

APPENDIX A: LIST OF COMMENTERS, CC DOCKET NO. 98-184**BELL ATLANTIC/GTE OCTOBER 2, 1998 APPLICATION FOR
TRANSFER OF CONTROL****Petitions/Comments (filed November 23, 1998):**

1. AT&T
2. Alliance for Public Technology (APT)
3. Bear Stearns & Co., Inc.
4. CTC Communications Corp. (CTC)
5. Cablevision LightPath, Inc. (Cablevision)
6. Communications Workers of America (CWA)
7. Competitive Enterprise Institute (CPI)
8. Consumers Union and the Consumer Federation of America
9. CoreComm Ltd. (CoreComm)
10. EMC Corp.(EMC)
11. Focal Communications Corporation (FOCAL)
12. Freedom ring Communications, LLC d/b/a BayRing Communications (BayRing)
13. GST Telecom Inc. (GST)
14. Hyperion Telecommunications, Inc. (Hyperion)
15. Indiana Utility Regulatory Commission (IURC)
16. Keep America Connected
17. KMC Telecom (KMC)
18. Level 3
19. MCI WorldCom, Inc. (MCI WorldCom)
20. National Consumers League
21. Pactec Communications (Pactec)
22. Pilgrim Telephone (Pilgrim)
23. Public Utility Commission of Texas (PUC of Texas)
24. RCN Telecom Services, Inc. (RCN)
25. Rainbow/Push Coalition
26. Sprint
27. Supra Telecommunications & Information Systems (Supra)
28. Telecommunications Resellers Association (TRA)
29. The Commonwealth of Northern Mariana Islands
30. The Consumer Groups
31. Tricom USA (Tricom)
32. Triton, PCS, Inc. (Triton)
33. United States Cellular Corporation
34. WorldPath Internet Services (WorldPath)
35. XChange, L.L.C. (XChange)

Oppositions/Reply Comments (filed December 23, 1998):

1. Bell Atlantic Corporation and GTE Corporation (Bell Atlantic/GTE)
2. Campaign for Telecommunications Access
3. Commonwealth of the Northern Mariana Islands
4. Competition Policy Institute (CPI)
5. Consumer Groups
6. CTC Communications, Corp (CTC)
7. Hyperion Telecommunications, Inc. (Hyperion)
8. Keep America Connected, et, al.
9. MCI WolrdCom, Inc. (MCI WorldCom)
10. National Hispanic Council on Aging, et, al.
11. Progress & Freedom Foundation
12. Public Utilities Commission of Ohio (PUC of Ohio)
13. RCN Telecom Services, Inc (RCN)
14. Tricom USA, Inc. (Tricom)

**BELL ATLANTIC/GTE
January 27, 2000 SUPPLEMENTAL FILING**

Petitions/Comments on Internet Backbone Proposal (filed February 15, 2000):

1. Arvanitas, Peggy
2. Association For Local Telecommunications Services (ALTS)
3. AT&T
4. Communications Workers of America (CWA)
5. Competitive Telecommunications Associations (Comptel)
6. Covad Communications Company (Covad)
7. Lowenhaupt, Thomas, Vice Chair, Community Board 3Q
8. NEXTLINK Communications, Inc. (NEXTLINK)
9. Progress & Freedom Foundation
10. Telecommunications Resellers Association (TRA)

**Oppositions/Reply Comments on Internet Backbone Proposal
(filed February 22, 2000):**

1. Bell Atlantic/GTE
2. Cable & Wireless
3. Competition Policy Institute (CPI)
4. Pimmitt Run Research, Inc.

Petitions/Comments on All Other Issues (filed March 1, 2000):

1. Advanced Telecom Group, Inc. (Advanced Telecom)
2. Allegiance Telecom, Inc. (Allegiance)
3. Alliance for Public Technology (APT)
4. American Telemedicine Association
5. AT&T Corp.
6. BlueStar Communications, Inc, DSL.net Inc., KMC Telecom, Inc., and MGC Communications, Inc. (BlueStar et al.)
7. Commonwealth of Northern Mariana Islands
8. Communications Careers for Latinos
9. Communications Workers of America (CWA)
10. Competitive Telecommunications Association (CompTel)
11. CoreComm, Inc. (CoreComm)
12. Covad Communications Company (COVAD)
13. Focal Communications (FOCAL)
14. Indiana Utility Regulatory Commission (IURC)
15. Labor Council For Latino American Advancement (LCLAA)
16. MCI WorldCom
17. National ALEC Association/Prepaid Communications Association (National ALEC)
18. National Puerto Rican Coalition, The Cuban American National Council, MANA, The American G.I. Forum, The Hispanic Association of Colleges and Universities, ASPIRA Association, The League of United Latin American Citizens, and The National Association of Hispanic Publications (National Puerto Rican Coalition et al.)
19. NorthPoint Communications, Inc. (NorthPoint)
20. Office of Consumer Advocate, Pennsylvania
21. RCN Telecom Services (RCN)
22. Texas Office of Public Utility Counsel (Texas OPC)
23. United States Hispanic Chamber of Commerce
24. World Institute on Disability
25. Z-Tel Communications (Z-Tel)

