

ORIGINAL

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EX PARTE OR LATE FILED



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June 14, 2000

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, D.C. 20554

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JUN 14 2000
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

RE: Application of GTE Corporation and Bell Atlantic Corporation For Consent to Transfer Control of Certain Licenses and Authorizations, CC Docket No. 98-184

Dear Ms. Salas,

This letter is to provide notice of an ex parte communication. The applicants submitted the attached materials, illustrating the accounting treatment for Verizon's interest in Genuity, to Commissioner Furchtgott-Roth's office yesterday.

Please enter this into the record in this matter. Two copies of this notice are being submitted to the Secretary in accordance with Section 1.1206 of the Commission's rules.

Please call me if you have any questions.

Very truly yours,

Enclosures

- cc. Ms. D. Attwood
- Ms. R. Beynon
- Ms. K. Brown
- Ms. M. Carey
- Mr. K. Dixon
- Mr. J. Goldstein
- Mr. M. Jacobs
- Ms. J. Mikes
- Ms. P. Silberthau
- Ms S. Whitesell
- Mr. C. Wright

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ACCOUNTING TREATMENT OF VERIZON'S INTEREST IN GENUITY

	<u>June 1, 2000</u>	<u>Day Post-IPO</u>	<u>Day Post-Merger</u>	<u>Day Post-50%</u>
Bell Atlantic	0	0	B	B
GTE	\$1.9 billion* (assets, liabilities, operations fully consolidated)	\$2.1 billion**	B	B
Verizon billion	B	B	\$2.1 billion	\$2.1
Genuity	\$1.9 billion	\$4.4 billion***	\$4.4 billion	\$4.4 billion
Class A	B	\$4.0 billion	\$4.0 billion	\$4.0 billion
Class B	B	\$0.4 billion	\$0.4 billion	\$0.4 billion

* This number represents the historical value of GTE's investment in Genuity. It will be carried over to NewCo's books post-merger and does not reflect NewCo's claim on Genuity's equity.

** The amount of GTE's investment increased from \$1.9 billion to \$2.1 billion as a result of GTE's final capital contribution for the period that it controlled Genuity.

*** This number reflects Genuity's total stockholders equity, which is the sum of GTE's historical contribution plus IPO proceeds, minus Genuity's historical operating losses.

GENUITY
HISTORICAL BALANCE SHEET
AS OF MARCH 31, 2000
(amounts in thousands)

Assets:

Current Assets	\$ 265,019
Property, Plant & Equipment, Net	1,629,391
Franchises, Goodwill & Intangibles	524,536
Investments in Unconsolidated Companies	-
Other assets	<u>42,908</u>
Total Assets	<u>\$ 2,461,854</u>

Liabilities and Shareholders' Equity:

Current Liabilities	\$ 445,503
Long-Term Debt	57,563
Deferred Income Taxes	-
Other Liabilities	<u>13,021</u>
Total Liabilities	<u>516,087</u>
Minority Interest	-
Shareholders' Equity	
Class A common stock	-
Class B common stock	183
Class C common stock	-
Additional Paid in Capital	3,460,604
Retained Earnings	(1,516,741)
Accumulated Other Comprehensive Loss	1,721
Guranteed ESOP Obligations	-
Treasury Stock	<u>-</u>
Total Shareholders' Equity	<u>1,945,767</u>
Total Liabilities and Shareholders' Equity	<u>\$ 2,461,854</u>

GENUITY
ILLUSTRATIVE PROFORMA BALANCE SHEET
UPON IMPLEMENTATION OF THE RECAPITALIZATION AND IPO
AS OF MARCH 31, 2000
(amounts in thousands)

Assets:

Current Assets	\$ 2,644,828
Property, Plant & Equipment, Net	1,629,391
Franchises, Goodwill & Intangibles	524,536
Investments in Unconsolidated Companies	-
Other assets	42,908
	<hr/>
Total Assets	<u>\$ 4,841,663</u>

Liabilities and Shareholders' Equity:

Current Liabilities	\$ 401,503
Long-Term Debt	57,563
Deferred Income Taxes	-
Other Liabilities	11,021
	<hr/>
Total Liabilities	<u>470,087</u>

Minority Interest -

Shareholders' Equity	
Class A common stock	1,739
Class B common stock	183
Class C common stock	-
Additional Paid in Capital	5,884,674
Retained Earnings	(1,516,741)
Accumulated Other Comprehensive Loss	1,721
Guaranteed ESOP Obligations	-
Treasury Stock	-
	<hr/>
Total Shareholders' Equity	<u>4,371,576</u>

Total Liabilities and Shareholders' Equity \$ 4,841,663

NOTES:

1. GTE contributes \$178 million to Genuity upon recapitalization to Class B shares of which \$46 million is used to repay certain compensation and benefit obligations.
2. IPO proceeds are based upon initial offering price of \$13.50 per share with 173,913,000 shares offered (less costs of underwriting the offering)
3. For simplicity, losses of Genuity are assumed to be zero after the IPO.

GENUITY
ILLUSTRATIVE PROFORMA BALANCE SHEET
AFTER RECEIPT OF 50% SECTION 271 APPROVALS

(amounts in thousands)

Assets:

Current Assets	\$ 2,644,828
Property, Plant & Equipment, Net	1,629,391
Franchises, Goodwill & Intangibles	524,536
Investments in Unconsolidated Companies	-
Other assets	42,908
	<hr/>
Total Assets	<u>\$ 4,841,663</u>

Liabilities and Shareholders' Equity:

Current Liabilities	\$ 401,503
Long-Term Debt	57,563
Deferred Income Taxes	-
Other Liabilities	11,021
	<hr/>
Total Liabilities	<u>470,087</u>

Minority Interest	-
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Shareholders' Equity	
Class A common stock	1,739
Class B common stock	183
Class C common stock	-
Additional Paid in Capital	5,884,674
Retained Earnings	(1,516,741)
Accumulated Other Comprehensive Loss	1,721
Guranteed ESOP Obligations	-
Treasury Stock	-
	<hr/>
Total Shareholders' Equity	<u>4,371,576</u>

Total Liabilities and Shareholders' Equity	<u>\$ 4,841,663</u>
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NOTES:

1. Prior to receiving 100% of Section 271 approvals and the conversion election by GTE, no financial accounting impact results from Section 271 approvals.
2. For simplicity, losses of Genuity are assumed to be zero after the IPO.

**GENUITY
ILLUSTRATIVE PROFORMA BALANCE SHEET
AFTER RECEIPT OF 95% SECTION 271 APPROVALS**

(amounts in thousands)

Assets:

Current Assets	\$ 2,644,828
Property, Plant & Equipment, Net	1,629,391
Franchises, Goodwill & Intangibles	524,536
Investments in Unconsolidated Companies	-
Other assets	42,908
	<hr/>
Total Assets	<u>\$ 4,841,663</u>

Liabilities and Shareholders' Equity:

Current Liabilities	\$ 401,503
Long-Term Debt	57,563
Deferred Income Taxes	-
Other Liabilities	11,021
	<hr/>
Total Liabilities	<u>470,087</u>

Minority Interest	-
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Shareholders' Equity	
Class A common stock	1,739
Class B common stock	183
Class C common stock	-
Additional Paid in Capital	5,884,674
Retained Earnings	(1,516,741)
Accumulated Other Comprehensive Loss	1,721
Guaranteed ESOP Obligations	-
Treasury Stock	-
	<hr/>
Total Shareholders' Equity	<u>4,371,576</u>

Total Liabilities and Shareholders' Equity	<u>\$ 4,841,663</u>
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NOTES:

1. Prior to receiving 100% of Section 271 approvals and the conversion election by GTE, no financial accounting impact results from Section 271 approvals.
2. For simplicity, losses of Genuity are assumed to be zero after the IPO.

