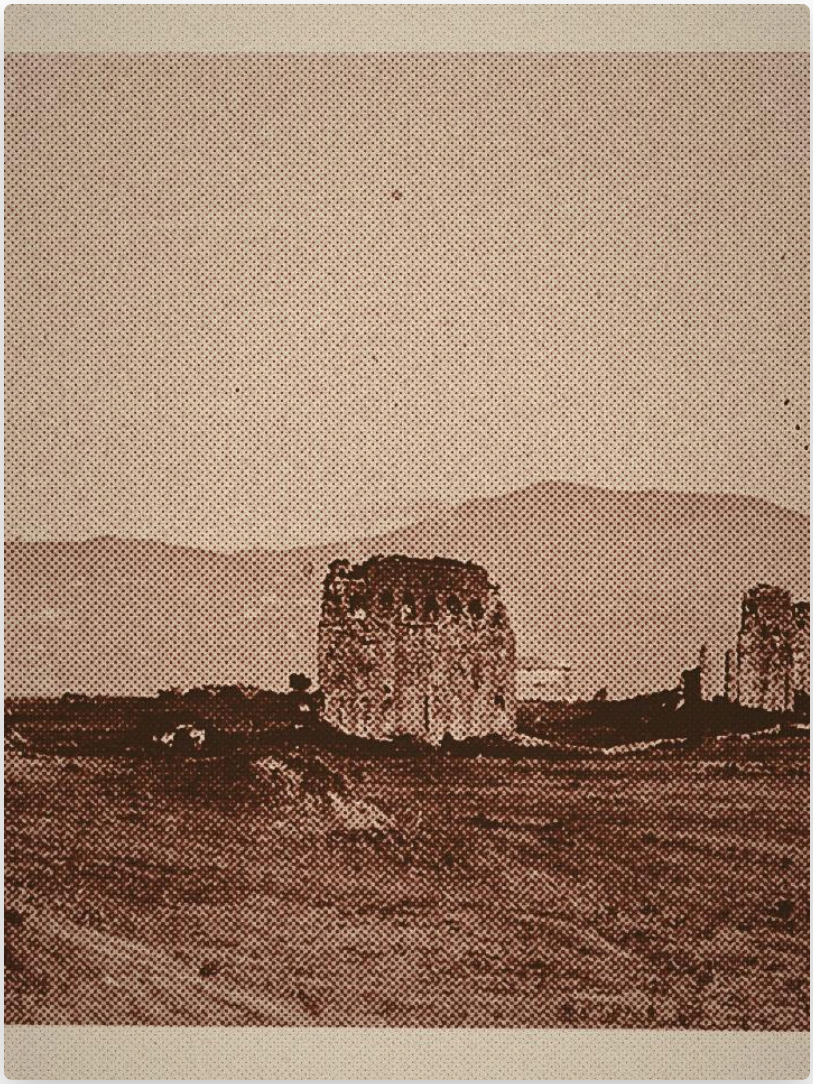
FORM S-1 · REGISTRATION STATEMENT

Genuity Inc

IPO priced 2000-06-28 · $11.00 a share · GENU



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AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON APRIL 7, 2000 REGISTRATION NO. 333- SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 FORM S-1 REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933 GENUITY INC. (EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

Delaware	7370	74-2864824
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

3 VAN DE GRAAFF DRIVE BURLINGTON, MASSACHUSETTS 01803 (781) 262-3000 (ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES) PAUL R. GUDONIS CHAIRMAN AND CHIEF EXECUTIVE OFFICER 3 VAN DE GRAAFF DRIVE BURLINGTON, MASSACHUSETTS 01803 TELEPHONE: (781) 262-3000 TELECOPY: (781) 262-3408 (NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICE) COPIES TO:

KEITH F. HIGGINS, ESQ. PATRICK O'BRIEN, ESQ. Ropes & Gray One International Place Boston, Massachusetts 02110 Telephone: (617) 951-7000 Telecopy: (617) 951-7050	IRA H. PARKER, ESQ. General Counsel 3 Van de Graaff Drive Burlington, Massachusetts 01803 Telephone: (781) 262-3000 Telecopy: (781) 262-3408	JOHN T. BOSTELMAN, ESQ. Sullivan & Cromwell 125 Broad Street New York, New York 10004 Telephone: (212) 558-4000 Telecopy: (212) 558-3588

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: AS SOON AS PRACTICABLE AFTER THE EFFECTIVE DATE OF THIS REGISTRATION STATEMENT.

IF ANY OF THE SECURITIES BEING REGISTERED ON THIS FORM ARE TO BE OFFERED ON A DELAYED OR CONTINUOUS BASIS PURSUANT TO RULE 415 UNDER THE SECURITIES ACT OF 1933, CHECK THE FOLLOWING BOX. [_] IF THIS FORM IS FILED TO REGISTER ADDITIONAL SECURITIES FOR AN OFFERING PURSUANT TO RULE 462(B) UNDER THE SECURITIES ACT OF 1933, CHECK THE FOLLOWING BOX AND LIST THE SECURITIES ACT REGISTRATION STATEMENT NUMBER OF THE EARLIER EFFECTIVE REGISTRATION STATEMENT FOR THE SAME OFFERING. [_] IF THIS FORM IS A POST-EFFECTIVE AMENDMENT FILED PURSUANT TO RULE 462(C) UNDER THE SECURITIES ACT OF 1933, CHECK THE FOLLOWING BOX AND LIST THE SECURITIES ACT REGISTRATION STATEMENT NUMBER OF THE EARLIER EFFECTIVE REGISTRATION STATEMENT FOR THE SAME OFFERING. [_] IF THIS FORM IS A POST-EFFECTIVE AMENDMENT FILED PURSUANT TO RULE 462(D) UNDER THE SECURITIES ACT OF 1933, CHECK THE FOLLOWING BOX AND LIST THE SECURITIES ACT REGISTRATION STATEMENT NUMBER OF THE EARLIER EFFECTIVE REGISTRATION STATEMENT FOR THE SAME OFFERING. [_] IF DELIVERY OF THE PROSPECTUS IS EXPECTED TO BE MADE PURSUANT TO RULE 434, PLEASE CHECK THE FOLLOWING BOX. [_]

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
CLASS A COMMON STOCK, PAR VALUE $0.01 PER SHARE.....	$10,000,000	$2,640

(1) ESTIMATED SOLELY FOR THE PURPOSE OF COMPUTING THE AMOUNT OF THE REGISTRATION FEE PURSUANT TO RULE 457(O) UNDER THE SECURITIES ACT OF 1933.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

++
+The information in this prospectus is not complete and may be changed. We may +

+not sell these securities until the registration statement filed with the +
+Securities and Exchange Commission is effective. This prospectus is not an +
+offer to sell these securities and we are not soliciting offers to buy these +
+securities in any state where the offer or sale is not permitted. +
++

Subject to Completion. Dated , 2000.

PROSPECTUS SHARES

LOGO OF GENUITY CLASS A COMMON STOCK

We are offering shares of our Class A common stock. This is our initial public offering and no public market currently exists for our shares. We anticipate that the initial public offering price will be between $ and $ per share.

WE INTEND TO APPLY FOR QUOTATION OF OUR CLASS A COMMON STOCK ON THE UNDER THE SYMBOL " ".

INVESTING IN OUR CLASS A COMMON STOCK INVOLVES RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE 7.

PRICE $ PER SHARE

	PRICE TO PUBLIC	UNDERWRITING DISCOUNTS	PROCEEDS TO GENUITY
Per Share	$	$	$
Total	$	$	$

THE SECURITIES AND EXCHANGE COMMISSION AND STATE SECURITIES REGULATORS HAVE NOT APPROVED OR DISAPPROVED THESE SECURITIES, OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

WE HAVE GRANTED THE UNDERWRITERS THE RIGHT TO PURCHASE UP TO AN ADDITIONAL SHARES TO COVER OVER-ALLOTMENTS. MORGAN STANLEY & CO. INCORPORATED AND SALOMON SMITH BARNEY INC. EXPECT TO DELIVER THE SHARES TO PURCHASERS ON , 2000.

JOINT BOOK-RUNNING MANAGERS MORGAN STANLEY DEAN WITTER SALOMON SMITH BARNEY , 2000

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F-1 Until , 2000, which is the 25th day after the date of this prospectus, all dealers that buy, sell or trade our Class A common stock, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized any other person to provide you with information that is different from that contained in this prospectus. We are offering to sell and seeking offers to buy these securities only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date on the front cover of this prospectus, regardless of the time of delivery of the prospectus or of any sale of the Class A common stock.

For investors outside the United States, neither we nor any of the underwriters have done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. You are required to inform yourselves about and to observe any restrictions relating to this offering and the distribution of this prospectus.

Genuity is our registered trademark in the United States and the Genuity logo is subject to our pending application for registration as a trademark in the United States. The titles and logos associated with our products and services appearing in this prospectus are either federally registered trademarks and service marks or are subject to pending applications for registration as trademarks and service marks. Our trademarks and service marks may also be registered in other jurisdictions. All other trademarks or trade names appearing elsewhere in this prospectus are the property of their respective owners.

Prospectus Summary

You should read the following summary together with the more detailed information about Genuity and the Class A common stock being offered in this offering and our combined financial statements and accompanying notes appearing elsewhere in this prospectus. In this prospectus, "GTE" refers to GTE Corporation and its subsidiaries other than Genuity, "Bell Atlantic" refers to Bell Atlantic Corporation and its subsidiaries prior to the merger with GTE and "Verizon" refers to Bell Atlantic doing business as Verizon Communications, the name under which Bell Atlantic will operate after the merger with GTE, and its subsidiaries, including GTE. "Genuity", "we", "us" and "our" each refers to Genuity Inc. and its subsidiaries and not to the underwriters, GTE, Bell Atlantic or Verizon. Except as otherwise indicated, all information in this prospectus assumes no exercise of the underwriters' option to purchase additional shares of Class A common stock to cover over-allotments and also assumes that the merger between Bell Atlantic and GTE closes concurrently with, or immediately following, the completion of this offering.

Genuity

We are a leading facilities-based provider of high quality, managed Internet infrastructure services to enterprises and service providers. We offer a comprehensive suite of managed Internet infrastructure services, including: Internet access through dial-up, dedicated and digital subscriber lines; web hosting and content delivery; and value-added e-business services, such as virtual private networks for secure data transmission, security services and voice-over-Internet Protocol. We operate a state-of-the-art global network that consists of recently deployed broadband fiber optic cable in the United States, points of presence, secure and fault-tolerant data centers and undersea and international fiber optic cable capacity. Our large base of on-network users and content, combined with our extensive network, positions us as one of the leading Internet backbone providers in the world, a status commonly referred to as a Tier 1 Internet backbone provider. We believe that service providers are increasingly connecting to networks with substantial on-network content to improve the quality of their customers' experience, which in turn drives demand by enterprises seeking to connect to networks with large numbers of users. We believe that by taking advantage of this demand cycle, which we call the "network effect", we will continue to drive significant demand for our services from both enterprises and service providers and differentiate ourselves from non-Tier 1 Internet backbone providers. As of March 31, 2000, we provided services to approximately 6,500 enterprises, such as Cabletron Systems, Yahoo! and ZDNet, and to approximately 500 service providers, such as America Online, NetZero and WebTV in the United States and I.NET and Tiscali in Italy. In 1999, our revenues were approximately $750 million, and we incurred net losses of approximately $627 million.

Unlike many recent entrants into the Internet industry, we have more than three decades of experience in designing and implementing the architecture of the Internet and with solving computer networking problems. In 1969, our predecessor, BBN Corporation, designed and helped to implement ARPAnet, which is widely recognized as the basis for the Internet today. Our network is recognized as the first Internet backbone and, accordingly, was designated AS- 1. We also developed the first Internet router, delivered the world's first e- mail message and pioneered the use of the "@" symbol as a universal addressing standard for electronic mail. More recently, we were one of the first to offer commercially managed web hosting services and managed security services through outsourced firewall monitoring.

The Opportunity

The Internet has experienced tremendous growth in the past decade and has emerged as an important global medium for communications and commerce. As the Internet and data traffic have grown, the cost and complexity for enterprises and service providers to manage their own network infrastructure demands in- house has increased. As a result, enterprises and service providers seek to outsource their infrastructure needs to Internet infrastructure service providers that can speed their time-to-market, improve performance, scalability and security, provide continuous operation of their web sites and reduce the costs and risks associated with developing an in-house solution. As enterprises and service providers continue to outsource these requirements, they demand that Internet infrastructure service providers deliver a high quality Internet experience for their users. We believe leading Internet

infrastructure service providers must offer a comprehensive suite of managed Internet infrastructure services, a large base of on-network users and content, reliable and scalable network facilities, Tier 1 Internet connectivity and the experience and expertise necessary to provide a complete Internet infrastructure solution.

Our Solution

Our solution enables our customers to outsource their Internet infrastructure requirements to a single provider and to scale their Internet operations in a cost-effective and reliable manner. The key elements of our solution include:

. Comprehensive Suite of Managed Internet Infrastructure Services. We offer a broad range of managed Internet infrastructure services, including: Internet access; web hosting and content delivery; and value-added e- business services.

. Large Base of On-Network Users and Content. We carry a significant amount of traffic over our Tier 1 Internet backbone, allowing enterprises and service providers to directly route traffic to, or receive content from, a significant number of other customers without the need to pass through private peering connections or overloaded public peering points.

. State-of-the-Art Network. We operate a state-of-the-art, high capacity global fiber optic network that is highly reliable and scalable and has been equipped with advanced optical electronic equipment. Our network includes over 17,500 route miles of fiber optic cable in the United States, undersea and international fiber optic cable capacity and 10 data centers for web hosting services.

. High Performance, Tier 1 Internet Connectivity. We provide high performance connectivity to the Internet through our Tier 1 Internet backbone and extensive high speed private peering relationships with other major Internet backbone providers.

. Significant Internet Protocol Engineering and Architectural Expertise. Drawing upon the breadth and depth of our IP and networking experience and expertise, including our 756 engineers and 1,119 technicians, we are able to quickly and cost-effectively identify the Internet infrastructure requirements of our customers and design and implement appropriate solutions.

Our Strategy

Our objective is to be the leader in architecting, building and operating the infrastructure for the Internet economy. The principal elements of our strategy for pursuing this objective include:

. leveraging the network effect;

. expanding our capacity and state-of-the-art network;

. continuing to build and own our network facilities;

. expanding our distribution capabilities;

. pursuing strategic transactions and alliances;

. using our extensive IP and networking expertise to develop new services; and . establishing Genuity as a leading brand for managed Internet infrastructure services.

Our Relationship with Verizon

We are currently a wholly owned subsidiary of GTE Corporation. In July 1998, Bell Atlantic Corporation and GTE agreed to enter into a merger of equals transaction. We anticipate that the merger between Bell Atlantic and GTE will close concurrently with, or immediately following, the completion of this offering. In April 2000, Bell Atlantic and GTE announced that following their merger, they will operate under the name Verizon Communications.