Oppositions/Reply Comments on All Other Issues (filed March 16, 2000):

1. Bell Atlantic/GTE
2. NEXTLINK Communications, Inc. (NEXTLINK)
3. Telecommunications Advocacy Project (TAP)

Comments on Applicant's Further Submissions (filed May 5, 2000):

1. Allegiance Telecom, Inc., Bluestar Communications, Inc., CoreComm, Inc., DSLNET, Inc., MGC Communications, Inc., d/b/a MPower Communications Corporation
2. Association For Local Telephone Services (ALTS)
3. AT&T
4. Cavalier Telephone, LLC. (Cavalier)

5. Competition Policy Institute (CPI)
6. COVAD Communications Company (COVAD)
7. Fred Goldstein
8. Information Technology Association of America (ITAA)
9. NorthPoint Communications (NorthPoint)
10. SCC Communications Corp. (SCC)
11. WorldCom

Reply Comments on Applicant's Further Submissions (filed May 9, 2000):

1. Alexis Rosen
2. BA/GTE (correction, filed May 10, 2000)

Appendix B

GENUITY CONDITIONS

APPENDIX B

CONDITIONS FOR ESTABLISHMENT OF GENUITY AS A SEPARATE CORPORATION

1. Bell Atlantic and GTE must implement the spin-off of Genuity to a separate public corporation in accordance with the following structure:

I. IPO OF GENUITY

2. Genuity's existing nationwide data business will be established as a separate corporation that will be publicly owned and controlled. Before merging with Bell Atlantic, GTE will exchange its common stock of Genuity for shares of a new class of common stock, the Class B common stock, and Genuity will sell 90.5% of its equity to public shareholders through an initial public offering ("IPO"). Following these transactions, the Class B stock will carry 9.5% of the voting rights and the right to receive 9.5% of any dividends or other distributions in Genuity, subject to the conversion rights and investor safeguards described below, and Genuity's Class A common stock, initially representing 90.5% of the equity in the company, will be owned by the public. The merger of Bell Atlantic and GTE (creating "NewCo") will not close until the IPO is completed.

II. CONVERSION RIGHTS

3. The extent of NewCo's rights to convert its Class B stock into a greater equity interest is as described below. NewCo will have five years from the closing of the merger (subject to any extension specifically contained herein or granted by the Commission at its discretion as specified in Section 2.D below) to satisfy the conditions associated with its conversion rights and to exercise those conversion rights.

A. No Conversion Right Above 10% Equity Interest If Threshold Not Met

4. Unless and until NewCo eliminates, as to at least 50% of Bell Atlantic in-region lines,¹ section 271 restrictions applicable to its operation of Genuity's business, NewCo will only have the right to convert its Class B stock into Class A stock representing a 10% equity interest in Genuity. Accordingly, if NewCo fails to meet the 50% threshold within the conversion period, NewCo will never have any right to convert its stock into more than a 10% interest, and the public shareholders' ownership of at least 90% of the company will be permanent. Likewise, if NewCo transfers its Class B shares to a third party before reaching the 50% section 271

¹ "Bell Atlantic in-region lines" shall equal the sum of the number of lines for each of the Bell Atlantic in-region states, and the number of lines for each Bell Atlantic state shall be the number of total billable access lines for the Bell Atlantic operating company in that state in Bell Atlantic's 1999 ARMIS reports (and reported in the FCC's 1999 ARMIS Report 43-04), except that because the entry for Bell Atlantic-New York Telephone includes Bell Atlantic lines in both New York and Connecticut, the number of lines for Connecticut shall be 54,087 and the number for New York shall be 11,088,712.

threshold, that third party will never be able to convert those shares into more than a 10% interest in Genuity.

B. Conversion Right Above 10% Equity Interest Once Threshold Is Met

5. Once NewCo has met the 50% section 271 threshold, its Class B shares become capable of converting into stock that will represent approximately 80% of the outstanding shares of Genuity following conversion, assuming no additional Class A shares are issued before conversion. Even after meeting this threshold, however, NewCo itself cannot exercise its conversion rights so as to own and control Genuity unless and until NewCo has eliminated all section 271 restrictions applicable to NewCo's operation of Genuity's business.

