Splits. Subject to preferences that may apply to any outstanding series of preferred stock, the holders of each of our three classes of common stock are entitled to receive dividends at the same rate if, as and when dividends are declared by the board of directors out of assets legally available therefor. In the case of dividends or distributions payable in common stock, only shares of Class A common stock will be distributed on Class A common stock, only shares of Class B common stock will be distributed on Class B common stock and only shares of Class C common stock will be distributed on Class C common stock. Except as described above, in no event may any of the shares of Class A common stock, Class B common stock or Class C common stock be subdivided or combined in any manner unless each other class is subdivided or combined in the same proportion.

Conversion of Class A Common Stock. The Class A common stock has no conversion rights.

Conversion of Class B Common Stock. Immediately after the completion of this offering, Verizon will own all of our outstanding shares of Class B common stock. Although the ability of Verizon to convert its Class B common stock is limited by the proposal to the FCC, these shares by their terms are convertible at any time into either:

- shares of Class A common stock equal to 10% of our total common stock immediately after the conversion; or
- 800 million shares of Class A common stock or, for Verizon or any of its affiliates and at their election, Class C common stock, which represents approximately 82%, or 80% if the underwriters exercise in full the over-allotment option, of our shares of common stock outstanding immediately following this offering.

Under the proposal to the FCC:

- if Verizon has not eliminated Section 271 restrictions applicable to its operation of our business as to at least 50% of Bell Atlantic in-region lines, the outstanding shares of our Class B common stock can only be converted into shares of our Class A common stock that after the conversion will represent 10% of our total common stock then outstanding. If Verizon transfers the Class B common stock before meeting this 50% threshold, the transferee's conversion rights would be similarly limited;
- if Verizon has eliminated applicable Section 271 restrictions as to at least 50% of Bell Atlantic in-region lines, it could transfer its shares of Class B common stock to one or more third parties who would then be able to convert them in the aggregate into 800 million shares of Class A common stock;
- if Verizon has eliminated applicable Section 271 restrictions as to 100% of Bell Atlantic in-region lines, Verizon or its affiliates could convert the Class B common stock into 800 million shares of Class A common stock or Class C common stock; and
- if Verizon has eliminated applicable Section 271 restrictions as to 95% of Bell Atlantic in-region lines, Verizon may require us to reconfigure our operations in one or more Bell Atlantic in-region states where Verizon has not eliminated those restrictions in order to bring those operations into compliance with Section 271 and therefore be able to convert the Class B common stock into 800 million shares of Class A common stock or Class C common stock. To require us to reconfigure our operations, Verizon must give the FCC at least 90 days advance notice of its intent to exercise its conversion rights and submit to the FCC a plan for the reconfiguration of our operations in the relevant state or states. The reconfiguration of our operations must not result in the loss to us of more than 3% of our annual revenue and Verizon must reimburse us for the cost of such reconfiguration.

If Verizon were to cause us to reconfigure our business in the manner described in the preceding paragraph, it must also comply with the provisions of the Purchase, Resale and Marketing Agreement, including providing us with 180 days prior written notice of the date on which it intends to convert its Class B common stock and paying us an amount necessary to make us financially whole as a result of these modifications to our business. You should refer to the section in "Related Party Transactions" entitled "Purchase, Resale and Marketing Agreement" for more information.

Notwithstanding the above provisions, if before Verizon has eliminated applicable Section 271 restrictions as to at least 50% of Bell Atlantic in-region lines, a court or governmental agency of competent jurisdiction rules that Verizon's interest in us violates Section 271 of the Telecommunications Act, then under the proposal to the FCC:

- Verizon can at that time convert its shares of our Class B common stock into 800 million shares of our Class A common stock or Class C common stock for the purpose of disposing of all such shares above 10%; or
- Verizon can sell some or all of its Class B common stock to a third party who shall have the right to convert such shares into 800 million shares of our Class A common stock or Class C common stock.

Under the proposal to the FCC, if Verizon has not eliminated the applicable Section 271 restrictions as to 100% of Bell Atlantic in-region lines on or before _____, 2005, which date may be extended under conditions that we describe below, Verizon's ability to convert the Class B common stock into 800 million shares of Class A common stock or Class C common stock will expire. Verizon will continue to retain its right to convert its shares into shares of Class A common stock representing 10% of our total common stock then outstanding. If Verizon has satisfied the applicable Section 271 restrictions as to 100% of Bell Atlantic in-region lines on or before that date, its ability to convert the Class B common stock does not expire. Class B common stock transferred by Verizon to a third party will not be subject to this expiration limitation.