Under the Telecommunications Act of 1996, the Regional Bell Operating Companies, including the Bell Atlantic local telephone operating companies, and their respective affiliates are generally prohibited from providing long distance services that originate in any state in which they operate an incumbent local telephone company. These provisions restrict the operations of these companies until they have satisfied a 14-point competitive checklist under Section 271 of the Telecommunications Act and obtained authority from the Federal Communications Commission to provide long distance services in the states in which they operate an incumbent local telephone company.

Bell Atlantic is an incumbent local telephone company in 13 states, from Maine to Virginia, and the District of Columbia. Bell Atlantic has obtained the necessary authorization to provide long distance service originating in New York. Because we provide services in Bell Atlantic's region that could be characterized as long distance services, Bell Atlantic and GTE cannot complete their merger until they either (1) receive relief from the Telecommunications Act restrictions for the remaining states in which Bell Atlantic provides local telephone services or (2) implement a structure that complies with the requirements of the Telecommunications Act.

To ensure compliance with the requirements of the Telecommunications Act and to receive Federal Communications Commission approval of their merger, Bell Atlantic and GTE have proposed a structure to the Federal Communications Commission under which (1) GTE will exchange all of the currently outstanding shares of our common stock for shares of our Class B common stock and (2) we will make this offering of our Class A common stock. As a result, immediately after completion of this offering, the investors purchasing shares in this offering will own shares of our Class A common stock possessing 90% of the total voting power of our capital stock and GTE will own shares of our Class B common stock possessing 10% of the total voting power of our capital stock. As described in the section entitled "Description of Capital Stock", our Class B common stock is convertible at any time into shares of our Class C common stock that represent approximately 82% of our total capital stock and possess approximately 96% of the total voting power of our capital stock, in each case before giving effect to any outstanding options to purchase shares of our common stock, the exercise of the

underwriters' over-allotment option or other additional issuances of our common stock. If the underwriters fully exercise their over-allotment option, our Class B common stock would be convertible into shares of Class C common stock representing 80% of our total capital stock.

Under the terms of the proposal to the Federal Communications Commission, the shares of Class B common stock held by Verizon must be converted on or prior to , 2005, subject to extension under the circumstances described in the section in "Description of Capital Stock" entitled "Conversion". Assuming no additional issuances of our common stock after completion of this offering, Verizon will control us if and when it converts its Class B common stock into Class C common stock. Subject to limited exceptions, if Verizon is unable to convert its shares of Class B common stock within this time period, it would be required to dispose of those shares.

Bell Atlantic and GTE are required to receive the formal approval of the Federal Communications Commission to the proposed structure.

Our Corporate Information

We have recently changed our name from GTE Internetworking Incorporated to Genuity Inc. Our principal executive offices are located at 3 Van de Graaff Drive, Burlington, Massachusetts 01803 and our telephone number is (781) 262- 3000.

The Offering

Class A common stock offered..... shares Common stock to be outstanding after this offering.....

	Immediately After Offering		Assuming Full Conversion of Class B Common Stock	
	Shares	Total Equity Percentage	Total Voting Percentage	Shares	Total Equity Percentage	Total Voting Percentage
Class A common stock....	90%	90%	18%	4%
Class B common stock....	10%	10%	--	--
Class C common stock....	--	--	82%	96%

If the underwriters fully exercise their over- allotment option, after conversion of the Class B common stock into Class C common stock, the Class A common stock would represent 20% of our total common stock and the Class C common stock would represent 80% of our total common stock.

The above information is before giving effect to options outstanding under our long-term incentive plans and before additional issuances of shares of our common stock.

Voting rights..... Except as required by law or as described below, the holders of our 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.

Each share of Class A common stock entitles the holder to one vote per share. Until less than 50% of the shares of Class B common stock outstanding at the completion of this offering remain outstanding, no holder or group of holders of Class A common stock may vote any of those shares in excess of 15% of the aggregate number of the then outstanding number of shares of Class A common stock.

Each share of Class B common stock entitles the holder to one vote per share. We are required to obtain the consent of the holders of Class B common stock before taking specific actions, including making significant acquisitions, entering into major business combinations, incurring indebtedness in excess of specified limits and issuing additional equity securities. At the completion of this offering, all outstanding shares of Class B common stock will be indirectly owned by Verizon.

Each share of Class C common stock entitles the holder to five votes per share. Only Verizon and its affiliates may own Class C common stock.

Conversion..... Our Class B common stock held by Verizon and its affiliates is convertible into shares of Class C common stock. If the underwriters fully exercise their over-allotment option and assuming no additional issuances of our common stock and before giving effect to any options outstanding under our long-term incentive plans, when our shares of Class B common stock are converted into shares of Class C common stock, they will represent 80% of the shares of our outstanding common stock.

Class B common stock held by persons other than Verizon and its affiliates is convertible into Class A common stock. The number of shares of Class A common stock into which those shares of Class B common stock are convertible is equal to the number of shares of Class C common stock into which those shares would be convertible if they were held by Verizon and its affiliates.

Our Class C common stock is convertible into Class A common stock at any time. 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, and the number of shares of Class A common stock controlled by Verizon and its affiliates, constitute less than 10% of our then outstanding common stock.

Verizon may acquire additional shares..... If Verizon holds shares of Class A common stock and Class C common stock that in the aggregate exceed 70% of the total number of shares of our common stock, Verizon may acquire from us a number of shares of Class A common stock so that it will own shares of common stock equal to 80% of the total number of our shares of common stock.

Use of proceeds..... For capital expenditures in connection with the expansion of our network infrastructure, increased sales and marketing activities, funding our operating losses and general corporate purposes, including working capital and possible acquisitions of and investments in other businesses and technologies.

Proposed stock symbol.....

Summary Combined Financial Data

The following tables present our summary combined financial data. The financial data presented in these tables are from "Selected Combined Financial Data" and our combined financial statements and accompanying notes included elsewhere in this prospectus. You should read those sections for a further explanation of the financial data summarized here.

Our combined financial statements have been carved out from the consolidated financial statements of GTE using the historical results of operations and historical bases of the assets and liabilities of Genuity. Accordingly, the historical financial information we have included in this prospectus does not necessarily reflect what our financial position, results of operations and cash flows would have been had we been a separate, stand-alone entity during the periods presented.

Year Ended December 31, 1998 1999 (in thousands, except per share data) Results of Operations Data: Revenues..... $ 471,538 $ 750,424 Cost of goods sold..... 512,967 786,965 Selling, general and administrative..... 316,491 399,529 Operating loss..... (462,443) (624,737) Net loss..... (467,040) (626,689) Basic and diluted loss per common share..... ( ) ( ) Basic and diluted weighted-average common shares outstanding.....

The as adjusted column in the combined balance sheet data below reflects our recapitalization and the sale of shares of Class A common stock in this offering at an assumed initial public offering price of $ per share and the application of the net proceeds, after deducting estimated underwriting discounts and offering expenses payable by us.

As of December 31, 1999 Actual As Adjusted (in thousands)

Balance Sheet Data:		
Cash and cash equivalents.....	$ 6,044	$
Working capital.....	(258,480)	
Property, plant and equipment, net.....	1,524,390	
Total assets.....	2,373,159	
Total long-term liabilities.....	133,553	
Total liabilities.....	669,815	
Stockholders' equity.....	1,703,344	

Risk Factors

Investing in our Class A common stock involves a high degree of risk. You should carefully consider the following factors, as well as other information contained in this prospectus, before deciding to invest in shares of our Class A common stock. If any of the following risks actually occurs, our business, financial condition and results of operations could suffer, in which case the trading price of our Class A common stock could decline and you may lose all or part of your investment.

Risks Related to Our Business We have a history of significant operating losses and expect these losses to continue for at least the next several years.

We have experienced operating losses in each quarterly and annual period since 1996. Given the level of our planned operating and capital expenditures, we expect to continue to incur significant operating losses for the foreseeable future. We incurred operating losses of approximately $462 million in 1998 and approximately $625 million in 1999. As of December 31, 1999, we had an accumulated deficit of approximately $1.3 billion. We plan to continue to make significant investments to expand our capacity and network infrastructure, develop brand recognition, broaden the range of our service offerings and expand our sales, marketing, technical and customer support personnel. Our capital expenditures program, as currently contemplated, will require between $11 billion and $13 billion during the five-year period ending December 31, 2004, the majority of which will be for the expansion of our network infrastructure. A substantial portion of these expenditures will be made long before any significant revenue related to these expenditures may be realized. In addition, our operating expenses are based largely on anticipated revenue trends and a significant portion of our expenses, such as personnel, the leased portion of our network and our real estate facilities and depreciation of our network infrastructure, is fixed. If our revenues fall below our expectations, we would probably not be able to reduce our fixed or variable expenses in sufficient time to respond to the shortfall. If we fail to achieve significant increases in our revenues as a result of our investments, the size of our operating losses may be larger than expected. We may never achieve profitability or generate positive cash flows from operations, and if we do achieve profitability or positive cash flows from operations in any period, we may not be able to sustain or increase profitability or positive cash flows on a quarterly or annual basis.

If we do not maintain or increase our market share and therefore are no longer considered a Tier 1 Internet backbone provider, we may lose customers and our free peering relationships with other Tier 1 Internet backbone providers. If this occurs, our revenues and operating results may decline significantly.

We rely significantly on our status as a Tier 1 Internet backbone provider to maintain and grow our market share and compete with other Tier 1 Internet backbone providers, several of which have a larger market share than we do. Any significant loss of market share for our services could cause the loss of our status as a Tier 1 Internet backbone provider, which would make our services significantly less attractive to existing and potential customers and would likely result in a significant loss of revenues. In addition, the loss of market share or our status as a Tier 1 Internet backbone provider would adversely affect our ability to maintain our free private peering relationships with other Tier 1 Internet backbone providers. Currently, these relationships permit us to have direct, cost-free exchange of traffic with other Tier 1 Internet backbone providers and allow us to avoid the congestion of public peering points when directing traffic to users connected to those other Internet backbones. If we are unable to maintain these free peering relationships, our operating costs will increase and our results of operations will suffer. To increase or at least maintain our market share and maintain our status as a Tier 1 Internet backbone provider, it is critical that a significant amount of worldwide Internet traffic be carried on our Internet backbone. To generate significant Internet traffic, we must:

. continue to increase the amount of content available on our network infrastructure by successfully marketing our web hosting and high speed dedicated Internet access services to enterprises, particularly enterprises that operate high traffic web sites; and . continue to increase the number of users that access the Internet through our Internet backbone by successfully marketing our Internet access services to service providers.

We may not be successful in marketing our services to enterprises and service providers if we fail to expand our capacity and network infrastructure to meet increasing demand or to competitively price or expand our services or if we experience network performance and reliability problems.

If we were to lose a significant portion of our revenues from America Online, we would not be able to replace those revenues in the short term and our operating losses would increase significantly.

America Online accounted for approximately 53% of our revenues in 1998 and 52% of our revenues in 1999. We expect that revenues from America Online will continue to represent a significant portion of our revenues for the next several years. America Online also uses the services of some of our competitors. America Online has the right to terminate its agreement with us on short notice if we materially breach the agreement, including our failure to meet specific performance targets. America Online also has the right to reduce its purchase commitments if we, among other things, fail to meet specific delivery and performance targets or fail to meet our obligation to provide most favored customer pricing. The termination of, or a significant adverse change in, our relationship with America Online would have a material adverse effect on our business and results of operations. In addition, upon a change in control of Genuity, America Online has the right to terminate the agreement. A transfer of Verizon's interest in Genuity to an unrelated party may constitute a change in control of us. You should refer to the section in "Business" entitled "Our Relationship With America Online" for additional information about our relationship with America Online.

If we cannot obtain the additional capital we will require to fund our operations and finance the expansion of our capacity and network infrastructure, we will have to delay or abandon our development and expansion plans.

We will need significant additional capital to fund our business plan and achieve profitability. We currently intend to spend $11 billion to $13 billion over the five-year period ending December 31, 2004, of which approximately $1.8 billion to $2.0 billion is expected to be spent during 2000, on the continued expansion of our network infrastructure and other capital expenditures. During the past three years, our capital needs have been satisfied with permanent capital contributions from GTE or financing from its affiliates. However, following this offering, Verizon is not obligated to provide funds to finance our capital expenditures, working capital or other cash requirements. We currently intend to obtain additional capital through public offerings or private placements of debt or equity securities and through borrowings under future credit facilities. However, we are required to obtain the consent of the holders of our Class B common stock before issuing any shares of our capital stock and our agreement with Verizon limits our ability to incur debt in excess of specified amounts without its consent. You should refer to the risks described below under "Risks Related to Our Relationship with Verizon", the section in "Related Party Transactions" entitled "Subscription Agreement" and the section entitled

"Description of Capital Stock" for a more detailed discussion of the rights of our Class B common stock. The issuance of additional equity would be dilutive to the holders of our common stock. We may be unsuccessful in raising sufficient capital on terms that we consider acceptable, when needed or at all. If this happens, we would have to delay or abandon our development and expansion plans, which would adversely affect our competitive position.

If we do not compete effectively, particularly against established participants with greater financial and other resources than ours, we will lose market share, which will make our services less attractive to our existing and prospective customers.

The market for managed Internet infrastructure services is extremely competitive and subject to rapid change. We expect to encounter increased competition in the future as a result of increased consolidation and strategic alliances in the industry. In addition, we will increasingly compete with foreign service providers as we expand internationally and as these service providers increasingly compete in the United States. Our principal competitors in the managed Internet infrastructure services market include:

. Internet infrastructure service providers with a global presence such as UUNET Technologies, a subsidiary of MCI WorldCom, AT&T, Sprint and Cable & Wireless, each of which offers similar services and possesses the network scale and on-network users and content to offer their customers connectivity to virtually all addresses on the Internet, either directly through their Internet backbone or through cost-free, high speed private peering relationships;

. Internet service providers that have a significant regional, national or international presence but do not offer as broad a range of services or possess fewer users and less on-network content, such as Level 3 Communications, Qwest Communications, KPNQwest, Deutsche Telekom, PSINet and Verio Communications; and . companies that service generally only one or a few specific Internet infrastructure needs of enterprise customers, including web hosting companies such as Digex and Exodus Communications; broadband Internet access providers, such as Covad Communications and Rhythms NetConnections; providers of security and virtual private networks, such as Pilot Network Services; and transport service providers, such as Level 3 Communications, Qwest Communications and Williams Communications Group.

Numerous other companies from a variety of industries have also focused on our target market. For example, many of the major cable companies have begun offering, or are exploring the possibility of offering, Internet access by engineering their current networks to include Internet access capabilities. Direct broadcast satellite and wireless communications providers have also entered the Internet access market with various wireless and satellite-based service technologies. We have no patented technology that would preclude or inhibit competitors from entering our market.