6. Once NewCo has eliminated such restrictions as to 95% of Bell Atlantic in-region lines, NewCo may require Genuity to reconfigure its operations in one or more Bell Atlantic in-region states where NewCo has not eliminated such restrictions in order to bring those operations into compliance with section 271 and allow NewCo to exercise its option and own and operate Genuity, *provided that* (i) NewCo gives the Commission at least 90 days advance notice of its intent to exercise its option and submits to the Chief of the Common Carrier Bureau a plan for the reconfiguration of Genuity's operations in the relevant state or states, (ii) the reconfiguration of Genuity's operations does not result in the loss to Genuity of more than 3% of its annual revenue, and (iii) NewCo reimburses Genuity for the cost of such reconfiguration (as provided for in an agreement between NewCo and Genuity).

7. NewCo's post-conversion interest will be lower than 80% if Genuity, as is anticipated, issues additional shares of Class A stock before NewCo exercises its conversion rights. Upon exercise of its conversion rights, NewCo's Class B shares shall be converted into the appropriate number of Class C shares. Each share of Class C stock will be identical to a share of Class A stock except that it will carry five votes; these enhanced voting rights will likely preserve NewCo's ability to obtain voting control of Genuity post-conversion in the event Genuity has issued substantial amounts of new Class A shares. If NewCo transfers its Class B shares to another party, that party may only convert them into Class A stock.

8. Subject to the limitation on sales proceeds below, NewCo will have the right at any time after it has met the 50% section 271 threshold to dispose of all or part of its Class B shares, or to exercise its conversion rights as part of a transaction by which it immediately disposes of all or part of its interest in Genuity so that its post-conversion interest in Genuity does not exceed a 10% equity interest. If NewCo seeks to sell all or part of its interest in the Class B shares after it has met the 50% section 271 threshold (but before it has eliminated applicable section 271 restrictions as to 95% of Bell Atlantic in-region lines), it shall offer to sell such shares to Genuity at a price equal to the lesser of the following: (a) the amount it would be able to retain under section 2(c) below, or (b) the fair market value of the shares (as determined by a nationally recognized independent investment banker selected jointly by Genuity and NewCo). The purchase price may be payable in the form of a marketable debt instrument which will not be subordinate and will have a fair market value equal to its face value. Such debt instrument shall bear interest at a commercially reasonable rate, comparable to rates under similar instruments held by companies with debt ratings comparable to Genuity, with a commercially reasonable time for repayment. Genuity shall have 90 days after the date it

receives such an offer to agree to purchase NewCo's shares. If Genuity agrees to purchase NewCo's shares within the 90 day period, Genuity shall have 180 days after the date it receives the offer to make any financial or other arrangements and to complete the purchase. NewCo will grant any consent necessary under the investor safeguards described below in order to complete such a sale to Genuity. The Applicants shall make such changes to their S-1 and other filings as necessary to provide that Genuity's holding of a debt instrument as described in this paragraph shall be an exception to any limitation on the aggregate amount of debt that NewCo may hold in Genuity, as otherwise provided in these conditions. If, before NewCo's conversion period would otherwise expire, NewCo has offered to sell Class B shares to Genuity, the conversion period will be extended to allow for sale of the Class B shares to Genuity or to another party.

9. In the event Genuity chooses not to purchase NewCo's shares within the 90-day period after it receives such an offer (or if Genuity is unable to complete the purchase), then NewCo will transfer the shares to a disposition trustee selected in accordance with the Commission's rules for sale to a third party purchaser. Upon completion of the sale, the disposition trustee will remit to NewCo as soon as reasonably practicable the proceeds of such a sale subject to the limitation on sales proceeds in section 2(c). To the extent Class B shares are purchased by someone who is not subject to applicable section 271 restrictions, that purchaser would be free to convert those Class B shares immediately into Class A shares.

10. After NewCo has eliminated applicable section 271 restrictions as to 100% of Bell Atlantic in-region lines and simultaneous with its conversion of the shares of Class B common stock, NewCo would, at its election, either make a payment to Genuity for distribution to the holders of Class A common stock or adjust the conversion ratio, in either event so that the holders of Genuity's Class A common stock receive a portion of the appreciation on the Class B common stock (and accompanying conversion rights). That portion would be determined as follows. First, NewCo's total appreciation would be determined; that would be an amount equal to the value of NewCo's Class B common stock on an as-converted basis (determined by a nationally recognized independent investment banker in proportion to the appreciation in the publicly traded Class A common stock but adjusting that appreciation so that it did not reflect anticipation of the payment or conversion change contemplated by this paragraph) less the initial value of NewCo's Class B stock (based on the original IPO price). Second, the appreciation attributable to a 10% interest in Genuity would be subtracted from NewCo's total appreciation (since NewCo could have owned that without regard to section 271 restrictions). Third, as of each anniversary of the closing of the IPO, a percentage will be determined equal to 25 percent²