Under the proposal to the FCC, Verizon may file a petition to extend the date by which Verizon must eliminate the applicable Section 271 restrictions, and in the event of that filing, the date will be extended to _____, 2006 or later at the discretion of the FCC, if by _____, 2005 Verizon has eliminated the applicable Section 271 restrictions on:

- (1) all but 10% of Bell Atlantic in-region lines; or
- (2) all of Bell Atlantic in-region lines except for:
 - lines in any one state, regardless of the number of Bell Atlantic in-region lines accounted for by that state; and
 - lines in additional states accounting for, in the aggregate, up to 5% of Bell Atlantic in-region lines.

If on the original or extended date referred to above Verizon has entered into an agreement to sell the Class B common stock to a third party, then Verizon shall be given a reasonable period of time to allow for the completion of the sale under an agreement and the purchaser's immediate conversion of the Class B common stock thereafter.

Conversion of Class C Common Stock. The Class C common stock is convertible into Class A common stock, in whole or in part, at any time and from time to time at the option of the holder, on the basis of one share of Class A common stock for each share of Class C common stock. Each share of Class C common stock will automatically convert into one share of Class A common stock if at any time the aggregate number of outstanding shares of Class C common stock, together with any shares of Class C common stock issuable upon conversion of Class B common stock, constitute less than 10% of our then outstanding common stock.

Transfer of Class C Common Stock. If any party other than Verizon or its affiliates converts shares of our Class B common stock, such party can only receive shares of our Class A common stock. Verizon can receive shares of our Class C common stock upon conversion of its Class B common stock, either after eliminating applicable Section 271 restrictions as to 100% of Bell Atlantic in-region lines or, in connection with a disposition of Verizon's shares of our common stock, after eliminating applicable Section 271 restrictions as to at least 50% of Bell Atlantic in-region lines. In either event, Verizon can transfer shares of our Class C common stock to one or more persons, provided that any shares of our Class C common stock so transferred will automatically convert into shares of our Class A common stock on the earlier to occur of (1) any subsequent transfer of ownership of such shares or (2) the first anniversary of the transfer of such shares by Verizon. As a result of the foregoing, one or more third parties could own shares of our Class C common stock.

Limitation on Receipt of Sale Proceeds. Under the proposal to the FCC, if Verizon sells its shares of our Class B common stock, or the shares of our common stock received by it on conversion of its shares of our Class B common stock, after eliminating Section 271 restrictions applicable to its operation of our business as to at least 50% but less than 95% of Bell Atlantic in-region lines, Verizon will be required to pay to the U.S. Treasury the portion of its after tax proceeds that exceeds the proceeds it would have received for the shares it is not permitted to hold from a comparable investment in the Standard & Poors 500 Index. This payment may be reduced in the discretion of the FCC.

Right to Purchase Additional Shares Upon Conversion. If at any time during the one year following the conversion by Verizon or its affiliates of any shares of Class B common stock Verizon and its affiliates control shares of Class A common stock and Class C common stock that together equal or exceed 70% of the total number of shares of common stock then outstanding, Verizon will have the right to acquire from us a number of shares of Class A common stock so that, immediately after the acquisition, Verizon and its affiliates' combined ownership of Class A and Class C common stock will be equal to 80% of the total number of shares of common stock then outstanding. This right to purchase additional shares may be exercised only one time. The price payable per share in this purchase would consist of cash or other property with a fair market value equal to the average of the closing prices for the Class A common stock for the 30 trading days immediately preceding the date of the purchase. In the event Verizon elects to pay the purchase price in property, the fair market value of such property will be established by an appraisal conducted by a nationally recognized appraiser chosen by our independent directors. Verizon shall not be permitted to pay the purchase price in property if our independent directors determine that:

- our ownership of such property will violate the law including without limitation any federal or state regulations applicable to us; or
- the property is not reasonably useful to us in light of our then existing business plan.

Liquidation. In the event of any dissolution, liquidation, or winding up of our affairs, whether voluntary or involuntary, the holders of the Class A common stock, the Class B common stock and the Class C common stock will be entitled to share ratably, in proportion to the number of shares they represent of our outstanding common stock, in the assets legally available for distribution to stockholders, in each case after payment of all of our liabilities and subject to preferences that may apply to any series of preferred stock then outstanding. We may not dissolve, liquidate or wind up our affairs without obtaining the consent of the holders of the outstanding shares of our Class B common stock.