Many of these existing competitors have and potential competitors may have greater financial and other resources, more customers, a larger installed network infrastructure, greater market recognition and more established relationships and alliances in the industry. As a result, these competitors may be able to develop and expand their network infrastructure and service offerings more quickly, adapt more swiftly to new or emerging technologies and changes in customer demands, devote greater

resources to the marketing and sale of their offerings, pursue acquisitions and other opportunities more readily and adopt more aggressive pricing policies. UUNET has substantially greater market share and resources than we do. In addition, MCI WorldCom and Sprint have announced a proposed merger. We believe this proposed merger would substantially increase the market share and competitive position of UUNET, even if it were required to divest itself of portions of its Internet backbone as a condition of the merger. Some of our competitors are able to bundle their Internet service offerings with other complementary services, such as local and long distance voice, data transmission and video services, thereby reducing the overall cost of their services compared with ours. We may not be able to offset the effects of any of these actions. If we are unable to compete successfully, we would experience a loss in customers and the revenues that accompany that business.

We expect that the rates we charge for our services will decline over time, and we may not be successful in reducing our operating expenses or introducing new services that will compensate for these lost revenues.

We expect to continue to experience decreasing prices for our services as we and our competitors increase transmission capacity on existing and new networks, as a result of our current agreements with customers, through technological advances or otherwise, and as volume-based pricing becomes more prevalent. For example, at specified times during the course of our agreement with America Online, America Online has the right to seek a reduction in the fees paid to us for access ports and digital subscriber line and other broadband services. Accordingly, our historical revenues are not indicative of future revenues based on comparable traffic volumes. If the prices for our services decrease for whatever reason and we are unable to offer additional services from which we can derive additional revenues or otherwise reduce our operating expenses, our operating results will decline and our business and financial results will suffer.

Our strategy contemplates future international expansion but there are significant operational and financial risks associated with international operations.

Although we have not derived significant revenues from our international operations in the past, an important component of our strategy is to expand significantly our presence in international markets. We currently have points of presence in Amsterdam, The Netherlands; Dublin, Ireland; Frankfurt, Germany; London, England (2); Milan, Italy; Paris, France; Sydney, Australia; and Tokyo, Japan. We also have data centers in Leeds, England and Tokyo, Japan that are operated by third parties. Accordingly, we are and will continue to be exposed to risks inherent in international operations, including, among others, the following:

. general economic, social and political conditions;

. unexpected changes in legal or regulatory requirements resulting in unanticipated costs and delays;

. differences in technology standards;

. tariffs, export and exchange controls and other trade barriers;

. fluctuations in foreign currency exchange rates;

. difficulty of enforcing agreements and collecting accounts receivables;

. adverse tax consequences;

. changes in United States laws and regulations relating to foreign trade and investment; and . inability to offer some services in some countries due to regulatory and other barriers.

Further, to expand our international operations, we may enter into joint ventures or outsourcing agreements with third parties, acquire rights to high bandwidth transmission capability, acquire complementary businesses or operations or establish and maintain new operations outside the United States. We may be heavily dependent on third parties to be successful in our international operations. We may not be able to successfully sell our services or adequately establish or maintain operations outside the United States.

If we are unable to manage our planned expansion effectively, we may incur increased costs, experience capacity constraints and place too many demands upon our management team.

We are currently experiencing a period of rapid expansion and, if our business plan is successfully implemented, we expect our expansion to continue for the foreseeable future. This expansion will increase our operating complexity significantly and require significant time commitments from our management team and severely restrict their ability to manage our existing business. Our success depends on our ability to effectively manage this expansion and the demands it will impose on our management. We will, among many other things, need to:

. successfully expand our capacity and network infrastructure;

. improve our business development capabilities;

. hire, train and manage an increasing number of highly skilled employees; and . continually enhance our information, management and operational and financial systems.

Our failure to manage our expansion effectively could increase our costs, adversely affect our relations with customers and suppliers, result in insufficient capacity over extended periods of time and adversely affect our revenues and operating margins.

If we are not successful in achieving brand recognition for the Genuity name, our competitive position will be weakened and we could lose market share.

There are a growing number of companies that offer Internet infrastructure services. We believe that brand recognition is an important competitive advantage in our industry. Establishing and maintaining our brand is necessary for expanding our customer base, solidifying business relationships and successfully implementing our business strategy. We only recently changed our name to Genuity and, to be successful, we must establish and strengthen our brand recognition. Because our brand is new, it currently has very limited recognition in the market. Our brand may not be viewed positively or be accepted by the market. We intend to incur significant expenses to promote our brand. The expenses we incur toward building our brand, however, may not result in immediate returns and it may be a long time before enterprises, service providers and business partners recognize and make positive

connections with our brand. If we fail to promote our brand successfully in domestic and international markets, our business may suffer. In addition, our brand may be diluted if customers do not perceive our services to be of high quality or if we fail to provide a satisfactory customer service experience. We may not be successful in achieving these goals.

Our ability to develop, market and support our managed Internet infrastructure services depends on retaining our management team and attracting and retaining highly qualified individuals in the Internet industry.

Our future success depends to a significant extent on the continued services of our management team, which has significant experience with data communications, telecommunications and managed Internet infrastructure services, as well as relationships with many of the enterprises, service providers and business partners that we currently or may in the future rely on in implementing our business plan. The loss of the services of our management team or any significant portion of it could have a substantial detrimental effect on our ability to execute our business strategy.

Our future success also depends on our continuing ability to identify, hire, train, assimilate and retain large numbers of highly qualified technical, sales, marketing and managerial personnel. The demand for qualified personnel is high and competition for their services is intense. The competition for qualified employees in the Internet industry is particularly intense in the Boston, Massachusetts area where our principal operations are located. We have from time to time experienced, and we expect to continue to experience in the future, difficulty in hiring and retaining highly skilled employees with appropriate qualifications. If we do not succeed in attracting new personnel or retaining our current personnel, our business will suffer.

Our historical financial information may not be representative of our results of operations as a separate entity.

Our combined financial statements have been carved out from the consolidated financial statements of GTE using the historical results of operations and historical bases of the assets and liabilities of our business. Accordingly, the historical financial information we have included in this prospectus does not necessarily reflect what our financial position, results of operations and cash flows would have been had we been a separate, stand-alone entity during the periods presented. GTE did not account for us, and we were not operated, as a separate, stand-alone entity for the periods presented. Our costs and expenses include allocations from GTE for centralized corporate services and infrastructure costs, including legal, accounting, treasury, real estate, information technology, distribution, customer service, sales, marketing and engineering. These allocations have been determined on bases that we and GTE considered to be reasonable reflections of the utilization of services provided to or the benefit received by us. The historical financial information is not necessarily indicative of what our financial position, results of operations and cash flows will be in the future.

If we do not respond effectively and on a timely basis to rapid technological changes and evolving industry standards, our services may become obsolete and we would probably lose customers and be unable to attract new ones.

The managed Internet infrastructure services and networking industries are characterized by rapid technological developments, evolving industry standards and customer demands and frequent new product and service introductions and enhancements. The introduction of new products or technologies could render our network or service offerings obsolete or otherwise reduce the cost or increase the supply of services similar to those that we provide or plan to provide. Accordingly, we may be required to make significant and ongoing investments in future periods in order to remain competitive. We may not be able to:

. anticipate or adapt to these new products or technologies on a timely and cost-effective basis;

. obtain the necessary funds to develop or acquire new technologies or products needed to compete; or . address the increasingly sophisticated and varied needs of our current and prospective customers.

We believe that our ability to compete successfully is also dependent upon the continued compatibility and interoperability of our network and service offerings with products, services and architectures offered by others. Although we often work with vendors in testing newly developed products, these products may not be compatible with our infrastructure or be adequate to address changing customer needs. In addition, although we currently intend to support emerging standards, there can be no assurance industry standards will be established or, if they become established, that we will be able to conform to these new standards in a timely fashion and maintain a competitive position in the market. Our business would be harmed if we fail to conform to the prevailing standards, or if common standards fail to emerge.

We may lose customers if we experience system failures that significantly disrupt the availability and quality of the services that we provide.

Our operations depend on our ability to avoid and mitigate any damages, physical or otherwise, from natural disasters, power losses, capacity limitations, physical or electronic breaches of security, software defects, telecommunications failures and intentional acts of vandalism, including computer viruses. The failure of any equipment or facility on our network could result in interruptions in service or reduced capacity for our enterprise and service provider customers until we make the necessary repairs or install replacement equipment. In addition, our customers may experience interruptions in service if carriers or other service providers fail to provide the communications capacity that we have leased in order to provide service to our customers or if our peering arrangements suffer significant disruption. For example, in 1999 a third party provider from whom we lease capacity experienced a significant disruption. Further, as of December 31, 1999, over 50% of our traffic was transmitted over capacity that we lease from third parties. The failure of any one of these connections also could result in reduced performance. These interruptions in service or performance problems could undermine confidence in our services and cause us to lose customers or make it more difficult to attract new ones. For example, America Online has the right to reduce its purchase commitments and terminate its agreement with us if we fail to meet agreed upon performance levels. In addition, because many of our services are critical to the businesses of many of our customers, any significant interruption in our service could result in lost profits or other loss to our customers. Although we attempt to disclaim liability in our service agreements, a court might not enforce a limitation on our liability, which could expose us to financial

loss. In addition, we often provide our customers with guaranteed service level commitments. If we do not meet the required service levels as a result of service interruptions, we may be obligated to provide credits, generally in the form of free service for a short period of time, to our customers, which could significantly reduce our revenues.

If we do not safeguard the security and privacy of our network infrastructure, our reputation could be damaged and we could lose existing and prospective customers and the potential revenues they represent.

The secure transmission of confidential information over networks, including our network, is critical to the acceptance of the Internet. Internet usage could decline if any well-publicized compromise of security occurs. Our customers often maintain confidential information on our servers, such as credit card and bank account numbers. We provide managed security services that are intended to provide a high level of protection for our customers' networks. Our managed security services include monitoring the network perimeters of our enterprise customers and using firewall management, maintenance and proactive response techniques to help ensure the security of access points into our customers' computing infrastructure. We rely on encryption and authentication technology to provide secure transmission of confidential information. Despite our efforts, we may not be successful in maintaining information as confidential or adequately safeguarding our customers' networks. Someone who is able to circumvent our security measures could misappropriate proprietary information or cause disruptions in our operations and those of our customers. Any compromise of security in our network could damage our reputation and cause us to lose existing and prospective customers. We may be required to expend significant capital and other resources to protect against, or to alleviate problems caused by, security breaches. In addition, a compromise of security may result in claims against us, which could be successful. These claims, regardless of their ultimate outcome, could result in costly litigation and could have a material adverse effect on our business and reputation and on our ability to attract and retain customers.

We rely on limited sources for supplying critical components of our network infrastructure. If we are unable to obtain sufficient quantities of critical equipment from these sources when needed, we may be forced to delay our development and expansion plans, which would negatively affect our competitive position.

We depend on vendors to supply the critical components of our network infrastructure as we expand our network both domestically and internationally. Some of our networking equipment is available only from one or a small number of sources. For instance, we rely on Cisco Systems for our network routers and Nortel Networks for our optical electronic equipment. We typically purchase or lease all of our components under purchase orders placed from time to time. We do not carry significant inventories of components and have no guaranteed supply arrangements with vendors. Our vendors also sell products to our competitors and we cannot assure you that they will not enter into exclusive arrangements with our competitors. In addition, we expect to depend for a time on others to deliver

and manage our services for some of our international operations. If we are unable to obtain required products or services on a timely basis and at an acceptable cost, we may have to abandon or delay our expansion plans.

We need to obtain additional capacity for our network from other providers in order to serve our customers and keep our costs down.

We lease telecommunications capacity and obtain rights to use dark fiber from both long distance and local telecommunications carriers in order to extend the range of our network. Our inability to obtain this additional capacity on acceptable terms, or at all, could adversely affect our ability to quickly expand our network, attract new customers and serve our existing customers or could increase our costs of doing so.

We must obtain permits and rights-of-way to develop our network infrastructure. If we do not obtain them in a timely fashion, we may have to delay our expansion plans.

The expansion of our network infrastructure will require that we obtain licenses, permits and other rights, including rights-of-way and encroachment agreements and other permits to install conduit and related network equipment, from private landowners, utilities, railroads, local exchange carriers, state highway authorities, local governments and transit authorities. The process of obtaining these licenses, permits and rights can be time consuming and burdensome. In addition, if we are unable to obtain these licenses and permits on acceptable terms and on a timely basis, our ability to expand and operate our network would be severely limited and our business will not grow as we have planned.

Risks Related to Our Relationship With Verizon We need the consent of Verizon before taking the actions described below. Verizon is not required to grant its consent and may have interests that are different from ours. If Verizon does not grant its consent, we may not be able to make significant acquisitions or enter into major business combinations, incur indebtedness in excess of specified limits or issue equity securities.

We are contractually obligated to obtain the consent of Verizon before we take any of the following actions:

. making acquisitions or entering into joint ventures involving cash, stock, stock equivalents or assets in excess of $100 million individually or $500 million in the aggregate during any 12-month period;

. making any dispositions of assets outside the ordinary course of business within the first two years after this offering and, thereafter, making dispositions of assets in excess of $50 million individually or $250 million in the aggregate in any 12-month period;

. incurring, during any 12-month period, indebtedness that exceeds a level of permitted indebtedness for that period to be jointly agreed upon by Genuity and Verizon prior to the completion of this offering;

. entering into agreements or arrangements that contain provisions that trigger a default or require a material payment if and when Verizon exercises its conversion right; and . declaring extraordinary dividends or making other distributions to the holders of our common stock, including our Class A

common stock.

In addition, our certificate of incorporation requires us to obtain the approval of the holders of our Class B common stock before we take any of the following actions:

. amending our certificate of incorporation or by-laws in a manner that adversely affects the rights of the holders of our Class B common stock;

. issuing capital stock, securities convertible into our capital stock or share equivalents, other than shares of our Class A common stock reserved at the time of this offering for issuance to employees and directors pursuant to our long-term incentive plans;

. agreeing to enter into a merger, consolidation or sale of all or substantially all of our assets or any similar transactions;

. filing or declaring of bankruptcy or any full or partial liquidation;

. authorizing additional capital stock;

. materially changing the nature or scope of our business; and . taking an action that would make it unlawful for Verizon to exercise its conversion rights.

Verizon could prevent us from taking the actions described above. Verizon's interests and objectives, which may diverge from ours, may influence whether Verizon is willing to grant us any consents we may request. We may not be able to resolve potential conflicts between Verizon and us to our satisfaction, and if we cannot, our business may be harmed. Verizon's ability to prevent us from taking these actions will terminate under the circumstances described in "Related Party Transactions" in the section entitled "Subscription Agreement" and in "Description of Capital Stock" in the section entitled "Common Stock".

Verizon has the right to transfer some or all of its shares of Class B common stock to one or more persons. Verizon also may assign its contractual rights to transferees of the Class B common stock. In that event, these persons would be able to prevent us from taking the actions described above.

If and when Verizon converts its Class B common stock into Class C common stock, Verizon will have the ability to exert significant control over our business.