² Because Genuity operates its existing data business on a nationwide (indeed, worldwide) basis, the portion of appreciation attributable to Bell Atlantic's in-region states was calculated by dividing the number of Bell Atlantic's billable access lines in its in-region states by the number of billable access lines nationwide (as both reported in the FCC's 1999 ARMIS Report 43-04). The resulting percentage was then rounded up to 25% (putting a larger portion of the appreciation at risk). This provides a conservative estimate of the portion of the appreciation attributable to Bell Atlantic's in-region lines, particularly because it does not take into account the fact that a significant and growing portion of Genuity's revenues are attributable to international operations. If Genuity's international operations were taken into account, it would reduce the percentage further.

times a fraction, the numerator of which is the number of Bell Atlantic in-region lines as to which applicable section 271 restrictions have not been eliminated and the denominator of which is the number of Bell Atlantic in-region lines.³ Fourth, those annual fractions will be averaged. And fifth, the product of that average fraction times NewCo's appreciation (less the ten percent subtracted in step two) will either be paid in cash to Genuity, in which case it will be tax adjusted (to reflect the fact that NewCo would have to pay taxes if it sold Genuity stock or other assets to raise the cash), or translated into a number of shares of Genuity stock and forgone by NewCo in the conversion, in either event giving the appropriate amount of value to the public shareholders.

C. Limitation on Sales Proceeds

11. If NewCo sells all of its stock before it has eliminated applicable section 271 restrictions as to 95% of Bell Atlantic in-region lines, NewCo will not have a right to retain sale proceeds that exceed (i) the value of a 10% equity interest in Genuity (determined based on the sale proceeds), plus (ii) the amount NewCo would have if it had taken the amount of its initial investment in Genuity above a 10% interest (based on the IPO offering price for the Class A shares) and invested it at the time of closing in the S&P 500 Index. If, during such period, NewCo sells all of its stock except an amount convertible into a 10% equity interest in Genuity, NewCo will have a right to retain only the amount described in clause (ii) above.⁴ In each of these cases, NewCo would pay an amount equal to sale proceeds in excess of those proceeds it can retain under the preceding two sentences, adjusted to reflect taxes due on that excess amount, or would pay such lesser amount as the Commission in its discretion may determine, into the general fund of the U.S. Treasury. Once NewCo has eliminated applicable section 271 restrictions as to at least 95% of Bell Atlantic's in-region lines, NewCo may sell its stock and retain the sales proceeds, except that NewCo (or the purchaser) shall make either the conversion payment or the conversion adjustment that would be required under the last paragraph of Section 2.B.

D. Extension of Five-Year Conversion Period

12. If, by the end of five years, NewCo has eliminated applicable section 271 restrictions as to all but 10% of Bell Atlantic in-region lines (or as to all but one state, irrespective of the percentage of Bell Atlantic in-region lines accounted for by that state, plus additional states accounting for up to 5% of Bell Atlantic in-region lines), NewCo may file a petition with the Commission requesting one additional year in which to eliminate the remaining restrictions and exercise its conversion rights. The Commission shall have discretion whether to approve such a petition. If, by the end of the conversion period, litigation is pending over

³ "Bell Atlantic in-region lines" are as defined in note 1, *supra*.

⁴ Likewise, if, during such period, NewCo sells a portion of its stock but retains stock convertible into more than a 10% equity interest in Genuity, NewCo will have a right to retain only a prorated portion of the amount described in clause (ii) above; and if, during such period, NewCo sells all of its stock except for an amount convertible into less than a 10% equity interest, NewCo will have a right to retain the proceeds from the number of shares sold that, together with the number of shares retained, would be convertible into a 10% equity interest, plus the amount described in clause (ii) above.

whether NewCo has eliminated such restrictions as to certain lines, and if a court determines after the end of the conversion period that NewCo has eliminated such restrictions as to those lines, then for purposes of these provisions NewCo shall be deemed to have eliminated those restrictions within the conversion period and shall be permitted a reasonable time to exercise or dispose of its conversion rights.

13. The Commission shall have discretion to toll or extend the running of the conversion period to account for intervening events that delay elimination of section 271 restrictions.

14. If, by the end of the conversion period, NewCo has eliminated applicable section 271 restrictions as to 100% of Bell Atlantic in-region lines, then NewCo shall be able to exercise its conversion rights at a time determined by NewCo (whether inside or outside the conversion period). Once Bell Atlantic/GTE has eliminated applicable section 271 restrictions as to 100% of Bell Atlantic in-region lines, it will comply with section 272 to the same extent that section 272 would apply if Bell Atlantic/GTE exercised its conversion rights, notwithstanding any delay in actual conversion of its shares of Class B stock.