Mergers and Other Business Combinations. If we enter into a merger, consolidation or other similar transaction in which shares of our common stock are exchanged for or converted into securities, cash or any other property, the holders of each class of our common stock will be entitled to receive an equal per share amount of the securities, cash, or other property, as the case may be, for which or into which each share of any other class of common stock is exchanged or converted; provided that in any such merger, consolidation or other similar transaction, the holders of the shares of Class B common stock shall be entitled to receive, at their election, either (1) the merger consideration such holders would have received had they converted their shares of Class B common stock immediately prior to the consummation of such transaction or (2) a new security that is convertible into the merger consideration and has substantially identical voting and other rights as the Class B common stock. In any transaction in which shares of capital stock are distributed, the shares that are exchanged for or converted into the capital stock may differ as to voting rights and conversion rights only to the extent that the voting rights and conversion rights of Class A common stock, Class B common stock and Class C common stock differ at that time. As described above, the holders of the Class B common stock, voting separately as a class, must consent to any merger, consolidation or other similar transaction.

Other Provisions. The holders of our Class A common stock, Class B common stock and Class C common stock are not entitled to preemptive rights. There are no redemption provisions or sinking fund provisions that apply to the Class A common stock, the Class B common stock or the Class C common stock.

Preferred Stock

Our board of directors has the authority, without further action by the holders of our Class A common stock or Class C common stock, to issue from time to time, shares of our preferred stock in one or more series. The issuance of shares of preferred stock is, however, subject to the approval of holders of the Class B common stock. Once the approval of the holders of the Class B common stock has been obtained, our board of directors may fix the number of shares, designations, preferences, powers and other special rights of the preferred stock. The preferences, powers, rights and restrictions of different series of preferred stock may differ.

The issuance of preferred stock could decrease the amount of earnings and assets available for distribution to holders of common stock or affect adversely the rights and powers, including voting rights, of the holders of common stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, may also have the effect of discouraging, delaying or preventing a change in control of our company, regardless of whether the transaction may be beneficial to stockholders. After the closing of this offering, there will be no shares of preferred stock outstanding and we have no current plans to issue any shares of preferred stock.

Anti-takeover Effects of Delaware Law and our Certificate of Incorporation and Bylaws

In addition to the special approval and conversion rights of the Class B common stock and the provision referred to above relating to the voting of beneficial ownership above 20% of our outstanding shares of Class A common stock, there are provisions of the Delaware General Corporation Law and other provisions of our certificate of incorporation and bylaws that may be deemed to have an anti-takeover effect and may discourage, delay or prevent a tender offer or takeover attempt that a stockholder might consider in its best interest, including those attempts that might result in a premium over the market price for the shares held by our stockholders. Under our bylaws, the provisions summarized below regarding our classified board, action by written consent and stockholder meetings can be amended by the vote of either:

- both 80% of the voting power of all of our voting stock and 50% of the voting power of our Class B common stock; or
- 80% of the voting power of the Class B common stock, provided that such vote occurs in connection with the delivery of a conversion notice pursuant to which the Class B common stock is converted into greater than 10% of our common stock.

Classified Board of Directors. Other than the director elected by the holders of our Class B common stock, our board of directors will be divided at our initial meeting of stockholders into three classes of directors, as nearly equal in size as possible, serving staggered three-year terms. Upon expiration of the term of a class of directors, the directors in that class will be elected for three-year terms at the annual meeting of stockholders in the year in which the term for that class of directors expires. In addition, our bylaws provide that directors, other than the director elected by the holders of the Class B common stock, may be removed only for cause by the affirmative vote of the holders of a majority of the shares of capital stock entitled to vote in the election of directors. Under our bylaws, a vacancy on the board of directors, other than a vacancy with respect to the director elected by the holders of the Class B common stock but including a vacancy resulting from an enlargement of the board of directors, may only be filled by vote of a majority of the directors then in office. The classification of the board of directors and the limitations on removing directors and filling vacancies could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from acquiring, control of us.