GENUITY
ILLUSTRATIVE PROFORMA BALANCE SHEET
AFTER GTE CONVERSION OF SERIES B SHARES INTO SERIES C SHARES

(amounts in thousands)

Assets:

Current Assets	\$ 2,644,828
Property, Plant & Equipment, Net	1,629,391
Franchises, Goodwill & Intangibles	524,536
Investments in Unconsolidated Companies	-
Other assets	<u>42,908</u>
Total Assets	<u><u>\$ 4,841,663</u></u>

Liabilities and Shareholders' Equity:

Current Liabilities	\$ 401,503
Long-Term Debt	57,563
Deferred Income Taxes	-
Other Liabilities	<u>11,021</u>
Total Liabilities	<u>470,087</u>

Minority Interest

-

Shareholders' Equity	
Class A common stock	1,739
Class B common stock	-
Class C common stock	8,000
Additional Paid in Capital	5,876,857
Retained Earnings	(1,516,741)
Accumulated Other Comprehensive Loss	1,721
Guaranteed ESOP Obligations	-
Treasury Stock	<u>-</u>
Total Shareholders' Equity	<u>4,371,576</u>

Total Liabilities and Shareholders' Equity	<u><u>\$ 4,841,663</u></u>
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NOTES:

1. GTE receives 100% of Section 271 approvals and converts its Class B stock into Class C stock representing 82% of outstanding common shares.
2. For simplicity, losses of Genuity are assumed to be zero after the IPO.

VERIZON COMMUNICATIONS
ILLUSTRATIVE SUMMARY OF IMPACT OF CHANGES IN OWNERSHIP OF GENUITY ON
VERIZON'S BALANCE SHEET
PRO FORMA CONSOLIDATED BALANCE SHEET
AS OF MARCH 31, 2000
(amounts in millions)

Assets:

Current Assets	\$ 18,643
Property, Plant & Equip, Net	63,157
Investments in Unconsolidated Companies	12,270
Other assets	<u>23,036</u>
Total Assets	<u>\$ 117,106</u>

Liabilities and Shareholders' Equity:

Current Liabilities	\$ 31,633
Long-Term Debt	33,792
Employee Benefit Obligations	13,369
Deferred Credits and Other Liabilities	<u>10,957</u>
Total Liabilities	<u>89,751</u>

Minority Interest

-

Shareholders' Equity:

Common Stock	275
Additional Paid in Capital	19,797
Retained Earnings	8,229
Accumulated Other Comprehensive Income	951
Deferred Compensation	(871)
Treasury Stock	<u>(1,026)</u>
Total Shareholders' Equity	<u>27,355</u>

Total Liabilities and Shareholders' Equity	<u>\$ 117,106</u>
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VERIZON COMMUNICATIONS
DETAIL OF INVESTMENTS IN UNCONSOLIDATED COMPANIES
PROFORMA BEFORE RECAPITALIZATION AND IPO OF GENUITY
AS OF MARCH 31, 2000
(amounts in millions)

Investments in Unconsolidated Companies

Verizon's investments in unconsolidated companies at March 31, were as follows:

CANTV	\$	1,922
TELUS		1,204
Omnitel Pronto Italia		1,650
Telecom Corp. of New Zealand		2,750
PrimeCo		1,410
Puerto Rico		387
Other investments		2,947
	\$	<u>12,270</u>

VERIZON COMMUNICATIONS
ILLUSTRATIVE SUMMARY OF IMPACT OF CHANGES IN OWNERSHIP OF GENUITY ON
VERIZON'S BALANCE SHEET
PROFORMA AFTER RECAPITALIZATION AND IPO OF GENUITY
AS OF MARCH 31, 2000
(amounts in millions)

Assets:

Current Assets	\$ 18,200
Property, Plant & Equipment, Net	61,528
Investments in Unconsolidated Companies	14,394
Other assets	<u>22,468</u>
Total Assets	<u><u>\$ 116,590</u></u>

Liabilities and Shareholders' Equity:

Current Liabilities	\$ 31,187
Long-Term Debt	33,735
Employee Benefit Obligations	13,356
Deferred Credits and Other Liabilities	<u>10,957</u>
Total Liabilities	<u>89,235</u>

Minority Interest

-

Shareholders' Equity:

Common Stock	275
Additional Paid in Capital	19,797
Retained Earnings	8,229
Accumulated Other Comprehensive Income	951
Deferred Compensation	(871)
Treasury Stock	<u>(1,026)</u>
Total Shareholders' Equity	<u>27,355</u>

Total Liabilities and Shareholders' Equity	<u><u>\$ 116,590</u></u>
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NOTES:

1. GTE contributes \$178 million to Genuity upon recapitalization to Class B shares in Genuity.
2. GTE deconsolidates Genuity upon consummation of IPO of Class A shares and recognizes cost basis investment in the Investment in Unconsolidated Companies line item equal to \$1,946 plus the recapitalization contribution of \$178 made by GTE.

VERIZON COMMUNICATIONS
DETAIL OF INVESTMENTS IN UNCONSOLIDATED COMPANIES
PROFORMA AFTER RECAPITALIZATION AND IPO OF GENUITY
AS OF MARCH 31, 2000
(amounts in millions)

Investments in Unconsolidated Companies

Verizon's investments in unconsolidated companies at March 31, were as follows:

Genuity	\$	2,124
CANTV		1,922
TELUS		1,204
Omnitel Pronto Italia		1,650
Telecom Corp. of New Zealand		2,750
PrimeCo		1,410
Puerto Rico		387
Other investments		<u>2,947</u>
	\$	<u><u>14,394</u></u>

VERIZON COMMUNICATIONS
ILLUSTRATIVE SUMMARY OF IMPACT OF CHANGES IN OWNERSHIP OF GENUITY ON
VERIZON'S BALANCE SHEET
PROFORMA AFTER RECEIPT OF 50% OF SECTION 271 APPROVALS
AS OF MARCH 31, 2000
(amounts in millions)

Assets:

Current Assets	\$ 18,200
Property, Plant & Equipment, Net	61,528
Investments in Unconsolidated Companies	14,394
Other assets	<u>22,468</u>
Total Assets	<u>\$ 116,590</u>

Liabilities and Shareholders' Equity:

Current Liabilities	\$ 31,187
Long-Term Debt	33,735
Employee Benefit Obligations	13,356
Deferred Credits and Other Liabilities	<u>10,957</u>
Total Liabilities	<u>89,235</u>

Minority Interest -

Shareholders' Equity:

Common Stock	275
Additional Paid in Capital	19,797
Retained Earnings	8,229
Accumulated Other Comprehensive Income	951
Deferred Compensation	(871)
Treasury Stock	<u>(1,026)</u>
Total Shareholders' Equity	<u>27,355</u>

Total Liabilities and Shareholders' Equity **\$ 116,590**

NOTES:

1. Verizon accounts for investment in Genuity on cost method of accounting.
2. Prior to receiving 100% of Section 271 approvals and conversion election by Verizon, no financial accounting impact results from Section 271 approvals.

VERIZON COMMUNICATIONS
DETAIL OF INVESTMENTS IN UNCONSOLIDATED COMPANIES
PROFORMA AFTER RECEIPT OF 50% OF SECTION 271 APPROVALS
AS OF MARCH 31, 2000
(amounts in millions)

Investments in Unconsolidated Companies

Verizon's investments in unconsolidated companies at March 31, were as follows:

Genuity	\$	2,124
CANTV		1,922
TELUS		1,204
Omnitel Pronto Italia		1,650
Telecom Corp. of New Zealand		2,750
PrimeCo		1,410
Puerto Rico		387
Other investments		2,947
		<hr/>
	\$	<u>14,394</u>

VERIZON COMMUNICATIONS
ILLUSTRATIVE SUMMARY OF IMPACT OF CHANGES IN OWNERSHIP OF GENUITY ON
VERIZON'S BALANCE SHEET
PROFORMA AFTER RECEIPT OF 95% OF SECTION 271 APPROVALS
AS OF MARCH 31, 2000
(amounts in millions)

Assets:

Current Assets	\$ 18,200
Property, Plant & Equipment, Net	61,528
Investments in Unconsolidated Companies	14,394
Other assets	<u>22,468</u>
Total Assets	<u>\$ 116,590</u>