E. Compliance with Legal Order

15. If, before NewCo satisfies the 50% section 271 threshold, a court or agency rules that NewCo's interest in Genuity results in a violation of section 271, NewCo's Class B shares shall be immediately convertible to the same extent as described above in section 2.B. In such event, NewCo shall be given a reasonable time extending beyond the date that such ruling becomes final and non-appealable in which to dispose of its Class B shares to the extent they are convertible into more than a 10% interest (or to convert those shares as part of a disposition), and may sell its shares to a third party subject to the limitation on sales proceeds described above.

III. INDEPENDENCE OF GENUITY

16. Until NewCo eliminates the applicable section 271 restrictions and exercises its option to take ownership of Genuity, Genuity will be independent of NewCo. Genuity will have an independent board of directors that is periodically elected by the voting shareholders consistent with the requirements of applicable corporation laws. Before the IPO, Genuity will elect six directors, including the CEO of Genuity, one director elected by a class vote of the Class B shares, and four independent directors who have no prior relationship with GTE or Bell Atlantic. Within 90 days following the IPO, the four independent directors will select seven additional directors who have no prior relationship with GTE or Bell Atlantic, which will bring the total board membership to 13 directors, a majority of whom will have been selected after the IPO. In addition, as soon as practicable, but in any event within nine months following the IPO, all directors except the Class B director will stand for election by the public shareholders, and each year thereafter four such directors will stand for election. The Class B director will abstain from any vote before there are at least ten directors on the board and will at no time serve as chairman of the board. Exhibit B to the April 28, 2000 *ex parte* submission of William P. Barr describes more fully how the board of Genuity will be constituted and elected.

17. The board and officers of Genuity will owe fiduciary duties to the public shareholders. Incentive compensation for Genuity managers will be tied to the performance of Genuity and the value of Genuity's publicly traded stock, not to the financial performance or stock value of NewCo. The initial source of financing for Genuity will be the proceeds from the IPO of Class A stock. Any additional funding required by Genuity during the period before NewCo converts its Class B stock would be raised from the public markets, possibly by issuing additional Class A shares, by issuing debt to the public, or by arm's-length commercial loans. During such period, if NewCo were to choose to make loans to Genuity, NewCo could provide no more than 25% of the aggregate debt financing that Genuity is permitted to incur.

IV. INVESTOR SAFEGUARDS

18. NewCo's interests as a minority investor and potential future majority shareholder of Genuity will be protected by certain reasonable investor safeguards, which are described in Attachment 1 to these Conditions. NewCo's rights under these safeguards will remain in effect only until NewCo converts its Class B shares (or until NewCo no longer has a possibility of converting into more than a 10% interest). These include the right to approve certain fundamental business changes that adversely impact the value of NewCo's minority investment and conversion rights, including a change in control of Genuity or the sale of a significant portion of its assets.

19. Genuity's business includes Internet backbone and related IP services. Genuity does not provide traditional switched voice long-distance service, and Genuity's business plan does not contemplate the acquisition of a traditional voice long-distance service provider. NewCo agrees not to consent, pursuant to any applicable investor safeguard rights, to Genuity's acquisition of a traditional voice long-distance provider unless the Commission has first reviewed and approved such acquisition.

V. COMMERCIAL CONTRACTS BETWEEN NEWCO AND GENUITY

20. Consistent with the fact that Genuity and NewCo will each be independent public corporations whose directors and officers will owe duties of care and loyalty to their respective shareholders, all commercial interactions between NewCo and Genuity will be pursuant to commercially reasonable contracts. (See "Commercial Contracts Between NewCo and DataCo," submitted for the record on April 3, 2000, and revised agreements submitted on June 9, 2000.)

21. Because a significant portion of Genuity's business will be outside the Bell Atlantic region or in in-region states where Bell Atlantic has eliminated applicable interLATA restrictions, NewCo may enter into a marketing agreement with Genuity for the period before NewCo exercises its conversion rights. (See "Purchase, Resale and Marketing Agreement," submitted as part of the "Commercial Contracts Between NewCo and DataCo.") Both GTE and Bell Atlantic are legally free to enter into this kind of commercial relationship today with a similarly situated company. Pursuant to this agreement, NewCo will market Genuity's services (or the two companies will market their services jointly) as and where permitted by law. For example, in New York, where Bell Atlantic has already received section 271 approval, NewCo

and Genuity will jointly market Genuity's Internet connectivity services. The agreement provides that NewCo will not provide or jointly market any interLATA Genuity service in any state where NewCo does not have interLATA authority. The agreement is non-exclusive; either company may purchase from or sell to others.