Stockholder Action; Special Meeting of Stockholders. Our certificate of incorporation eliminates the ability of our Class A common stock to act by written consent. Our bylaws further provide that special meetings of our stockholders may be called only by the chairman of the board of directors or a majority of the board of directors. These provisions could have the effect of delaying until the next annual meeting of stockholders those actions that are favored by the holders of a majority of our outstanding voting securities. These provisions may also discourage another person from making a tender offer for our common stock, because that person, even if it acquired a majority of our outstanding voting securities, would be able to take action as a stockholder, such as electing new directors or approving a merger, only at a duly called meeting of stockholders and not by written consent.

Advance Notice Requirements for Stockholder Proposals and Directors Nominations. Our bylaws provide that stockholders seeking to bring business before an annual meeting of stockholders, or to nominate candidates for election as directors at an annual meeting of stockholders, must provide timely notice thereof in writing.

To be timely, a stockholder's notice must be received at our principal executive offices not less than 90 days nor more than 120 days prior to the anniversary date of the immediately preceding annual meeting of stockholders. In the event that the annual meeting is called for a date that is not within 30 days before or after the anniversary date, in order to be timely, notice from the stockholder must be received no later than the tenth day following the date on which notice of the annual meeting was mailed to stockholders or made public, whichever occurred earlier. Our bylaws also specify requirements as to the form and content of a stockholder's notice. These provisions may preclude stockholders from bringing matters before an annual meeting of stockholders or from making nominations for directors at an annual meeting of stockholders.

Authorized but Unissued Shares. The authorized but unissued shares of common stock and preferred stock are available for future issuance without approval of the holders of Class A or Class C common stock. As described above, the vote of the holders of the Class B common stock, voting separately as a class, is required to issue equity securities in excess of specified limits. These additional shares may be utilized for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions and employee benefit plans. The existence of authorized but unissued shares of common stock and preferred stock could render more difficult or discourage an attempt to obtain control of us by means of a proxy contest, tender offer, merger or otherwise.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is EquiServe.

IMPORTANT UNITED STATES TAX CONSEQUENCES TO NON-U.S. HOLDERS OF CLASS A COMMON STOCK

This section is a general discussion of important United States federal income and estate tax consequences of the ownership and disposition of our Class A common stock by a non-U.S. holder. You are a non-U.S. holder if you are, for United States federal income tax purposes:

- a non-resident alien individual;
- a foreign corporation;
- a foreign partnership; or
- an estate or trust that in either case is not subject to United States federal income tax on a net income basis on income or gain from Class A common stock.

We do not, however, discuss all aspects of United States federal taxation that may be important to a particular non-U.S. holder in light of specific facts and circumstances relevant to that non-U.S. holder. For example this section does not describe special tax rules that could apply to a non-U.S. holder who was previously a U.S. resident or citizen. This section also does not address the treatment of a non-U.S. holder under the laws of any state, local or foreign taxing jurisdiction. This section is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended, existing and proposed regulations, and administrative and judicial interpretations, all as currently in effect. These laws are subject to change, possibly on a retroactive basis.

You should consult a tax advisor regarding the United States federal tax consequences of acquiring, holding and disposing of Class A common stock in your particular circumstances, as well as any tax consequences that may arise under the laws of any state, local or foreign taxing jurisdiction

Dividends

Except as described below, if you are a non-U.S. holder of Class A common stock, dividends paid to you are subject to withholding of United States federal income tax at a 30% rate or at a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower rate. Under currently effective United States Treasury regulations, for purposes of determining if dividends are subject to the 30% withholding tax, dividends paid to an address in a foreign country are presumed to be paid to a resident of that country, unless the person making the payment has knowledge to the contrary. Under current interpretations of United States Treasury regulations, this presumption also applies for purposes of determining whether a lower withholding rate applies under an income tax treaty.

Under United States Treasury regulations that will generally apply to dividends paid after December 31, 2000, you must satisfy certification requirements in order to claim the benefit of a lower treaty rate. Additionally, if you are a partner in a foreign partnership, you, in addition to the foreign partnership, must satisfy the certification requirements and the partnership must provide information as well. The Internal Revenue Service will apply a look-through rule in the case of tiered partnerships.

If you are eligible for a reduced rate of United States withholding tax under a tax treaty, you may obtain a refund of any amounts withheld in excess of that rate by filing a refund claim with the United States Internal Revenue Service.

If the dividends are “effectively connected” with your conduct of a trade or business within the United States, and, if required by a tax treaty, the dividends are attributable to a permanent establishment that you maintain in the United States, then the dividends generally are not subject to withholding tax. Instead, “effectively connected” dividends are taxed at rates applicable to United States citizens, resident aliens and domestic United States corporations.