Upon completion of this offering, Verizon will hold through GTE, its wholly owned subsidiary, all of the outstanding shares of our Class B common stock, which will represent 10% of our outstanding voting capital stock at that time, before giving effect to any outstanding options to purchase shares of our common stock under our long-term incentive plans. If and when Verizon is permitted to own more than a 10% voting interest in our company under applicable federal law, Verizon will be able to convert its shares of Class B common stock into shares of Class C common stock that represent approximately 82%, or 80% if the underwriters fully exercise their over-allotment option, of our outstanding capital stock and possess approximately 96% of the total voting power of our capital stock, before giving effect to any outstanding options to purchase shares of our common stock or additional issuances of our common stock. After conversion of its Class B common stock, and if Verizon continues to beneficially

own shares of capital stock representing more than 50% of voting power of our outstanding voting capital stock, Verizon will be able to exercise a controlling influence over us, including with respect to the election of our directors and the outcome of any corporate transaction or other matter submitted to our stockholders for approval. The voting power of Verizon could have the effect of delaying or preventing a change in control. The interests of Verizon may differ from the interests of our other stockholders.

Verizon may transfer some or all of its shares of Class B common stock without our consent or the consent of the holders of our Class A common stock. In that event, the transferee would be able to convert those shares into Class A common stock and, depending on the number of shares of Class B common stock transferred by Verizon, might be able to exercise a controlling influence over us after converting its shares of Class B common stock.

We have contracted with Verizon to provide us with a variety of transitional services for a limited period of time. We may experience transitional problems if we are unable to replace these services in a timely manner or on similar terms.

We have not been operating as a stand-alone company. Affiliates of Verizon are contractually obligated to provide us with office and operating facilities and specified transitional services upon completion of this offering. If Verizon does not perform its contractual obligations under these agreements, we may not receive these services at the same level or obtain the same benefits as when we were part of GTE. The agreements for those transitional services generally terminate one-year after this offering. After the termination of these various arrangements, we may not be able to replace these transitional services or enter into appropriate leases in a timely manner or on terms and conditions, including cost, similar to those we will receive from Verizon or are otherwise acceptable to us. You should refer to the section entitled "Related Party Transactions" for more information about these arrangements.

Risks Related to Legal Uncertainty Our intellectual property protection may be inadequate to protect our proprietary rights, and we may be subject to infringement claims that could subject us to significant liability and divert the time and attention of our management.

We regard our services and technology as proprietary. We attempt to protect them through a combination of patents, copyrights, trademarks, trade secret laws, contractual restrictions on disclosure and other methods. These methods may not be sufficient to protect our proprietary rights. We also generally enter into confidentiality agreements with our employees, consultants and customers, and generally control access to and distribution of our documentation and other proprietary information. Despite these precautions, it may be possible for a third party to copy or otherwise misappropriate and use our technology without authorization, particularly in foreign countries where the laws may not protect our proprietary rights to the same extent as do the laws of the United States, or to develop similar technology independently. We may need to resort to litigation in the future to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. This litigation could result in substantial costs and diversion of resources and could harm our business.

In addition to licensing technologies from third parties, we are continuing to develop and acquire additional intellectual property. We expect that participants in our markets will be increasingly subject to infringement claims. Third parties may try to claim our services infringe their intellectual property. Any claim, whether meritorious or not, could be time consuming, result in costly litigation or require us to enter into royalty or licensing agreements. These royalty or licensing agreements might not be available on terms acceptable to us or at all, in which case we would have to cease selling, incorporating or using those services that incorporate the challenged intellectual property and expend substantial amounts of resources to redesign our services. If we are forced to enter into unacceptable royalty or licensing agreements or to redesign our services, our business and prospects would suffer.

The regulation of the Internet is unsettled and future regulations could adversely affect our operating costs and business.

The laws and regulations that apply to commerce and communication over the Internet are becoming more prevalent. Legislation could dampen the growth in Internet usage generally and decrease the acceptance of the Internet as a commercial medium. The United States Congress has recently considered or enacted Internet laws regarding children's privacy, copyrights, taxation and the transmission of sexually explicit material and other types of information. The European Union also recently enacted its own privacy regulations. The legal framework governing the Internet, however, remains largely unsettled, even in areas where there has been some legislative action. It may take years to determine whether and how existing laws, including those governing intellectual property, telecommunications, privacy, libel and taxation, apply to the Internet. In addition, the growth and development of the market for electronic commerce may prompt calls for more stringent consumer protection laws, both in the United States and abroad, which may impose additional burdens on companies conducting business over the Internet. If the Federal Trade Commission, Federal Communications Commission, local authorities or other governmental authorities adopt or modify laws or regulations relating to the Internet, our business could suffer.

We face potential liability for the information disseminated through our network.

The laws relating to the liability of Internet access providers for information carried on or disseminated through their networks is currently unsettled, both in the United States and abroad. In the United States, the Children's Online Protection Act of 1998 imposes criminal penalties and civil liability on anyone engaged in the business of selling or transferring material that is harmful to minors by means of the Internet without restricting access to this type of material by underage persons. In addition, similar legislation has been passed or is being considered in many states and foreign jurisdictions. The imposition upon us and other Internet access providers of potential liability for information carried on or disseminated through our networks could require us to implement measures to reduce exposure to liability, which may require the expenditure of substantial resources or the discontinuation of various service offerings. Further, the costs of defending against any claims and the potential adverse outcomes of these claims could have a material adverse effect on our business.

We may be subject to regulation, taxation, enforcement or other liabilities in unexpected jurisdictions.

We provide our managed Internet infrastructure services to customers located throughout the United States and internationally. As a result, we may be required to qualify to do business, or be subject to tax or other laws and regulations, in these jurisdictions even if we do not have a physical presence or employees or property in these jurisdictions. The application of these multiple sets of laws and regulations is uncertain, but we could become subject to regulation, taxation, enforcement or other liability in unexpected ways, which could materially adversely affect our business, financial condition and results of operations.

Some of the services we provide may in the future be regulated by the Federal Communications Commission, states or foreign governments, which would significantly increase our operating complexity and operating expenses.

Currently, our existing and planned managed Internet infrastructure services are not directly regulated by the Federal Communications Commission or any other government agency of the United States, except for those regulations that apply to businesses generally and those that apply to services provided by our subsidiary, GTE Telecom, which is classified as an "interexchange carrier" and provides primarily private line data services. Our Internet infrastructure services are generally classified as "information services" which are exempt from the regulations of the Federal Communications Commission. However, the way in which regulators view Internet infrastructure services is currently unsettled, and some private parties and regulators have raised questions about the current regulatory status of Internet service offerings. As a result, we, along with the rest of the Internet infrastructure service industry, may become subject to greater regulation in the future. The Federal Communications Commission may choose to impose a new set of regulations on providers of "information services" or it may reclassify Internet infrastructure services, such as those that we provide, as either private carrier services or telecommunications services. State and foreign governments may take similar actions. Although we believe that any regulation that applies to our business will likewise apply to our competitors offering similar services, some of our competitors are already regulated as telecommunications carriers due to their other services. As a result, these companies may be better able to operate in a regulated environment than we are. There is no way to predict the future regulatory framework of our industry. If existing telecommunications regulations are extended to the Internet, or if new regulations are imposed, it may restrict the way in which we offer our services, increase our cost of doing business or require us to exit some or all of our businesses. You should refer to the section in "Business" entitled "Regulatory Matters" for a more detailed description of the federal, state and international regulations applicable to businesses with services classified as either private carrier services or telecommunications services.

If Verizon is unable to convert its Class B common stock to Class C common stock, we will not be able to realize the benefits of being a majority-owned subsidiary of Verizon.

If Verizon is unable to convert its Class B common stock into Class C common stock, we may not realize the full benefits of our relationship with Verizon. These benefits include the ability to:

. offer combined packages of Internet infrastructure services and telephony services;

. obtain financing on more favorable terms than we otherwise could;

. integrate network infrastructure and reduce overhead costs; and . take further advantage of the purchasing power of Verizon.

Risks Related to the Securities Markets and this Offering The trading price of the Class A common stock will anticipate the dilution that will result from future conversion of the Class B common stock.

After this offering, the Class A common stock will represent 90% of our outstanding common stock and the Class B common stock will represent 10% of our outstanding common stock. Because we provide services in Bell Atlantic's local exchange region that could be characterized as long distance services pursuant to Section 271 of the Telecommunications Act of 1996, Verizon cannot own more than 10% of our outstanding common stock until permitted by law. If and when Verizon obtains sufficient relief from the long distance restrictions, Verizon may without additional payment convert its shares of Class B common stock into Class C common stock representing approximately 82% of our outstanding capital stock, based on the total number of shares of common stock outstanding upon completion of this offering. Regardless of whether Verizon obtains that approval, Verizon may also transfer its shares of Class B common stock to a party that could convert these shares into Class A common stock representing approximately 82% of our outstanding capital stock. Therefore, we anticipate that the Class B common stock will be converted into approximately 82% of our outstanding capital stock, leaving the Class A common stock as representing approximately 18% of our outstanding capital stock. The above figures would be 80% and 20%, respectively, if the underwriters' over-allotment option is exercised in full. We expect that upon completion of this offering, the trading price of the Class A common stock will reflect the dilution that will result from this future conversion of Class B common stock.

The Class A common stock has limited voting rights in certain circumstances.

Our charter provides that so long as 50% of the shares of Class B common stock outstanding on the date of this offering remain outstanding, including additional shares of Class B common stock issued to Verizon in connection with the exercise of the underwriters' over-allotment option, no person or group of persons acting together may vote more than 15% of our outstanding shares of Class A common stock.

You may not be able to resell your shares at or above the price you paid.

There has not been a public market for our Class A common stock. As a result, the initial public offering price will be determined by negotiations among the underwriters and us, and may not be indicative of prices that will prevail in the public trading markets. We also cannot predict the extent to which a trading market for our Class A common stock will develop or how liquid that market will be.

The market price of our Class A common stock may be adversely affected by fluctuations in our quarterly and annual financial results.

We may experience significant fluctuations in our future results of operations on a quarterly and annual basis due to a variety of factors, many of which are outside of our control. These factors include many of those described above. If our operating results fall below the expectations of securities

analysts or investors in some future quarter or quarters, the market price of our Class A common stock could be negatively affected.

The market price of our Class A common stock may be materially adversely affected by market volatility.

The price at which our Class A common stock will trade following this offering is likely to be highly volatile and may fluctuate substantially. The price of the Class A common stock that will prevail in the market after this offering may be higher or lower than the price you pay, depending on many factors, including:

. our actual or anticipated quarterly results of operations, which may experience significant fluctuations;

. changes in financial estimates of our revenues and operating results by securities analysts;

. increased capital expenditures or delays in the expansion of our capacity and network infrastructure;

. actual or perceived difficulties in our ability to obtain sufficient financing on acceptable terms to fund our capital expenditures;

. announcements by us or our competitors of new services, significant acquisitions or strategic partnerships;

. a loss of or decrease in sales of services to major customers or a failure to complete significant transactions;

. additions or departures of key personnel;

. future sales of our common stock, particularly by our directors and officers; and . commencement of, or involvement in, litigation.

In addition, the stock market has from time to time experienced significant price and volume fluctuations that have affected the market prices for the securities of technology companies. As a result, investors in our Class A common stock may experience a decrease in the value of their Class A common stock regardless of our operating performance or prospects. The fluctuations in the price of our Class A common stock may affect our visibility and credibility in the Internet infrastructure services market and may affect our ability to secure additional financing on acceptable terms, if at all.

Our business could be harmed by class action litigation relating to stock price volatility.

In the past, securities class action litigation has often been brought against companies following periods of volatility in the market price of their securities. Those companies, like us, that are involved in rapidly changing technology markets are particularly subject to this risk. We may be the target of litigation of this kind in the future. This securities litigation, if any, could result in substantial costs and divert management's attention and resources, which could cause serious harm to our business. We could also incur significant costs of damages as a result of such litigation.

You will suffer immediate and substantial dilution in the book value of your investment.

Assuming the full conversion of the Class B common stock outstanding on the date of this offering, the initial public offering price per share will significantly exceed the net tangible book value per share. Accordingly, investors purchasing shares in this offering will suffer immediate and substantial dilution of $ per share in their investment, assuming an initial public offering price of $ per share. You should refer to the information in the section entitled "Dilution" for more information.

Special Note Regarding Forward-looking Statements

We have made statements under the captions "Prospectus Summary", "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Business" and in other sections of this prospectus that are forward-looking statements. In some cases, you can identify these statements by forward-looking words such as "may", "might", "will", "should", "expects", "plans", "anticipates", "believes", "estimates", "intends", "future", "potential" or "continue", the negative of these terms and other comparable terminology. These forward-looking statements, which are subject to risks, uncertainties, and assumptions about us, may include, among other things, projections of our future financial performance, our anticipated growth strategies and anticipated trends in our business as well as projections relating to our capital expenditure requirements, our network expansion plans, our plans for transitioning customer traffic from leased capacity to our network, research and development initiatives and increases in sales and marketing personnel. These statements are only predictions based on our current expectations and projections about future events. Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements, including those factors discussed under the caption entitled "Risk Factors". You should specifically consider the numerous risks outlined under "Risk Factors".

Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of any of these forward-looking statements. When this prospectus is no longer required to be delivered, we are under no duty to update any of these forward-looking statements after the date of this prospectus to conform our prior statements to actual results or revised expectations.

Use of Proceeds

We estimate that the net proceeds from our sale of the shares of Class A common stock we are offering will be approximately $ million, assuming an initial public offering price of $ per share and after deducting estimated underwriting discounts and offering expenses payable by us. If the underwriters' over-allotment option is exercised in full, we estimate that our net proceeds will be approximately $.

We intend to use the net proceeds of this offering for capital expenditures in connection with the expansion of our network infrastructure, increased sales and marketing activities, funding our operating losses and general corporate purposes, including working capital. We may also use a portion of the net proceeds to acquire or invest in businesses or products or to obtain the right to use complementary technologies. We have no current commitments or agreements with respect to any acquisition or investment. Pending these uses, we intend to invest the net proceeds in short-term, investment-grade, interest-bearing securities.

Dividend Policy

We have never declared or paid cash dividends on our capital stock. We currently expect to retain earnings, if any, to finance the growth and development of our business. Therefore, we do not anticipate declaring or paying cash dividends on our common stock in the foreseeable future. The decision whether to pay dividends will be made by our board of directors from time to time in light of conditions then existing including, among other things, our results of operations, financial condition and capital expenditure requirements. We must also obtain the consent of Verizon to declare extraordinary dividends or make other distributions on our Class A common stock. You should refer to the section in "Related Party Transactions" entitled "Subscription Agreement" for more information on this limitation.

Capitalization

The following table sets forth our capitalization as of December 31, 1999:

. on an actual basis;

. on a pro forma basis to give effect to our recapitalization on , 2000; and . on a pro forma as adjusted basis to give effect to the sale of the shares of Class A common stock offered by us in this offering at an assumed initial public offering price of $ per share, after deducting estimated underwriting discounts and offering expenses payable by us.

This table should be read in conjunction with "Selected Combined Financial Data", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our combined financial statements and accompanying notes included elsewhere in this prospectus.