22. NewCo and Genuity will also enter into certain additional commercial contracts, including contracts for transitional administrative support services to help ensure Genuity's stand-alone viability following the Genuity IPO. These transitional support contracts will have a term of one year or less and will be terminable at any time by Genuity without penalty. In addition, these transitional services contracts will not be renewed by the parties. The list of transitional services, with the timeframe for each service within which Genuity will transition from NewCo, is attached to these Conditions as Attachment 2. NewCo will not have any role in hiring or firing Genuity employees, and Genuity will not rely upon any network monitoring from NewCo after October 31, 2000.

VI. INDEPENDENT AUDITOR

23. NewCo will hire an independent auditor, acceptable to the Chief of the Common Carrier Bureau, to monitor NewCo's ongoing compliance with the terms of these conditions.

INVESTOR SAFEGUARDS

NewCo will have the rights outlined below only until it converts its Class B shares:

- If at the time NewCo converts its shares (or for up to a year thereafter), it owns shares at least equal to 70% of DataCo, it shall have the right to purchase from DataCo, at market, a number of shares that will increase its ownership to 80%.
- Class A shares initially contain a provision that: (i) prevents any single holder or group (as defined under SEC rules) from voting more than 20% of the Class A stock; and (ii) if any such person or group acquires over 20% of the Class A stock, the votes represented by the shares in excess of 20% shall be apportioned among the remaining Class A shareholders. This provision will expire upon conversion of a majority of the Class B shares.
- The Class B shareholders shall have the right to elect one member of the Board.
- Class vote of B shareholders required for:
 - Merger, consolidation, sale of all or substantially all assets or similar transactions;
 - Bankruptcy or liquidation;
 - Authorization of additional stock;
 - Amendments to Charter or certain By-law provisions that affect the rights of the Class B shareholders;
 - A material change in the nature or scope of DataCo's business; and
 - Any action that would make it unlawful for NewCo to exercise its conversion right.

- NewCo consent required for:
 - Agreements or arrangements that (i) bind or purport to bind NewCo or any of its affiliates or (ii) contain provisions that trigger a default, or provide for a material payment as a result of NewCo's exercise of its conversion right.
 - Declaration of extraordinary dividends or other extraordinary distributions.
 - Issuance of shares, securities convertible into shares or share equivalents (“Shares”) except for: (i) Shares issued in connection with acquisitions provided that the aggregate number of Shares issued in connection with acquisitions does not exceed 30% of the shares outstanding at the close of DataCo’s initial public offering (the term “shares outstanding at the Close of DataCo’s initial public offering” shall include those shares issued after exercise of the underwriters over-allotment option, if any); (ii) Shares issued to fund operating needs, provided that the aggregate number of Shares issued to fund operating needs does not exceed 5% of the shares outstanding at the close of DataCo’s initial public offering; and (iii) Shares issued or granted to employees (including pursuant to benefit plans other than the 401(k) plan except as noted below) provided that (a) the number of Shares issued or granted to individuals who are employees on April 6, 2000 does not exceed in the aggregate 5% of the shares outstanding at the close of DataCo’s initial public offering, (b) the number of Shares issued or granted to individuals who become employees of DataCo within nine months after April 6, 2000, other than individuals who become employees as a result of their employer being acquired by DataCo (“Acquisition Employees”), does not exceed in the aggregate 1% of the shares outstanding at the close of DataCo’s initial public offering, (c) the number of Shares issued or granted to individuals who become employees of DataCo beginning on January 6, 2001, other than Acquisition Employees, does not exceed in the aggregate 2.95% of the shares outstanding at the close of DataCo’s initial public offering, plus the number of Shares issued or granted to non-employee directors of DataCo does not exceed in the aggregate .05% of shares outstanding at the close of DataCo’s initial public offering, (d) the number of Shares issued or granted to employees under a 401(k) or similar plan does not exceed 0.5% of the shares outstanding at the close of DataCo’s initial public offering, and (e) the number of Shares issued or granted to Acquisition Employees, including pursuant to any employee benefit plan including the 401(k) plan, does not exceed 6% multiplied by the total of (1) the number of shares outstanding at the close of DataCo’s

initial public offering, plus (2) the number of Shares issued in connection with acquisitions completed by DataCo, minus (3) the aggregate number of Shares that may be issued under clauses (a), (b), (c) and (d) above.

- An acquisition or a series of related acquisitions that equal more than 20% of the market capitalization of DataCo or an acquisition or joint venture in which DataCo's investment exceeds \$100 million and that is not closely related to DataCo's business.
- A disposition or a series of related dispositions that are in excess of 20% of the market capitalization of DataCo.
- The incurrence of debt in excess of \$11 billion over a five year period, provided that DataCo shall not be permitted to incur more than 3.85 billion of such debt in any calendar year, net of any indebtedness repaid during that same calendar year.