If you are a corporate non-U.S. holder, “effectively connected” dividends that you receive may be subject to an additional “branch profits tax” at a 30% rate or at a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower rate.

Gain on Disposition of Class A Common Stock

If you are a non-U.S. holder, you generally will not be subject to United States federal income tax on gain that you recognize on a disposition of Class A common stock unless:

- the gain is “effectively connected” with your conduct of a trade or business in the United States, and the gain is attributable to a permanent establishment that you maintain in the United States, if that is required by an applicable income tax treaty as a condition for subjecting you to United States taxation on a net income basis;
- you are an individual, you hold the Class A common stock as a capital asset, you are present in the United States for 183 or more days in the taxable year of the sale and other specific requirements are met; or
- we are or have been a United States real property holding corporation for federal income tax purposes and you held, directly or indirectly, at any time during the five-year period ending on the date of disposition, more than 5% of the Class A common stock and you are not eligible for any treaty exemption.

If you are a corporate non-U.S. holder, “effectively connected” gains that you recognize may also, in some circumstances, be subject to an additional “branch profits tax” at a 30% rate or at a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower rate.

We have not been, are not and do not anticipate becoming a United States real property holding corporation for United States federal income tax purposes.

Federal Estate Taxes

Class A common stock held by an individual who is a non-U.S. holder at the time of death will be included in the holder’s gross estate for United States federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

Information Reporting and Backup Withholding

Under currently applicable law, if you are a non-U.S. holder, dividends paid to you at an address outside the United States generally will not be subject to United States information reporting requirements or backup withholding tax. Beginning with payments made after December 31, 2000, a non-U.S. holder will be entitled to such exemption only if the non-U.S. holder provides a Form W-8BEN or otherwise meets documentary evidence requirements for establishing that it is a non-U.S. holder, or otherwise establishes an exemption.

The gross proceeds from the disposition of Class A common stock may be subject to information reporting and backup withholding tax at a rate of 31%. If you sell your Class A common stock outside of the United States through a non-U.S. office of a non-U.S. broker, and the sales proceeds are paid to you outside the United States, then United States backup withholding and information reporting requirements generally will not apply to that payment. However, United States information reporting, but not backup withholding, will apply to a payment of sales proceeds, even if that payment is made outside the United States, if you sell your Class A common stock through a non-U.S. office of a broker that:

- is a United States person;

- derives 50% or more of its gross income in specific periods from the conduct of a trade or business in the United States;
- is a “controlled foreign corporation” as to the United States; or
- with respect to payments made after December 31, 2000, is a foreign partnership, if at any time during its tax year:
 - one or more of its partners are U.S. persons, as defined in United States Treasury regulations, who in the aggregate hold more than 50% of the income or capital interests in the partnership;
 - at any time during its tax year, the foreign partnership is engaged in a United States trade or business,

unless the broker has documentary evidence in its files that you are a non-U.S. person or you otherwise establish an exemption.

If you receive payments of the proceeds of a sale of Class A common stock to or through a United States office of a broker, the payment is subject to both United States backup withholding and information reporting unless you certify, under penalties of perjury, that you are a non-U.S. person or you otherwise establish an exemption.

You generally may obtain a refund of any amounts withheld under the backup withholding rules that exceed your income tax liability by filing a refund claim with the United States Internal Revenue Service.

SHARES ELIGIBLE FOR FUTURE SALE

The sale of a substantial amount of our Class A common stock, including shares issued upon exercise of outstanding options to purchase Class A common stock, in the public market after this offering could adversely affect the prevailing market price of our Class A common stock. Furthermore, because no shares of Class A common stock will be available for sale shortly after this offering due to the contractual restrictions on resale described in the section entitled “Underwriting” and the legal restrictions on resale described below, the sale of a substantial amount of common stock in the public market after these restrictions lapse could adversely affect the prevailing market price of our Class A common stock and our ability to raise equity capital in the future.