As of December 31, 1999 Pro Forma Actual Pro Forma As Adjusted (in thousands)

```
Note payable-affiliate..................... $   126,503    $          $
Current and noncurrent employee benefit
 obligations...............................      70,103
Long-term obligations.....................     112,717
Stockholders' equity :
  Class A common stock, par value $   per
   share, no shares authorized or issued and
   outstanding, actual;    shares authorized
   and    issued and outstanding, pro forma;
   and    shares authorized and    issued
```

and outstanding, pro forma as adjusted...			
Class B common stock, par value $ per share, shares authorized or issued and outstanding, actual, shares authorized and issued and outstanding, pro forma; and pro forma as adjusted.....			
Class C common stock, par value $ per share, no shares authorized or issued and outstanding, actual, pro forma and pro forma as adjusted.....			
Additional paid-in-capital.....	2,983,426		
Other comprehensive income.....	2,696		
Accumulated deficit.....	(1,282,778)		
Total stockholders' equity.....	1,703,344		
Total capitalization.....	$ 2,012,667	$	$

Dilution

After this offering, the Class A common stock will represent 90% of our outstanding common stock and the Class B common stock will represent 10% of our outstanding common stock. Because we provide services in Bell Atlantic's local exchange region that could be characterized as long distance services pursuant to Section 271 of the Telecommunications Act of 1996, Verizon cannot own more than 10% of our outstanding common stock until permitted by law. If and when Verizon obtains sufficient relief from the long distance restrictions, Verizon may without additional payment convert its shares of Class B common stock into Class C common stock representing 82% of our outstanding capital stock, based on the total number of shares of common stock outstanding upon completion of this offering. Regardless of whether Verizon obtains that approval, Verizon may also transfer its shares of Class B common stock to a party that could convert these shares into Class A common stock representing 82% of our outstanding capital stock. Therefore, we have presented the following information on the basis of the conversion of the Class B common stock into Class A common stock or Class C common stock.

Our pro forma net tangible book value as of December 31, 1999 was approximately $1.2 billion, or $ per share of common stock. Our pro forma net tangible book value per share represents our total tangible assets less total liabilities divided by the pro forma total number of shares of common stock outstanding at that date, assuming conversion of the Class B common stock into Class A common stock or Class C common stock. The dilution in pro forma net tangible book value per share represents the difference between the amount per share paid by purchasers of shares of our Class A common stock in this offering and the net tangible book value per share of our common stock immediately following this offering.

Without taking into account any changes in net tangible book value after December 31, 1999, other than to give effect to the sale of the shares of Class A common stock offered by us at an assumed initial public offering price of $ per share, after deducting estimated underwriting discounts and offering expenses payable by us, our pro forma net tangible book value as of December 31, 1999 would have been approximately $ million, or $ per share of common stock. This amount represents an immediate increase in pro forma net tangible book value of $ per share to GTE, our sole stockholder, and an

immediate dilution in pro forma net tangible book value of $ per share to new investors purchasing shares of Class A common stock in this offering. If the initial public offering price is higher or lower, the dilution to new investors will be greater or less. The following table illustrates the dilution in pro forma net tangible book value per share to new investors.

Assumed initial public offering price per share..... $ Pro forma net tangible book value per share as of December 31, 1999..... $ Increase per share attributable to new investors..... Pro forma net tangible book value per share after this offering.... Dilution per share to new investors..... $ The following tables summarize on a pro forma basis after giving effect to the recapitalization, as of December 31, 1999, the number of shares of common stock purchased from us, the total consideration paid to us and the average price per share paid by GTE as our sole stockholder, assuming conversion of its Class B common stock into Class C common stock or Class A common stock, and to be paid by new investors purchasing shares of Class A common stock in this offering at an assumed initial public offering price of $ per share, before deducting estimated underwriting discounts and offering expenses payable by us.

Post-Conversion Consideration Per Share

	Post-Conversion Shares		Total Consideration	
	Number	Percent	Amount	Percent
Post-conversion stockholder.....	%	$	%	$
New investors.....				
Total.....				

Selected Combined Financial Data

The selected combined financial data set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the combined financial statements and accompanying notes included elsewhere in this prospectus. The selected combined balance sheet data as of December 31, 1998 and December 31, 1999 and the selected combined results of operations for each of the years in the three-year period ended December 31, 1999 have been derived from our combined financial statements, which have been audited by Arthur Andersen LLP, independent public accountants, and are included elsewhere in this prospectus. The results of operations of the predecessor to Genuity for the six months ended June 30, 1997, have also been derived from financial statements which have been audited by Arthur Andersen LLP and are included elsewhere in this prospectus. Our selected combined balance sheet data as of December 31, 1995, 1996 and 1997 and the selected combined statement of operations data for each of the years in the two year period ending December 31, 1996 were derived from unaudited financial statements that are not included in this prospectus. The selected combined balance sheet data of the predecessor to Genuity as of December 31, 1995 and 1996 and June 30, 1997 and the selected combined results of operations data of the predecessor for each of the years in the two year period ended December 31,

1996 were derived from unaudited financial statements that are not included in this prospectus. The unaudited financial statements include all adjustments, consisting of normal recurring accruals, which we consider necessary for a fair presentation of the results of operations for these periods.

Our selected combined financial data set forth below includes the financial position of some of the operations of Genuity as of December 31, 1995, 1996, 1997, 1998 and 1999 and our results of operations for each of the five years in the period ended December 31, 1999. The selected combined financial data as of December 31, 1995 and 1996 and the results of operations for each of the years in the two-year period ended December 31, 1996 do not include the financial data of BBN Corporation. GTE acquired BBN Corporation effective June 30, 1997. This acquisition was accounted for as a purchase business combination and, consequently, the results of operations of BBN Corporation, excluding the operations of BBN Technologies, which are being retained by GTE, are only included in our results of operations for periods after June 30, 1997. The results of operations of our predecessor represent the results of operations of BBN Corporation, excluding the operations of BBN Technologies. The operations of BBN Technologies are not included in the financial results of either the predecessor or Genuity.

We have prepared the accompanying table to reflect our historical combined financial information in a manner consistent with stand-alone operations by reflecting transactions of GTE and balances attributable to us in our financial statements for all periods presented. The historical financial information may not be indicative of our future performance and does not necessarily reflect what our financial position and results of operations would have been had we operated as a separate, stand-alone entity during the periods covered.

	Predecessor			Genuity				
	Year Ended December 31,		Six Months Ended June 30,	Year Ended December 31,				
	1995	1996	1997	1995	1996	1997	1998	1999
	(in thousands, except per share data)			(in thousands, except per share data)				
Results of Operations Data: Revenues Access	$ 24,323	$112,109	$ 94,126	$ --	$ --	$ 128,838	$ 350,777	$ 574,503
Hosting	1,045	7,769	9,601	--	--	9,690	33,469	48,811
Transport	--	--	--	50,151	57,597	65,221	72,412	89,541
Other	300	2,452	2,591	--	--	3,035	14,880	37,569
Total revenues	25,668	122,330	106,318	50,151	57,597	206,784	471,538	750,424
Operating expenses Cost of goods sold	17,778	85,287	92,670	31,470	32,854	184,914	512,967	786,965
Selling, general and administrative	28,341	68,602	38,801	1,361	6,856	144,360	316,491	399,529
Depreciation and amortization	6,786	13,160	10,536	6,061	6,696	49,483	104,523	188,667
Operating income (loss)	(27,237)	(44,719)	(35,689)	11,259	11,191	(171,973)	(462,443)	(624,737)
Net income (loss)	(35,404)	(41,600)	(37,663)	7,194	7,844	(172,040)	(467,040)	(626,689)
Basic and diluted income (loss) per common share								
Basic and diluted weighted-average common shares outstanding								

Other Data: Cash flow provided by (used in) operating activities..... $(60,200) $(32,717) $ 2,496 $15,028 $ 8,349 $ (79,572) $ (501,568) $ (399,289) Capital expenditures.... 13,190 42,945 2,830 616 3,360 299,491 587,831 749,988

	As of December 31,		As of June 30,	As of December 31,				
	1995	1996	1997	1995	1996	1997	1998	1999
	(in thousands)			(in thousands)				
Balance Sheet Data:								
Cash and cash equivalents.....	$ 36,082	$102,870	$ 78,773	$ 222	$ 303	$ 3,063	$ 13,883	$ 6,044
Working capital.....	96,332	98,950	62,041	13,414	(24)	368,458	60,670	(258,480)
Property, plant and equipment, net.....	25,671	56,865	72,179	26,292	33,951	366,826	908,039	1,524,390
Total assets.....	157,432	216,589	218,102	61,663	59,379	1,095,989	1,703,461	2,373,159
Total long-term liabilities.....	82,840	80,495	83,334	6,165	1,964	131,255	176,649	133,553
Total liabilities.....	105,132	110,478	140,876	25,995	28,624	608,354	351,242	669,815
Stockholders' equity....	52,300	106,111	77,226	35,668	30,755	487,635	1,352,219	1,703,344

Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion in conjunction with our combined financial statements and the accompanying notes and other financial information appearing elsewhere in this prospectus.

Overview

We are a leading facilities-based provider of high quality, managed Internet infrastructure services to enterprises and service providers. We offer a comprehensive suite of managed Internet infrastructure services including: Internet access through dial-up, dedicated and digital subscriber lines; web hosting and content delivery; and value-added e-business services, such as virtual private networks for secure data transmission, security services and voice-over-IP. We operate a state-of-the-art global network that consists of broadband fiber optic cable, points of presence, secure and fault-tolerant data centers and undersea and international fiber optic cable capacity.

Revenues

We derive our revenues from three operating segments: access, hosting and transport. Our other revenues include international and value-added e-business services.

Access. Our Internet access services include dial-up, dedicated and digital subscriber lines. Our access revenues, which are derived from service providers and enterprise customers, are the largest component of our total revenues. Internet access customers typically sign one or two-year contracts providing for monthly-recurring service fees that are either fixed or based on capacity utilization. We also include in our access segment those revenues relating to the development, operation and maintenance of a nationwide dial-up network for America Online. We derived approximately 42% of our total revenues from America Online in 1997, approximately 53% in 1998 and approximately 52% in 1999. Although we expect our revenues from America Online to increase in absolute dollar amounts, we also expect these revenues to decline as a percentage of our total revenues as we expand and broaden our revenue base. In December 1999, we extended our strategic relationship with America Online to provide it with additional dial-up as well as broadband backbone Internet services. In December 1999, we agreed to operate the existing dial-up network for AOL Japan, Inc., and we will be responsible for a significant portion of the continued expansion of that network. Our expanded contractual relationship with America Online extends through 2006. You should refer to the section in "Business" entitled "Our Relationship With America Online".

We also include in access revenues those revenues derived from our provision of dedicated Internet access to AT&T for resale to customers of its Business Communications Services Division in the United States. We derived approximately 18.9% of our total revenues from AT&T in 1997. That percentage decreased to approximately 6.2% in 1998 and approximately 1.5% in 1999 because our strategic relationship with AT&T, under which BBN Corporation acted as the exclusive provider for these services, was terminated in September 1997.

Hosting. Our web hosting services provide reliable hosting and a high speed network infrastructure as well as flexible, fast and secure hosting platforms and an experienced technical support staff. Our web hosting services include managed hosting, collocation, content delivery and high availability services. Our hosting revenues are based primarily on monthly fees for server management, physical facilities and bandwidth utilization. Our web hosting services contracts typically range from one to two years.

Transport. We provide a broad range of transport services, such as asynchronous transfer mode, or ATM, and private line services. These services are generally purchased by telecommunications carriers and Internet service providers requiring additional capacity and do not include Internet access services. Our transport revenues are typically based on available bandwidth. Our transport services contracts typically range from one to two years.

Other. Other revenues include the results of our international business, which consist primarily of Internet access, and domestic value-added e-business services, such as managed security services, virtual private networks for secure data transmission and voice-over-IP. We charge for international access and hosting revenues on a basis consistent with our domestic services. We charge for our security and virtual private network services on a fixed, monthly recurring fee basis and we charge for our voice-over-IP services based on usage. The terms of our value-added e-business service contracts typically range from one to two years.

We believe that our hosting and other revenues will increase substantially as a percentage of our total revenues. We also expect to continue to experience declining prices in our access and transport services in the foreseeable future.

Operating Expenses

Cost of Goods Sold. Cost of goods sold consists primarily of the costs of leasing telecommunications circuits and labor and expenses of operating our network infrastructure. We also include in cost of goods sold the salaries and benefits of our technical, operations and customer service personnel as well as facilities administration, including rent, maintenance and utilities to support our data centers.

We expect our network infrastructure requirements to grow in conjunction with the growth of our overall business and, accordingly, expect our cost of goods sold to increase significantly in the future. We believe our investments in network infrastructure will cause our total data transmission costs to increase substantially in the near term because of higher network operating and maintenance expenses associated with this expansion. Although we expect our total data transmission costs to increase significantly in absolute dollar amounts as we expand, we also expect them to decline as a percentage of revenues in the future as we add and utilize additional capacity and migrate customers from our leased facilities to our own network.

Selling, General and Administrative. Selling, general and administrative expenses consist primarily of salaries and benefits for our marketing, sales and support personnel, advertising, trade shows, professional fees and legal and accounting services and other miscellaneous expenses. We expect selling, general and administrative expenses in the future to increase in absolute dollar amounts as we hire additional personnel, expand our operations, invest in new support systems and incur additional costs related to the growth of our business. More specifically, we expect that advertising expenses will increase substantially in the near term as we launch our advertising and branding campaign and substantially increase our sales force. However, we expect selling, general and administrative expenses to decline as a percentage of revenues.

Depreciation and Amortization. Depreciation and amortization expenses consist primarily of depreciation of our network infrastructure, including data center equipment and related assets, and amortization of our goodwill and other intangible assets. We expect these expenses to increase in the future as we invest significant capital to expand our network infrastructure and data center capacity.

In 1999, we completed the initial build-out of our high speed fiber network infrastructure in the United States and have started adding additional layers of capacity to meet existing and anticipated market demand. Our network infrastructure has over 17,500 route miles of optical fiber connecting over 100 of the largest metropolitan areas in the United States. Through our recent investments in undersea fiber optic cable capacity, we have expanded the reach of our network into Europe and Asia.

Basis of Presentation Our selected combined financial data include the financial position of some of the operations of Genuity as of December 31, 1995, 1996, 1997, 1998 and 1999 and their results of operations for each of the five years in the period ended December 31, 1999. Some of the operations and assets included in these combined financial statements were transferred to Genuity on , 2000. Our

combined financial data as of December 31, 1995 and December 31, 1996 and our results of operations for each of the two years in the period ended December 31, 1996 do not include the financial data of BBN Corporation. GTE acquired BBN Corporation effective June 30, 1997. This acquisition was accounted for as a purchase business combination and, consequently, the results of operations of BBN Corporation, excluding the operations of BBN Technologies, which are being retained by GTE, are only included in our results of operations for periods after June 30, 1997. The results of operations of our predecessor represent the results of operations of BBN Corporation, excluding the operations of BBNT.