APPENDIX B – ATTACHMENT 2

Verizon-Genuity Transitional Services Compared to Services Currently Provided by GTE to Genuity

| GTE Department | Function | Sub-functions | Will Verizon perform for Genuity, and for what maximum period of time? |
|---|---------------------------------|---|--|
| Human Resources | Workforce Effectiveness | Compensation & benefits policies | No |
| | | Executive staffing | No |
| | | Leadership development | No |
| | | Employee Relations | No |
| | | Workforce diversity | No |
| | | Organizational development | No |
| | | HR communications | No |
| | Labor Relations | Labor relations planning | No |
| | | Bargaining unit negotiation | No |
| | | Arbitration | No |
| | HR Operations Centers | Compensation Administration | No |
| | | Benefits Administration | Yes, 8 months |
| | | Staffing | No |
| | | Recruiting | No |
| | | Employee records SAP system | Yes, 12 months |
| | | Employee relations | No |
| | | Workforce planning | No |
| | Domestic Operations | Linkage to appropriate HR staffs and HR program advocate | No |
| | | Local contact for employee relations, hourly staffing, etc. | No |
| | | Workforce Development | No |
| | Technology & Services | Sales, technical & management training | No |
| | | Sr. executive culture initiatives | No |
| | | | HR Safety |
| HR Security | | | No |
| Aviation | | | No |
| Facilities | | | No |
| Environmental standards | | | No |
| Technical support systems | | | No |
| Enterprise services-travel, print services, records management and reference services | | | No |
| Legal & Regulatory | Government & Regulatory Affairs | Legislation- lobbying, compliance oversight, etc. | No |

APPENDIX B – ATTACHMENT 2

Verizon-Genuity Transitional Services Compared to
Services Currently Provided by GTE to Genuity

| GTE Department | Function | Sub-functions | Will Verizon perform for Genuity, and for what maximum period of time? |
|----------------|---------------------------------------|---|--|
| | | Regulatory agency filings, applications, patents, testimony & tariffs, advocacy | No |
| | | Regulatory & state Agency Relations | No |
| | | Industry Affairs – Representation at Trade Associations Import - Export Controls | No |
| | General Counsel & Corporate Secretary | Strategic advice | No |
| | | Corporate secretary-shareholder services, proxies, shareholder relations | No |
| | | Advice on finance, securities law, advertising, public affairs, real estate, leasing, investment management and insurance | No |
| | | Commercial contracts | No |
| | General Counsel | Litigation | No |
| | | Antitrust advice | No |
| | | Compliance advice | No |
| | | Intellectual property advice | No |
| | | Employment law advice | No |
| | | Legal advice on regulatory & legislative matters | No |
| | Government Relations-SBU Specific | Regulatory/Government Affairs support for SBU | No |
| | | Intercompany contracts | No |
| | | License authorization | No |
| | | Regulation of businesses | No |
| | Regulatory Planning & Policy | Cross-SBU position and policy development & conflict resolution | No |
| | | Regulatory & legal planning & issue analysis | No |
| | | Economic analysis & advocacy | No |
| | Regulatory Compliance | Business affiliates compliance & rules of engagement | No |
| | | Regulatory accounting & compliance | No |
| | | Regulatory fees & surcharges | No |
| | | Regulatory program management | No |

APPENDIX B – ATTACHMENT 2

Verizon-Genuity Transitional Services Compared to
Services Currently Provided by GTE to Genuity

| GTE Department | Function | Sub-functions | Will Verizon perform for Genuity, and for what maximum period of time? | |
|---|--|---|--|----|
| Public Affairs & Communications | National Operations | Communications for various interest groups-customers, employees, investors & key constituents | No | |
| | Strategic Communications | Customer, employee & senior management communications | No | |
| | | Executive meetings & conferences | No | |
| | | Publications | No | |
| | | Community relations | No | |
| | Corporate Communications | Media relationships, news releases & press briefings | No | |
| | | Regulatory advocacy to business, general and trade media | No | |
| Senior management speeches | | No | | |
| Corporate Advertising & Social Responsibility | Corporate Public Involvement & Philanthropy | Policy setting for social investments & programs | No | |
| | | GTE Foundation contributions | No | |
| | | Employee volunteerism | No | |
| | Interactive Media | Community affairs | No | |
| | | Corporate Webmaster | No | |
| | | Brand Advertising | Brand imagery in Company communications | No |
| | | Corporate identity standards | No | |
| Planning & Development | Strategic Planning | Strategic planning- Development of 5 year plan | No | |
| | | Competitive analysis | No | |
| | Business Development | Merger & acquisition analysis | No | |
| | | New business development | No | |
| | | Product Development & Market Mngt (PDMM) process management | No | |
| | | | Incubation-enhanced IP services, internet commerce, network integration services, web support services | No |
| | | | Strategic alliances | No |
| | | | Internetworking data strategy | No |
| | | GTE Integrated System Planning | GISP - Funding, prioritization & monitoring & management of system development & enhancement across SBUs | No |
| | | Integrated Broadband | Manage inter-SBU deployment of FTTN/VDSL capital | No |
| | Manage integrated voice, data & video broadband deployment | | No | |
| Finance | Controller | General ledger | No | |
| | | Payroll SAP system and services | Yes, 12 months | |
| | | Accounts payable | Yes, 8 months | |