Upon completion of this offering, we will have outstanding an aggregate of 173,913,000 shares of our Class A common stock and 18,256,000 shares of Class B common stock. The Class B common stock is convertible into 800 million shares of Class A common stock or Class C common stock as described elsewhere in this prospectus. The Class C common stock is convertible into shares of Class A common stock. All of the 173,913,000 shares of our Class A common stock sold in this offering will be freely tradable without restriction or further registration under the Securities Act, unless the shares are purchased by “affiliates” as that term is defined in Rule 144 under the Securities Act. Any shares purchased by an affiliate may not be resold except pursuant to an effective registration statement or an applicable exemption from registration, including an exemption under Rule 144 of the Securities Act. The shares of Class A common stock issuable upon conversion of the Class A common stock or Class C common stock will be “restricted securities” as that term is defined in Rule 144 under the Securities Act. These restricted securities may be sold in the public market only if they are registered or if they qualify for an exemption from registration under Rule 144 or Rule 701 under the Securities Act. All of the shares of Class B common stock are subject to lock-up agreements as described more fully in the section entitled “Underwriting”.

Stock Options

Immediately after the completion of this offering, there will be options to purchase approximately 50 million shares of our Class A common stock outstanding under our long-term incentive plans. Shortly after the completion date of this offering, we expect to file a registration statement under the Securities Act covering the 90 million shares of Class A common stock reserved for issuance under our long-term incentive plans. The shares of our Class A common stock registered under this registration statement would be immediately available for sale in the open market, subject to vesting restrictions for these options and the lock-up agreements.

UNDERWRITING

Under the terms and subject to the conditions contained in an underwriting agreement dated the date of this prospectus, the underwriters named below, for whom Morgan Stanley & Co. Incorporated and Salomon Smith Barney Inc. are acting as representatives, have agreed to purchase, and we have agreed to sell to them, the number of shares indicated below:

<u>Underwriters</u>	<u>Number of Shares</u>
Morgan Stanley & Co. Incorporated	
Salomon Smith Barney Inc.	
Total	173,913,000

The underwriters are offering the shares of Class A common stock subject to their acceptance of the shares from us and subject to prior sale. The underwriting agreement provides that the obligations of the underwriters to pay for and accept delivery of the shares of Class A common stock offered by this prospectus are subject to various conditions. The underwriters must take and pay for all of the shares of Class A common stock offered by this prospectus if any of these shares are taken. However, the underwriters are not required to take or pay for the shares covered by the underwriters' over-allotment option described below.

The underwriters initially propose to offer part of the shares of Class A common stock directly to the public at the public offering price listed on the cover page of this prospectus and part to dealers at a price that represents a concession not in excess of \$ _____ a share under the public offering price. Any underwriter may allow, and dealers may reallow, a concession not in excess of \$ _____ a share to other underwriters or to dealers. After the initial offering of the shares of Class A common stock, the offering price and other selling terms may from time to time be varied by the representatives of the underwriters.

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to an aggregate of 26,087,000 additional shares of Class A common stock at the public offering price listed on the cover page of this prospectus, less underwriting discounts and commissions. The underwriters may exercise this option solely for the purpose of covering overallotments, if any, made in connection with the offering of the shares of Class A common stock offered by this prospectus. To the extent the option is exercised, each underwriter will become obligated, subject to conditions, to purchase about the same percentage of the additional shares of Class A common stock as the number listed next to the underwriter's name in the preceding table bears to the total number of shares of Class A common stock listed next to the names of all underwriters in the preceding table. If the underwriters exercise the option in full, the total price to the public would be \$ _____, the total underwriters' discounts and commissions would be \$ _____ and total proceeds to us would be \$ _____.

The underwriters have informed us that they do not intend sales to discretionary accounts to exceed five percent of the total number of shares of Class A common stock offered by them.

We have applied to have our Class A common stock listed on the Nasdaq National Market under the symbol "GENU".

Each of Genuity, the directors and executive officers of Genuity, the persons purchasing shares of our Class A common stock in the directed share program and GTE has agreed that, without the prior written consent of Morgan Stanley & Co. Incorporated and Salomon Smith Barney Inc. on behalf of the underwriters, it will not, during the period ending 180 days after the date of this prospectus:

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of

directly or indirectly, any shares of Class A common stock or any securities convertible into or exercisable or exchangeable for Class A common stock; or

- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Class A common stock;

whether any transaction described above is to be settled by delivery of Class A common stock or such other securities, in cash or otherwise. The restrictions described in this paragraph do not apply to:

- the sale of shares to the underwriters;
- our issuance of shares of Class A common stock upon the exercise of an option or a warrant or the conversion of a security outstanding on the date of this prospectus of which the underwriters have been advised in writing; or
- transactions by any person other than us relating to shares of Class A common stock or other securities acquired in open market transactions after the completion of the offering of the shares.

The representatives of the underwriters may also waive the restrictions described above in their discretion.