The following table sets forth results of operations data derived from our audited financial statements. For the purposes of the following discussion and analysis, the pro forma results of operations for the year ended December 31, 1997 combine the results of operations of our predecessor for the six months ended June 30, 1997 with the results of operations of Genuity for the year ended December 31, 1997, which includes the post-acquisition results of our predecessor effective July 1, 1997. This presentation was included to permit useful and complete year-to-year comparisons between the results of operations for the years ended December 31, 1997, 1998 and 1999. However, this pro forma restated information is not necessarily indicative of the operating results we would have achieved if we had acquired our predecessor on January 1, 1997 and some operating expenses, including amortization expense and allocations from GTE for centralized corporate services and infrastructure costs, were included for the first six months of the year.

Results of Operations Year Ended December 31, Pro Forma 1997 1998 1999 (in thousands)

Revenues	$ 313,102	$ 471,538	$ 750,424
Operating expenses:			
Cost of goods sold	277,584	512,967	786,965
Selling, general and administrative	183,161	316,491	399,529
Depreciation and amortization	60,019	104,523	188,667
Total operating expenses	520,764	933,981	1,375,161
Operating loss	(207,662)	(462,443)	(624,737)
Other income (expense)			
Interest expense, net	(1,824)	(20)	(183)
Other, net	318	(2,924)	(32)
Loss before income taxes	(209,168)	(465,387)	(624,952)
Income taxes	535	1,653	1,737
Net loss	$(209,703)	$(467,040)	$(626,689)

The following table sets forth results of operations data, expressed as a percentage of total revenues, for the periods indicated.

Year Ended December 31, 1997 1998 1999

Revenues	100%	100%	100%
Operating expenses:			
Cost of goods sold	89	109	105
Selling, general and administrative	58	67	54
Depreciation and amortization	19	22	25
Total operating expenses	166	198	184
Operating loss	(66)	(98)	(84)
Other income (expense)			
Interest expense, net	(1)	--	--
Other, net	--	(1)	--
Loss before income taxes	(67)	(99)	(84)

Income taxes	--	--	--
Net loss	(67)%	(99)%	(84)%

1999 Compared to 1998 and 1998 Compared to 1997 Revenues

	Year Ended December 31,					
	Pro Forma					
	1997		1998		1999	
	Amount	%	Amount	%	Amount	%
	(in thousands)					
Access	$222,964	71%	$350,777	74%	$574,503	77%
Hosting	19,291	6	33,469	7	48,811	7
Transport	65,221	21	72,412	15	89,541	12
Other	5,626	2	14,880	4	37,569	4
Total	$313,102	100%	$471,538	100%	$750,424	100%

Our revenues for 1999 increased $279 million, or 59%, over 1998. Our revenues for 1998 increased $158 million, or 51%, over 1997.

Access. Our access revenues in 1999 increased $224 million, or 64%, over 1998. Our access revenues in 1998 increased $128 million, or 57%, over 1997. These increases were due primarily to an 87% increase in 1999 and a 76% increase in 1998 in the number of dial-up access modems deployed, primarily resulting from our expanded relationship with America Online, and to a lesser extent, an increase in the number of dedicated access customers. These increases were, in each year, offset in part by lower prices.

Hosting. Our hosting revenues in 1999 increased $15 million, or 46%, over 1998, due primarily to a 23% increase in the number of our managed hosting customers. Our hosting revenues in 1998 increased $14 million, or 73%, over 1997 due in large part to our acquisition of a web hosting company in December 1997.

Transport. Our transport revenues in 1999 increased $17 million, or 24%, over 1998, due primarily to the sale of excess capacity on our network as we brought new network segments on line. Our transport revenues in 1998 increased $7 million, or 11%, due primarily to the increased sale of private line services.

Other. Other revenues in 1999 increased $23 million, or 152%, over 1998 due primarily to the increased sales of Internet access services in international markets. Other revenues in 1998 increased $9 million, or 164%, due primarily to higher international revenues and increased sales of managed security services.

Operating Expenses

Cost of Goods Sold. Our cost of goods sold in 1999 increased $274 million, or 53%, over 1998, and our cost of goods sold in 1998 increased $235 million, or 85%, over 1997. Our cost of goods sold, in each case, increased as a result of the build-out of our network infrastructure to provide access to a broader base of customers, support a growing customer base and provide increased scope to service customers of our Internet access services. Our continued expansion of the dial-up network operated for America Online also contributed to the increase in cost of goods sold in 1999. Our cost of goods sold, as a percentage of total revenues, were 89% in 1997, 109% in 1998 and 105% in 1999. To the extent we are

able to increase our base of customers and correspondingly increase our revenues, we expect cost of goods sold to decrease as a percentage of our total revenues. Our telecommunications circuit costs represent a substantial percentage of cost of goods sold. These costs, which largely relate to long haul circuits, are expected to decrease as a percentage of our revenues as we migrate customers from our leased facilities to our own network.

Selling, General and Administrative Expenses. Our selling, general and administrative expenses in 1999 increased $83 million, or 26%, over 1998. This increase was due primarily to increased selling expenses that were directly attributable to an increase in the number of sales and sales-related employees, both domestically and internationally. The growth in our sales force resulted in higher training expenses and additional costs for expansion of field offices. Also contributing to this increase were the hiring of additional management staff and related operating expenses, increased facilities costs and increased information technology expenses.

Our selling, general and administrative expenses in 1998 increased $133 million, or 73%, over 1997. The increase was primarily due to customer growth, higher new product development costs and investment in our sales and marketing infrastructure, including expansion of sales channels, advertising costs and other promotional activities related primarily to Internet-based services for enterprise and service providers. Selling, general and administrative expenses also increased due to increases in management staff and related operating expenses across the organization, as well as increased cost of Year 2000 renovation and system testing.

Depreciation and Amortization. Our depreciation and amortization expenses in 1999 increased $84 million, or 81%, over 1998. This increase reflects our continuing investment in our network infrastructure in order to support our growth in customers and services. At December 31, 1999, over 17,500 miles of our fiber optic network were operational and, therefore, being depreciated.

Our depreciation and amortization increased $44 million, or 74%, in 1998 over 1997. The increase reflects the continuing investment in our network infrastructure, which had over 5,900 miles of fiber deployed and operational and, therefore, being depreciated. We also had a full year of amortization of goodwill related to our acquisitions of BBN Corporation and Genuity Incorporated in 1997, compared to a half year of amortization expense in 1997.

Income Taxes

Our tax provision was computed on a stand-alone basis. Our federal income tax returns were filed on a consolidated basis with GTE for 1998 and 1999 and the six-month period ended December 31, 1997. We generated pre-tax book losses of $209 million in 1997, $465 million in 1998, and $625 million in 1999 which were benefited by GTE in its consolidated income tax return. We received reimbursements for these tax benefits of $39 million, $185 million and $223 million for the years ended December 31, 1997, 1998 and 1999, respectively. To reflect our income tax provision on a basis that will be comparable to future periods, these reimbursements have been accounted for as capital contributions. Our tax provision represents amounts owed for state taxes. Our ability to use net operating losses may

be subject to annual limitations. We may also pay income taxes in the future due to operating income in some states and foreign countries. In the future, if we achieve operating profits and the net operating losses have been exhausted or have expired, we may experience significant tax expense.

Net Loss

Our net losses increased to $627 million in 1999 compared to $467 million in 1998 and $210 million in 1997. Given our planned operating and capital expenditures, we expect to continue to incur significant net losses over the next several years.

Quarterly Results of Operations The following table sets forth our unaudited quarterly results of operations data for each of the eight quarters in the two-year period ended December 31, 1999. This data has been derived from our unaudited combined financial statements. We believe that this information has been prepared on the same basis as our audited combined financial statements and that all necessary adjustments, consisting only of normal recurring adjustments, have been included to present fairly the selected quarterly information when read in conjunction with our audited combined financial statements and accompanying notes included elsewhere in the prospectus. The operating results for any particular quarter are not necessarily indicative of the operating results for any future period.

	Three Months Ended							
	Mar. 31, 1998	June 30, 1998	Sep. 30, 1998	Dec. 31, 1998	Mar. 31, 1999	Jun. 30, 1999	Sep. 30, 1999	Dec. 31, 1999
	(in thousands)							
Revenues	$ 103,111	$ 116,321	$ 121,424	$ 130,682	$ 163,279	$ 171,383	$ 188,085	$ 227,677
Operating expenses:								
Cost of goods sold	106,333	123,379	132,674	150,581	176,122	172,306	211,412	227,125
Selling, general and administrative	78,928	78,460	76,480	82,623	74,003	95,087	103,235	127,204
Depreciation and amortization	21,091	23,292	28,091	32,049	40,336	43,390	49,074	55,867
Total operating expenses	206,352	225,131	237,245	265,253	290,461	310,783	363,721	410,196
Operating loss	(103,241)	(108,810)	(115,821)	(134,571)	(127,182)	(139,400)	(175,636)	(182,519)
Other income (expense):								
Interest income (expense), net	(333)	200	2,115	(2,002)	(432)	391	948	(1,090)
Other, net	(146)	(377)	(219)	(2,182)	(341)	(1,714)	(336)	2,359
Loss before income taxes	(103,720)	(108,987)	(113,925)	(138,755)	(127,955)	(140,723)	(175,024)	(181,250)
Income taxes	368	387	405	493	356	391	486	504
Net loss	$(104,088)	$(109,374)	$(114,330)	$(139,248)	$(128,311)	$(141,114)	$(175,510)	$(181,754)

Liquidity and Capital Resources We have used cash in our operating and investing activities during all periods. We have funded these cash requirements principally through permanent contributions to capital from GTE and borrowings from its affiliates. Capital contributions amounted to $611 million in 1997, $1,327 million in 1998 and $972 million in 1999. We expect to continue to fund all of our cash requirements prior to this offering through permanent contributions of capital from GTE.

Net cash used in operating activities was $80 million in 1997, $502 million in 1998 and $399 million in 1999. Net cash used in operating activities for these years was primarily the result of operating losses.

Net cash used in investing activities was $774 million in 1997, $505 million in 1998 and $708 million in 1999. Net cash used in investing activities in each of these years was primarily the result of capital expenditures for construction of our network infrastructure, as well as leasehold improvements, furniture, fixtures, computers and other equipment. Our capital expenditures for the three-year period ended December 31, 1999 totaled over $1.5 billion. Our net cash for investing activities in 1997 included the acquisitions of BBN Corporation, our predecessor, and a web hosting company, which together totaled $518 million. We currently intend to spend approximately $1.8 billion to $2.0 billion during the year ended December 31, 2000 on capital expenditures, of which approximately $1.2 billion is expected to be spent on the continued expansion of our fiber optic network and approximately $250 million is expected to be spent on the construction of additional data centers. As of March 31, 2000, we had entered into $401 million in commitments for these projected expenditures. Our capital expenditures program, as currently contemplated, will require between $11 billion and $13 billion over the five-year period ending December 31, 2004, the majority of which will be for the expansion of our network infrastructure. We expect capital expenditures to continue to increase significantly beyond this period, depending on the pace at which we build and expand our network infrastructure and increase our employee base to support our operations and invest in our selling and marketing organization. In the near term, we believe that the proceeds from this offering, along with the capital contribution from GTE prior to this offering, should be sufficient to meet our cash needs through the second quarter of 2001.

Our future cash requirements, however, will depend on a number of factors, including:

. the pace at which we expand our network infrastructure and the associated costs;

. the rate at which customers purchase our services and the pricing of those services;

. the level of marketing required to build our brand, to acquire and retain customers and to maintain a competitive position in the marketplace;

. the rate at which we invest in support systems and engineering; and . investment opportunities in complementary businesses or technologies.

We will be required to raise additional capital to fund our business plan as currently contemplated. We cannot predict the timing and exact amount of capital that we will be required to raise. We expect to raise this capital principally through public offerings or private placements of debt or equity securities, depending on market conditions. The issuance of additional equity would be dilutive to the holders of our Class A common stock. We are required to obtain the consent of Verizon or other future holders of our Class B common stock prior to issuing any shares of our capital stock, other than pursuant to our long-term incentive plans, and our agreement with Verizon limits our ability to incur debt in excess of agreed upon amounts. You should refer to "Description of Capital Stock" and the section in "Related Party Transactions" entitled "Subscription Agreement" for more information regarding limitations

imposed on us by our charter and contractual relationship with Verizon. If we are unable to obtain required additional capital through the issuance of these securities or are required to obtain it on terms less satisfactory than we desire, we may be required to delay the expansion of our business.

In addition, in the future we may wish to selectively pursue possible strategic investments in businesses, technologies or products complementary to ours in order to expand our geographic presence and achieve operating efficiencies. We may not have sufficient liquidity, or we may be unable to obtain additional debt or equity financing on favorable terms or at all, to finance these investments.

Year 2000

We do not believe that the Year 2000 rollover has had, or will have, any material adverse impact on our operating results or liquidity. We have not experienced any material contingencies with customers or major suppliers nor have we experienced any significant Year 2000 events. The estimated total cost of our Year 2000 compliance efforts is expected to total approximately $60 million, of which $54 million has been expended through December 31, 1999.

Inflation

We do not believe that inflation has had a material adverse impact on our business or operating results during the periods presented.

Recently Issued Accounting Pronouncements The Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) No. 101, Revenue Recognition in Financial Statements, on December 3, 1999. We are required to adopt this new accounting guidance, as amended by SAB No. 101A, no later than the second quarter of 2000. We implemented this accounting guidance in the first quarter of 2000.

Quantitative and Qualitative Disclosure About Market Risk While our long-term debt bears fixed interest rates, the fair value of our fixed rate long-term debt is sensitive to changes in interest rates. There is a risk that market rates will increase and the required payments will exceed those based on the current market rates. The estimated fair value of long-term debt based on a debt pricing model was lower than its recorded value by approximately $1.2 million as of December 31, 1998 and by approximately $6.6 million as of December 31, 1999. Under our current risk management policies, we do not use interest rate derivative instruments to manage our exposure to interest rate changes.

Business

Overview

We are a leading facilities-based provider of high quality, managed Internet infrastructure services to enterprises and service providers. We offer a comprehensive suite of managed Internet infrastructure services, including: Internet access through dial-up, dedicated and digital subscriber lines; web hosting and content delivery; and value-added e-business services, such as virtual private networks for secure data transmissions, security services and voice-over-IP. We operate a state-of-the-art global network

that consists of recently deployed broadband fiber optic cable in the United States, points of presence, secure and fault-tolerant data centers and undersea and international fiber optic cable capacity. Our large base of on-network users and content, combined with our extensive network, positions us as one of the leading Internet backbone providers in the world, a status commonly referred to as a Tier 1 Internet backbone provider. Tier 1 Internet backbone providers have the network scale and on-network traffic to offer their customers connectivity to virtually all addresses on the Internet either directly through their Internet backbone or through cost-free, high speed private peering relationships with other Tier 1 providers. We believe that service providers are increasingly connecting to networks with substantial on-network content to improve the quality of their customers' experience, which in turn drives demand by enterprises seeking to connect to networks with large numbers of users. We believe that by taking advantage of this demand cycle, which we call the "network effect", we will continue to drive significant demand for our services from both enterprises and service providers and differentiate ourselves from non-Tier 1 Internet backbone providers. We provide managed Internet infrastructure services to approximately 6,500 enterprises and approximately 500 service providers, which include Internet service providers and application service providers.