Liabilities and Shareholders' Equity:

Current Liabilities	\$ 31,187
Long-Term Debt	33,735
Employee Benefit Obligations	13,356
Deferred Credits and Other Liabilities	<u>10,957</u>
Total Liabilities	<u>89,235</u>

Minority Interest

-

Shareholders' Equity:

Common Stock	275
Additional Paid in Capital	19,797
Retained Earnings	8,229
Accumulated Other Comprehensive Income	951
Deferred Compensation	(871)
Treasury Stock	<u>(1,026)</u>
Total Shareholders' Equity	<u>27,355</u>

Total Liabilities and Shareholders' Equity	<u>\$ 116,590</u>
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NOTES:

1. Verizon accounts for investment in Genuity on cost method of accounting.
2. Prior to receiving 100% of Section 271 approvals and conversion election by Verizon, no financial accounting impact results from Section 271 approvals.

VERIZON COMMUNICATIONS
DETAIL OF INVESTMENTS IN UNCONSOLIDATED COMPANIES
PROFORMA AFTER RECEIPT OF 95% OF SECTION 271 APPROVALS
AS OF MARCH 31, 2000
(amounts in millions)

Investments in Unconsolidated Companies

Verizon's investments in unconsolidated companies at March 31, were as follows:

Genuity	\$	2,124
CANTV		1,922
TELUS		1,204
Omnitel Pronto Italia		1,650
Telecom Corp. of New Zealand		2,750
PrimeCo		1,410
Puerto Rico		387
Other investments		<u>2,947</u>
	\$	<u>14,394</u>

VERIZON COMMUNICATIONS
ILLUSTRATIVE SUMMARY OF IMPACT OF CHANGES IN OWNERSHIP OF GENUITY ON
VERIZON'S BALANCE SHEET
PROFORMA AFTER CONVERSION OF SERIES B SHARES INTO SERIES C SHARES
AS OF MARCH 31, 2000
(amounts in millions)

Assets:

Current Assets	\$ 20,845
Property, Plant & Equipment, Net	63,157
Investments in Unconsolidated Companies	12,270
Other assets	<u>23,036</u>
Total Assets	<u>\$ 119,308</u>

Liabilities and Shareholders' Equity:

Current Liabilities	\$ 31,589
Long-Term Debt	33,792
Employee Benefit Obligations	13,367
Deferred Credits and Other Liabilities	<u>10,957</u>
Total Liabilities	<u>89,705</u>
Minority Interest	787
Shareholders' Equity:	
Common Stock	275
Additional Paid in Capital (APIC)	21,258
Retained Earnings	8,229
Accumulated Other Comprehensive Income	951
Deferred Compensation	(871)
Treasury Stock	<u>(1,026)</u>
Total Shareholders' Equity	<u>28,816</u>
Total Liabilities and Shareholders' Equity	<u>\$ 119,308</u>

NOTES:

1. Upon conversion, to reflect the fact that it has reacquired an 82% voting and controlling equity interest in Genuity, Verizon eliminates its cost method investment and re-consolidates Genuity into its financial statements, recognizing an 18% minority interest and adjusting APIC for difference in the carrying value of Verizon's investment in Genuity and its new ownership interest in Genuity created by holding a security equivalent to the Class A common stock.
2. For simplicity, losses of Genuity are assumed to be zero after the IPO.

VERIZON COMMUNICATIONS
DETAIL OF INVESTMENTS IN UNCONSOLIDATED COMPANIES
PROFORMA AFTER CONVERSION OF SERIES B SHARES INTO SERIES C SHARES
AS OF MARCH 31, 2000
(amounts in millions)

Investments in Unconsolidated Companies

Verizon's investments in unconsolidated companies at March 31, were as follows:

CANTV	\$	1,922
TELUS		1,204
Omnitel Pronto Italia		1,650
Telecom Corp. of New Zealand		2,750
PrimeCo		1,410
Puerto Rico		387
Other investments		2,947
		<hr/>
	\$	12,270
		<hr/> <hr/>