APPENDIX B – ATTACHMENT 2

Verizon-Genuity Transitional Services Compared to
Services Currently Provided by GTE to Genuity

| GTE Department | Function | Sub-functions | Will Verizon perform for Genuity, and for what maximum period of time? |
|----------------|-----------------------------------|--|--|
| | | Intercompany cost allocations | No |
| | | Asset accounting | Yes, 8 months |
| | Internal Audit | Internal controls reviews | No |
| | Consolidated Reporting & Analysis | Corporate financial consolidations | No |
| | | SEC reporting | No |
| | | Earnings releases | No |
| | | Financial policies & controls | No |
| | Treasury | Capital markets & financing | No |
| | | Capital structure planning | No |
| | | Rating agency support | No |
| | | Debt administration | No |
| | | Cash processing services | Yes, 8 months |
| | | Short term financing | No |
| | | Banking services | No |
| | | Health & welfare benefit processing | Yes, 8 months |
| | | Retirement benefits processing | Yes, 8 months |
| | | Insurance | No |
| | | Risk management | No |
| | Investment Management | Investment Management | No |
| | Taxes | Income tax-Federal, state & local | No |
| | | Property, sales & use & other | No |
| | | Tax planning | No |
| | | Tax accounting | No |
| | Investor Relations | Investor Relations | No |
| | Business Analysis | Financial results & analysis support | No |
| | | Business partner for financial matters | No |
| | | Outlook & budget management | No |
| | | Sales compensation administration | No |
| | | Management reporting | No |
| | | Allocation of financial resources | No |
| | | Quality measurements | No |

APPENDIX B – ATTACHMENT 2

**Verizon-Genuity Transitional Services Compared to
Services Currently Provided by GTE to Genuity**

| GTE Department | Function | Sub-functions | Will Verizon perform for Genuity, and for what maximum period of time? |
|-------------------------------------|--|--|---|
| National Marketing | Marketing Programs | Event marketing-sports, trade shows, etc. | No |
| | | Market communication-planning, program development & support | No |
| | Marketing Information Management (MIM) | Functional owner of marketing data warehouses | No |
| | | Database marketing methodology driver | No |
| | | Channel Strategy | Channel planning, integration & conflict management |
| | Complex Systems | Technical integration, project control & contract evaluation | No |
| | Market Strategy | Market research assessment | No |
| | | Competitive analysis & response | No |
| | Product Strategy | Stage process for new product development | No |
| | | Coordinate product & platform development | No |
| | | Segment product hierarchy | No |
| | Information Technology | Commercial Services | Marketing products & services for 3 rd . parties |
| Process, Quality and Administration | | Y2K program, program office, program management, process quality and audits | No |
| IT Services | | IT computing infrastructure, continuing operations support, IT development and enhancement, and SAP implementation | Yes, 12 months |
| Monitoring services | | Monitoring services for GNI | Yes, 4 months |
| Technology Business Planning | | Establish strategic direction and define overall network architecture | No |
| | | Industry standards activity and technical research & development | No |
| Operations Process Planning | | Enterprise process, planning & systems integration: fulfillment, assurance, provisioning and billing & payment processing | No |
| Diversity Marketing & Management | Diversity Marketing & Management | Marketing, supplier and management diversity | No |
| Supply | Supply Chain Mgmt. | Contract Negotiation, SBU specific purchasing, bulk discount contracting, Vendor management. | No |
| Support Assets and Real Estate | Realty, Leasing & Space Management | Procures office space, manages property, provides security & cleaning, Manages construction. Environmental and safety services | Yes, 3 months |
| GTE Labs | Research & Development | Consolidated R&D for GTE entities. | No |
| Consolidated Services, Inc. | Billing | Billing, remittance processing, credit checks, and collections | Yes, 12 months |

APPENDIX C: Summary of Confidential Information

[TEXT NOT AVAILABLE IN PUBLICLY RELEASED VERSION]

This Appendix summarizes documents produced by the Applicants in connection with each Applicant's plans to compete in local exchange and exchange access markets outside its service areas and, in particular, within each other's service areas.

A. Applicants' Plans to Compete Outside Their Traditional Service Areas

- 1. GTE's Out of Region Plans**
- 2. Bell Atlantic's Out of Region Plans**