Unlike many recent entrants into the Internet industry, we have more than three decades of experience in designing and implementing the architecture of the Internet and with solving computer networking problems. In 1969, our predecessor, BBN Corporation designed and helped to implement ARPAnet, which is widely recognized as the basis for the Internet today. Our network is recognized as the first Internet backbone and, accordingly, was designated AS- 1. We also developed the first Internet router, delivered the world's first e- mail message and pioneered the use of the "@" symbol as a universal addressing standard for electronic mail. More recently, we were one of the first to offer commercially managed web hosting services and managed security services through outsourced firewall monitoring.

Industry Background

The Growing Importance of the Internet The Internet has experienced tremendous growth in the past decade and has emerged as an important global medium for communications and commerce. The growth in data that is transmitted over the Internet is driven by a number of factors, including the rapidly increasing number of network-enabled and Internet-based applications, the growing number of personal computers linked to the Internet, advances in network-enabled devices, servers and routers and the increasing availability of broadband connections.

The explosive growth of the Internet and the increasing demand for data services are expected to continue. According to International Data Corporation, the number of Internet users worldwide will increase from 142 million at the end of 1998 to approximately 502 million by the end of 2003. In addition, according to International Data Corporation, the number of web pages is expected to grow from 1.7 billion in 1999 to approximately 13.1 billion in 2003. This growth is expected to lead to a substantial increase in the demand for bandwidth and other Internet infrastructure services.

The proliferation of the Internet within the business environment, in particular, has been substantial. Once primarily used for e-mail and retrieving information, the Internet is now being used as a communications platform for an increasing number of mission-critical Internet-based applications,

such as those relating to e-commerce, internal networks or intranets, telephone and facsimile capabilities, supply chain management, customer service and project coordination via extranets. The Gartner Group estimates that worldwide business-to-business e-commerce sales will grow from $145 billion in 1999 to approximately $7.3 trillion in 2004.

To improve the effectiveness and scalability of their critical Internet- based applications, both enterprises and service providers are requiring increasing levels of network performance, including capacity, reliability, security and manageability, across the Internet.

The Growing Demand for Outsourced Internet Infrastructure Solutions As the Internet and data traffic have grown, the cost and complexity for enterprises and service providers to manage their own network infrastructure demands in-house has increased. Traditionally, enterprises were required to make substantial investments in developing the Internet expertise and infrastructure necessary to ensure the quality, reliability, security and availability of their Internet operations. The implementation and maintenance of Internet infrastructure solutions also require significant technical expertise and capital expenditures in a number of other areas, such as e- commerce systems, security and privacy technologies, advanced user interface and multimedia production. Moreover, the information technology departments within enterprises are constantly challenged by the need to implement their Internet business strategy, adopt new and rapidly changing technologies, transition to new broadband content applications and continuously update dynamically changing content. As a result, enterprises are seeking Internet infrastructure service providers that can minimize their exposure to the capital, human and technological risks associated with in-house solutions. To increase their competitive edge, enterprises are now outsourcing their critical Internet operations to increase performance and scalability, speed time-to- market and reduce costs.

Similarly, service providers are challenged by the rapid growth and increasing complexity of the Internet infrastructure, the dramatic increase in data traffic and the growing need to meet the demands of broadband applications. Service providers are increasingly required to devote substantial capital and human resources to expanding the capacity and the technological capabilities of their networks. As the demands of their customer base grow, these service providers find it more difficult to quickly, cost-effectively and efficiently deliver service through internal infrastructure expansion. As a result, service providers are increasingly focusing their resources on sales and marketing and outsourcing their Internet infrastructure requirements to organizations focused on developing and enhancing a scalable, high capacity Internet infrastructure.

The Development of the Internet Infrastructure Services Market The growing demand from enterprises and service providers for outsourced Internet infrastructure services has led to the development of an Internet infrastructure service market comprised of companies focused on solving these outsourcing requirements. Many of these companies have endeavored to build or otherwise acquire network facilities in order to provide Internet access, while others have addressed more specific solutions, such as web hosting or security services. According to Forrester Research, the Internet access and web hosting markets in the United States are expected to grow from an aggregate of $4 billion in 1998 to $57 billion by 2003, representing a compound annual growth rate of approximately 70%.

Enterprises and service providers are increasingly demanding Internet infrastructure service providers that can deliver a high quality Internet experience for their users. The ability to deliver this high quality experience has become more difficult, largely as a result of an increasing number of Internet users and richer content, including graphics, photographs and streaming video and audio. In addition, as the number of networks connected to the Internet has grown, the delay and loss of data that is transmitted over the Internet has increased. This is particularly true at the major public peering points used to exchange data between networks in the United States. In order to increase performance, a number of Internet backbone providers have established private peering connections with other networks to exchange their traffic. The quality of an experience on the Internet is therefore highly dependent on the quality, capacity and reliability of the physical facilities over which Internet services are provisioned and the Internet backbone through which Internet access is provided and content is delivered.

The critical elements of delivering a high quality user experience are a large base of on-network users, content, and high speed, well-managed private peering relationships with other Tier 1 Internet backbones. Internet backbone providers that have these competitive strengths are able to route traffic to virtually all Internet addresses and avoid the need to route traffic across multiple networks and congested public peering points. Consequently, their users encounter fewer delays due to transmission bottlenecks across public peering points, and enterprise and service providers using these Internet infrastructure service providers are better able to manage the quality of experience of their end users.

Accordingly, enterprises and service providers increasingly look to the limited number of providers that offer a comprehensive suite of managed Internet infrastructure services, a large base of on-network users and content, reliable and scalable network facilities and Tier 1 Internet connectivity. We believe that we are among only a few companies in the world that offer the full complement of these attributes as part of their Internet infrastructure services solution.

Our Solution

Our solution enables our customers to outsource their Internet infrastructure needs to a single provider and to scale their Internet operations in a cost-effective and reliable manner. The key elements of our solution include:

Comprehensive Suite of Managed Internet Infrastructure Services. We offer a broad range of managed Internet infrastructure services, including: Internet access; web hosting and content delivery; and value-added e-business services, such as virtual private networks for secure data transmission, security services and voice-over-IP. Our services are designed to enable customers to purchase the level of service, features, access speed and functionality that meet their existing requirements, while at the same time allowing them to easily upgrade services over time. We believe there is significant opportunity to offer integrated services to enterprise customers as their requirements evolve from Internet connectivity to more critical Internet applications. As part of our solution, we install, configure, maintain and monitor industry- leading hardware and software, offer technical consulting

and support, provide high-volume backup and recovery systems and monitor our Internet backbone operations 24 hours a day, seven days a week. Additionally, we provide flexible service pricing that allows our customers to be billed according to their bandwidth and capacity utilization.

Large Base of On-Network Users and Content. Because we provide Internet access services to many of the leading Internet service providers, including America Online, NetZero and Web TV, web hosting services for popular web sites as Yahoo! and ZDNet, and high speed connections to enterprises that host their own web sites, such as Microsoft, we carry a significant amount of traffic over our Tier 1 Internet backbone. We believe enterprises and service providers choose to connect to our Internet backbone because they can directly route traffic to, or receive content from, a significant number of other customers without the need to pass through private peering connections or overloaded public peering points. This capability results in higher transmission speeds, lower instances of data loss and greater quality of service, thereby improving the overall quality of experience for Internet users. We believe that service providers are increasingly connecting to networks with substantial on-network content to improve the quality of their customers' experience, which in turn drives demand by enterprises seeking to connect to networks with large numbers of users. We believe that by taking advantage of this demand cycle, which we call the "network effect", we will continue to drive significant demand for our services from both enterprises and service providers and differentiate ourselves from non-Tier 1 Internet infrastructure service providers.

State-of-the-Art Network. We operate a state-of-the-art, high capacity global fiber optic network that is highly reliable and scalable. Over 90% of our fiber has been deployed within the past two years, and a majority of our optical electronic equipment has been installed within the past year. Our highly redundant fiber optic network architecture is designed to minimize service interruptions in our network operations. We have significant additional capacity on our fiber network, which already carries a substantial portion of our traffic. This capacity allows us to scale quickly at favorable incremental capital costs as we meet increased customer demands and continue our transition from leased capacity. We also operate eight data centers in the United States, one data center in the United Kingdom and one in Japan, through which we provide managed and collocated web hosting services for enterprises with critical Internet operations. Through our technologically advanced data centers, we offer customers a secure environment to house critical Internet operations and to obtain high bandwidth connectivity to the Internet.

High Performance, Tier 1 Internet Connectivity. We provide high performance connectivity to the Internet through our Tier 1 Internet backbone and extensive high speed private peering relationships with other major Internet backbone providers and, to a lesser extent, public peering points. Our extensive private peering relationships permit us to have direct, cost-free exchange of traffic with a significant number of telecommunications carriers and Internet infrastructure service providers, thus avoiding the congestion of public peering points when directing traffic to users connected to those Internet backbones. As a result, not only are we able to offer our customers direct access to our on-network users and content, but over 85% of the traffic we deliver to the rest of the Internet is delivered through private peering connections.

Significant Internet Protocol Engineering and Architectural Expertise. Drawing upon the breadth and depth of our IP and networking experience and expertise, including our 756 engineers and 1,119 technicians, we are able to quickly and cost-effectively identify the Internet infrastructure requirements of our customers and design and implement appropriate solutions. For service providers, this entails testing, certifying, deploying and scaling, within our network, the latest fiber optic and IP routing, switching and web hosting technology to provide cost-effective and highly reliable managed Internet infrastructure services. For our enterprise customers, we provide high quality IP solutions comprised of one or more of our services. For example, we combine our Internet access, web hosting, virtual private networks and managed security services to enable secure intranets and extranets for enterprises.

Our Strategy

Our objective is to be the leader in architecting, building and operating the infrastructure for the Internet economy. The principal elements of our strategy for pursuing this objective include:

Leveraging the Network Effect. We intend to continue to target enterprises and service providers with significant Internet infrastructure demands. The addition of an increasing number of service providers enables us to cost- effectively scale our network and attract enterprises that seek to connect to networks with a large number of users. The additional users that these service providers bring to our network attract enterprises that want to market their products and services directly to a larger base of users. We believe that attracting these customers will enhance our position as a leading provider of managed Internet infrastructure services as a result of the consolidation of a growing number of users and large volumes of content on our Tier 1 Internet backbone. We also believe that over time the scale associated with an increasing customer base will also allow us to pursue premium pricing with enterprise customers and minimize operating expenses sometimes associated with private peering connections to other Internet backbones.

Expanding Our Capacity and State-of-the-Art Network. We intend to continue to expand our capacity and state-of-the-art network in advance of the capacity demands of our customers. We plan to do this by accomplishing the following by the end of 2001:

. extending our coverage by deploying up to an additional 4,500 route miles of fiber optic cable serving approximately 120 metropolitan service areas and 11 additional international markets;

. expanding our network capacity in the United States to 10 layers of 10 gigabit capacity each;

. increasing our number of dedicated points of presence to nearly 300 and deploying local fiber rings within selected metropolitan service areas to increase our reach to end users;

. adding seven additional data centers in key locations worldwide to address the growing demands for our web hosting and content delivery services;

. expanding our network collocation facilities to enable our service provider customers to reach new markets quickly and cost-effectively; and . deploying state-of-the-art optical electronic equipment to maximize the capacity of our fiber network.

Continuing to Build and Own Our Network Facilities. As we expand, both domestically and internationally, we intend to build and own the majority of our network facilities rather than leasing them from other facilities-based providers. We believe that owning our network facilities:

. provides greater control over the performance, reliability and breadth of our managed Internet infrastructure services;

. enables us to increase our capacity more quickly to meet increasing bandwidth demands;

. generates higher gross margins than would be generated through leasing circuits from other facilities-based providers; and . improves service delivery to customers by reducing reliance on third- party providers.

Expanding Our Distribution Capabilities. We intend to develop and expand our direct sales force and our strategic alliances with other Internet-focused companies in order to expand our distribution capabilities. Currently, we have over 350 persons in our direct sales force, and we intend to substantially increase this sales force by the end of 2001. During the same period, we plan to substantially increase our Electronic Business Consultant organization, which is a group of highly skilled sales consultants that are able to aid our existing and potential customers in designing e-business solutions based on our managed Internet infrastructure services. In addition, through our eP@rtner Program, we have formed alliances with leading web integrators, e-business consultants, interactive agencies and other technology providers. We have formed similar alliances with international Internet service providers through our Net.Alliance program to expand distribution outside of the United States. Our current partners in these programs include, among others, Agency.com, Cambridge Technology Partners, Cisco Systems, Ernst & Young, Hewlett-Packard, IBM, Lante, Microsoft, Nortel Networks and Sapient in the United States, Energis in the United Kingdom and I.NET and Tiscali in Italy. These alliances serve as a valuable, cost-effective channel for marketing our services. We also plan to expand our existing reseller relationships to significantly enhance our distribution capabilities.

Pursuing Strategic Transactions and Alliances. We intend to pursue selective acquisitions that will allow us to quickly and cost-effectively extend our geographic presence and customer base, particularly in international markets. Additionally, we intend to make strategic investments in or enter into joint ventures or alliances with complementary businesses to broaden our market presence or expand our strengths in key services. We believe that successfully pursuing these strategic transactions or alliances will enable us to expand our geographic and service reach and to broaden our Internet infrastructure services for our customers.

Using Our Extensive Internet Protocol and Networking Expertise to Develop New Services. We intend to use our long history of IP and networking expertise to strengthen our reputation as a leader in the development and deployment of innovative Internet infrastructure services. We were one of the first to offer commercially managed web hosting services and managed security services. We plan to continue to develop and introduce innovative services that address the evolving requirements of our enterprise and service provider customers. We are pursuing initiatives such as IP-based voice virtual private

networks, enhanced multi-media streaming and content distribution services and wireless and satellite access services. In addition, we plan to partner with or make investments in innovative Internet start-ups and other organizations to enhance both our access to and incorporation of leading technologies.

Establishing Genuity as a Leading Brand for Internet Infrastructure Services. We intend to establish Genuity as a leading brand for managed Internet infrastructure services worldwide. We plan to increase brand awareness by pursuing an aggressive marketing strategy involving television, radio and print advertising as well as extensive public relations efforts. We will pursue additional marketing campaigns specifically targeted at enterprises and service providers. We also intend to build brand recognition by continuing to work closely with our eP@rtners and Net.Alliance partners to increase our exposure to a broader base of customers.

Our Services

We provide a comprehensive suite of managed Internet infrastructure services targeted to two primary customer groups, enterprises and service providers. Our services fall into the following four categories:

. Internet access;

. web hosting;

. value-added e-business services; and . transport services.