In order to facilitate the offering of the Class A common stock, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the Class A common stock. Specifically, the underwriters may over-allot in connection with the offering, creating a short position in the Class A common stock for their own account. In addition, to cover over-allotments or to stabilize the price of the Class A common stock, the underwriters may bid for, and purchase, shares of Class A common stock in the open market. Finally, the underwriting syndicate may reclaim selling concessions allowed to an underwriter or a dealer for distributing the common stock in the offering, if the syndicate repurchases previously distributed common stock in transactions to cover syndicate short positions, in stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market price of the common stock above independent market levels. The underwriters are not required to engage in these activities, and may end any of these activities at any time.

We and the underwriters have agreed to indemnify each other against liabilities, including liabilities under the Securities Act.

Directed Share Program

At our request, the underwriters have reserved for sale, at the initial offering price, up to 8,695,650 shares of our Class A common stock offered by this prospectus. The number of shares of Class A common stock available for sale to the general public will be reduced to the extent such persons purchase such reserved shares. Any reserved shares that are not so purchased will be offered by the underwriters to the general public on the same basis as the other shares offered hereby.

Pricing of the Offering

Prior to this offering, there has been no public market for the Class A common stock. The initial public offering price will be determined by negotiations between us and the representatives of the underwriters. The factors to be considered in determining the initial public offering price will include the future prospects of our company and its industry in general, sales, earnings and other financial operating information of our company in recent periods, and the price-earnings ratios, price-sales ratios, market prices of securities and some financial and operating information of companies engaged in activities similar to those of our company. The estimated initial public offering price range indicated on the cover page of this preliminary prospectus is subject to change as a result of market conditions and other factors.

VALIDITY OF CLASS A COMMON STOCK

The validity of the Class A common stock offered by this prospectus will be passed upon by Ropes & Gray, Boston, Massachusetts, for Genuity, and by Sullivan & Cromwell, New York, New York, for the underwriters.

EXPERTS

The financial statements and schedule included in this prospectus and elsewhere in the registration statement have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their report with respect thereto, and are included herein in reliance upon the authority of said firm as experts in giving said report.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the Securities and Exchange Commission a Registration Statement on Form S-1, including exhibits and schedules, under the Securities Act with respect to the Class A common stock to be sold in this offering. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement or the exhibits and schedules that are part of the registration statement. The statements contained in this prospectus as to the contents of any contract or other document filed as an exhibit to the registration statement are not necessarily complete. If a contract or document has been filed as an exhibit to the registration statement, we refer you to the copy of the contract or document that has been filed. You may read and copy all or any portion of the registration statement or any reports, statements or other information in the files at the following public reference facilities of the Securities and Exchange Commission:

Washington, D.C.
Room 1024, Judiciary Plaza
450 Fifth Street, N.W.
Washington, D.C., 20549

New York, New York
Seven World Trade Center
Suite 1300
New York, New York 10048

Chicago, Illinois
500 West Madison Street
Suite 1400
Chicago, Illinois 60661

You can request copies of these documents upon payment of a duplicating fee by writing to the Commission. You may call the Commission at 1-800-SEC-0330 for further information on the operation of its public reference rooms. Our filings, including the registration statement, will also be available to you on the Internet web site maintained by the Commission at <http://www.sec.gov>.

We intend to furnish our stockholders with annual reports containing financial statements audited by our independent auditors.

GENUITY INC.

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After the recapitalization, issuance of Class B common stock and finalization of agreements discussed in Notes 6, 13 and 14 to Genuity Inc.'s combined financial statements are effected, we expect to be in a position to render the following audit report.

ARTHUR ANDERSEN LLP

May 20, 2000

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholder of Genuity Inc.:

We have audited the accompanying combined balance sheets of Genuity Inc. (comprised of certain operations of Genuity Inc. and wholly-owned by GTE Corporation (GTE)) (the Company) as of December 31, 1998 and 1999, and the related combined statements of operations, changes in stockholder's equity, cash flows and comprehensive loss for each of the three years in the period ended December 31, 1999. We have also audited the statements of operations, changes in shareholder's equity, cash flows and comprehensive loss of the Company's predecessor for the six months ended June 30, 1997, the period prior to the acquisition by the Company. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 1998 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1999 and the results of operations and cash flows of the Predecessor for the six months ended June 30, 1997 in conformity with accounting principles generally accepted in the United States.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Boston, Massachusetts
, 2000