Our enterprise customers rely on our comprehensive suite of managed Internet infrastructure services to create and implement their e-business strategies. Our service provider customers rely primarily on our Internet access and web hosting services, which enable them to focus on the retail aspects of their business while we provide and manage the underlying scalable infrastructure necessary to deliver services to their customers. We believe our focus on developing and tailoring services to meet the needs of our target customers, as well as the scale and diversity of our services, differentiates us from our competitors.

Internet Access. We offer a variety of Internet access services to our enterprise and service provider customers, including dial-up, dedicated and digital subscriber lines. We also provide a range of customer premise equipment that is necessary to connect to the Internet, including routers, channel service units or data services units, modems, software and other products. Our Internet access services, which accounted for over 77% of our total revenues in 1999, include:

. Dial-up Access. Our dial-up access service enables users to connect to the Internet using a local telephone number. Our customers can connect to our Internet backbone through more than 800 local access points in the United States and, through our reseller relationship with iPass, a remote access provider, through approximately 1,500 international local access points in more than 150 countries. DiaLinxSM, which is our remote dial-up access service for enterprises that enables them to provide their mobile professionals, telecommuters, customers and business partners with guaranteed, cost-effective local dial-up access to their intranets and extranets, as well as the Internet, from around the world. Similarly, our DiaLinx ISP service enables Internet service providers to expand their existing dial-up access service without incurring substantial up-front capital costs and ongoing operational

expenses. For other Internet service providers and organizations that want to quickly offer their customers a private-label, Internet dial-up access service without incurring up-front and ongoing investments in network infrastructure or the burden of providing back office support, we offer a virtual Internet service provider service, called DiaLinx VISP SM.

. Dedicated Access. Our Internet Advantage SM and ISP Direct SM services connect enterprises and service providers directly to the Internet through a dedicated high speed connection. These services are available throughout the United States and in more than 60 other countries. We offer a broad spectrum of dedicated connection types with flexible pricing structures, as well as comprehensive service level guarantees. We offer dedicated Internet access at speeds ranging from T1, including fractional up to 1.5 megabits per second, to OC-12, which is capable of transmitting data at 622 megabits per second.

. Digital Subscriber Line Access. Our digital subscriber line access service enables high speed digital transmission over telephone lines. This service allows an end user to use the telephone while connected to the Internet with only one connection. Unlike dial-up access services, our digital subscriber line access service provides a full-time connection that is "always on". We currently offer service in 24 major metropolitan service areas throughout the United States, with expansion planned to over 50 major metropolitan service areas, covering over 60% of the United States population, by the end of 2000. Our digital subscriber line access services are available in a wide range of dedicated access speeds, from 144 kilobits per second to 1.5 megabits per second. Our digital subscriber line access services for enterprises are designed to meet the needs of telecommuters, branch offices and small businesses by providing high quality Internet access at speeds faster than dial-up and Integrated Services Digital Network and offered for a fixed monthly fee. In addition, for our service provider customers, we coordinate all activities necessary to provide digital subscriber line access service, including service establishment, network connectivity, bulk billing and second tier technical support.

Web Hosting. Our web hosting services, which accounted for 7% of our total revenues in 1999, enable enterprises and application service providers to outsource the storage and management of their web servers to our special purpose web hosting facilities. Our Enterprise Advantage SM web hosting service provides reliable web hosting and high speed network infrastructure, flexible, fast, and secure web hosting platforms and experienced technical support staff. We currently operate 10 data centers throughout the world, with eight in the United States, one in Leeds, England and one in Tokyo, Japan. Each data center is located in the same building as, or in close proximity to, our network access points. Our data centers are technologically advanced facilities with redundant, high speed connectivity to the Internet, uninterruptible power supplies, back-up generators, fire suppression, raised computer floors, separate cooling zones, seismically braced racks and high levels of security. Our Enterprise Advantage services include:

. Managed Web Hosting. Our managed web hosting service provides fully managed, secure and reliable web hosting capabilities for businesses operating in Windows NT or UNIX environments that want to use our expertise to implement and manage their web site infrastructure. We manage the systems and platforms and also retain ownership of equipment and software.

. Customer Managed Web Hosting. Our customer managed web hosting service is designed for enterprises that require administrative control of their web sites but prefer to partner with an experienced, reliable web hosting provider. This service provides our customers with pre-configured server hardware and software, Internet access and the benefit of secure and continuously monitored data centers. Our customers retain full responsibility for the content and administration of their web sites.

. Collocation Web Hosting. Our collocation web hosting service is designed for enterprises that seek to own their own equipment and retain full responsibility for management, content and administration of their web sites, but need a secure and scalable hosting facility with high performance connectivity.

. Content Delivery and High Availability Services. For customers with high traffic web sites, we also offer optional, high availability services that can increase web site capacity and performance. We currently offer four high availability services:

. LoadBalancer. Our LoadBalancer SM service creates a single web address that represents multiple web servers located in a single data center. These web servers utilize advanced load balancing techniques, based on the number of users seeking access to the web site, to connect users to the web server that will produce the fastest response to their request.

. Traffic Distributor. Our Traffic Distributor service is designed for web sites requiring high reliability and involves hosting web servers in multiple data centers. Enabled by our patent-pending Hopscotch(TM) load distribution technology, this service enhances the experience of an end user by directing their content requests to the web server offering the fastest and most reliable service.

. Site Replicator. Site Replicator enhances web site availability by mirroring web site content between multiple servers. Site Replicator copies new files, scripts and web images from the primary server to the other servers within its defined group. Site Replicator is a flexible web data replication tool, using efficient algorithms and intelligent data transfer techniques to minimize overhead and ensure that content on all web servers is synchronized.

. Site Accelerator. Site Accelerator brings web site content geographically closer to users, which reduces web page load times. Because this service is performed in our network, our customers receive the benefits of caching without any capital investment. Site Accelerator splits the task of serving content between the cache servers in our network and the dedicated web site servers. When the content is moved to our cache servers, the dedicated web site servers are freed up, permitting more users and more transactions without sacrificing performance from the perspective of the end user.

Value-added e-Business Services. As enterprises and service providers continue to use the Internet as a business-critical tool, we believe they will increasingly demand a wider range of e-business services to ensure security, enhance productivity, reduce costs and improve service reliability and scalability. Today, we offer a range of value-added e-business services, including:

. Virtual Private Networks. With our virtual private network service, we enable an enterprise and its employees, customers, suppliers and business partners to securely send and receive information to and from each other via encrypted dial-up, dedicated, digital subscriber line or cable-modem Internet

connections. Our VPN Advantage SM service is a managed virtual private network service that makes it possible to communicate securely over our Internet backbone and over the Internet from virtually anywhere in the world. With VPN Advantage, our customers benefit from the capabilities of a large, shared IP-based network infrastructure while maintaining the look and feel of their own private corporate network.

. Managed Security Services. Our managed security services are scalable and can be customized to our customers' needs and provide a high level of protection for their corporate networks. Our managed security services include monitoring the network perimeters of our enterprise customers, 24 hours a day, seven days a week, and use of firewall management, maintenance and proactive response techniques to ensure the security of access points into their computing infrastructure. Our Site Patrol SM for FireWall-1(R) and our Security Advantage SM are Internet security services that help to significantly reduce exposure to Internet security threats and firewall breaches. In addition, we offer a vulnerability assessment service, Site Scan SM, that helps enterprises strengthen their network perimeter security by periodically testing for potential weaknesses and generating recommendations for correcting them.

. Voice-over-Internet Protocol. Through our suite of voice-over-IP services, including International VoIP Direct SM and ESP Direct SM, we offer low-cost, high-quality voice-over-IP network transport to Internet service providers, Internet telephony service providers, enhanced service providers and telecommunications companies providing voice-over-IP services to their customers. We seek to provide our customers with accelerated time-to-market for their customers through innovative, enhanced solutions enabling voice services such as personal computer-to- phone and personal computer-to-personal computer.

Transport. Our transport services are generally purchased by telecommunications carriers and Internet service providers requiring additional capacity. In delivering these services, we provide a single point of contact for planning, ordering, installing, billing, maintaining and managing the transport services of our customers. Our transport services, which accounted for 12% of our total revenues in 1999, include:

. ATM Service. Our ATM transport service solution is targeted primarily at carriers and Internet service providers with high bandwidth voice, video and data transmission requirements. We provide ATM connections between one or more locations. Our ATM transport services provide logical permanent virtual connections, thereby supporting applications that send information at a constant or variable bit rate. We offer a wide range of speeds at one megabit per second increments and match the application needs to the desired amount of bandwidth.

. Private Line Service. Our private line service provides dedicated point- to-point transport services through non-switched, non-usage sensitive dedicated facilities. Our private line service is supported over our dedicated Synchronous Optical Network, or SONET, facilities, which results in a highly reliable network. These services are comprised of bandwidth delivered in units of: (1) DS-3, which is

capable of transmitting data at 44.736 megabits per second; (2) OC-3, which is capable of transmitting data at 155.520 megabits per second; (3) OC-12, which is capable of transmitting data at 622.080 megabits per second; and (4) OC-48, which is capable of transmitting data at 2.488 gigabits per second.

. Network Collocation Services. Our collocation services provide our customers with a physical location to collocate communications equipment at our points of presence. This service allows our service provider customers to expand their market areas without extensive recurring real estate charges, build-out fees and overhead costs.

Our Network

We operate a state-of-the-art, facilities-based global fiber optic network designed specifically for IP technology. We own the core components of our network infrastructure in the United States through indefeasible rights of use, or IRUs, for the underlying fiber optic cable. Within the United States we also lease capacity from third parties to provide service to our customers. As of the end of 1999, we estimate that over 50% of our traffic was transmitted over this leased capacity. We are in the process of transitioning traffic from leased capacity to our network infrastructure and expect that over 80% of our traffic will travel over our owned network by the end of 2001. We also own undersea capacity through IRUs and lease capacity internationally. Our current network infrastructure consists of:

. over 17,500 route miles of owned inter-city fiber cable in the United States that passes through the largest 100 metropolitan service areas and substantial additional leased capacity;

. undersea capacity to Europe via Atlantic Crossing-1 and to Asia via TPC- 5;

. over 70 dedicated points of presence in the United States through which high speed dedicated Internet access is provisioned;

. over 800 local access points of presence for dial-up access in the United States and, through our reseller relationship with iPass, an additional 1,500 local access points of presence in more than 150 other countries;

. nine points of presence in international markets, including Amsterdam, Dublin, Frankfurt, London (2), Milan, Paris, Sydney and Tokyo, with the ability to provide service from over 200 additional points of presence in over 60 countries though leased facilities; and . eight data centers located in the United States and one each in the United Kingdom and Japan.

We plan to substantially expand our network infrastructure, both domestically and internationally. Through the end of 2001, we plan to:

. extend our coverage by deploying an additional 4,500 route miles of fiber cable serving approximately 120 additional metropolitan service areas in the United States and build local fiber rings in major metropolitan service areas in the United States;

. utilize additional international undersea capacity to: (1) Europe via TAT-14 and FLAG Atlantic; (2) Latin America via Americas II; (3) the Caribbean via ARCOS-1; and (4) Asia via Japan-US cable network;

. expand our network capacity in the United States to 10 layers of 10 gigabit capacity each;

. add more than 200 additional dedicated points of presence for access in the United States;

. add an additional 11 points of presence in key international markets;

. add approximately 800,000 additional modems to our North American dial-up infrastructure and expand our coverage to an additional 300 local markets in North America;

. expand our broadband coverage to 80 metropolitan service areas and surrounding cities in the United States; and . build seven additional data centers in key locations worldwide, which will increase our existing capacity by approximately 1.2 million square feet.

As we expand our network infrastructure, both domestically and internationally, we intend to primarily build and own our facilities rather than lease them from other facilities-based providers. In addition, we have taken the flexible approach of utilizing multiple fiber providers to ensure higher reliability, quicker deployment of new technology and faster provisioning for our customers. Our network infrastructure has the following characteristics:

High Performance, Reliability and Quality. The geographic reach and state- of-the-art nature of our network enhance our ability to provide a high quality user experience. We have incorporated a variety of technologies in our network to ensure high performance and reliable transmission. These technologies include OC-192, which is capable of transmitting data at 10 gigabits per second, and SONET transmission equipment employing self-healing protection switching. These technologies, combined with our ring-based architecture, increase network reliability and minimize the risk of service outages. In the event of a failure in any segment of our network infrastructure, traffic is automatically rerouted across different fiber strands with virtually no interruption in service. Additionally, our network infrastructure makes extensive use of railroad rights-of-way that typically offer greater protection for the fiber than fiber deployed over other rights-of-way such as highways, telephone poles or overhead power transmission.

Capacity on Demand. We currently have an indefeasible right to use over 17,500 route miles of fiber in the United States, with virtually all of these fiber route miles having 24 separate strands. These fiber route miles, which form the core of our network infrastructure in the United States, were operational at the end of 1999. The majority of the fiber deployed in our network infrastructure is state-of-the-art Lucent True Wave(R) non-zero dispersion shifted fiber. This fiber supports multiple wavelengths, each running at 10 gigabits per second, thus allowing for more capacity on a single fiber strand. Our fiber network, combined with our network design, enables us to take advantage of the most recent advances in optical electronic transmission equipment. For example, we generally are using only four of our existing 24 strands of fiber, each of which supports up to eight wavelengths per fiber at 10 gigabits per second data transmission using current generation optical electronic transmission equipment. However, as optical electronic transmission equipment providing 16, 32, 50 or even higher numbers of wavelengths per fiber becomes commercially available, we plan to deploy this equipment as needed on unused fiber strands to expand the capacity of our network infrastructure. With the advanced nature of our fiber network and the advances in optical electronic transmission equipment, we believe we will

have sufficient capacity on our existing fiber in the United States for the foreseeable future. In addition to our owned facilities, we supplement our existing route miles with leased capacity from other providers.

Advanced Network Architectures. We believe that owning our network allows us to implement new network architectures as they become technologically feasible. For example, IP over dense wave division multiplexing will eliminate the need for the SONET network layer by relying on IP routers and the dense wave division multiplexing equipment to perform the re-routing that SONET currently performs. Furthermore, advanced optical networking transmission equipment will enable traffic to be switched and routed without being converted to an electrical signal first. We believe our engineering and architectural expertise will enable us to quickly deploy these new architectures and technologies, thereby reducing the complexity of data systems, increasing flexibility and reducing costs.

Flexible Platform for Multiple Services. Our network has been specifically designed for IP and can carry any form of packet data, including voice, video and traditional data services. While many carriers and service providers use multiple networks and platforms to deliver these distinct services, our IP-optimized network provides a single platform that simplifies network management, customer support and service delivery. In addition, ownership of our facilities enables us to deploy new or enhanced services more quickly. For example, we designed and deployed one of the first architectures to transmit real-time voice and data packets with reliability and performance substantially equivalent to the public switched telephone network. Moreover, our architecture allows for rapid scalability of capacity, quick geographic expansion and cost- efficient implementation of new services and features.

Our Data Centers

We currently operate 10 data centers that have been specifically designed for managed web and application hosting services and high capacity connectivity to our network. We have eight data centers in the United States, located in Palo Alto, California; San Jose, California; Los Angeles, California; Phoenix, Arizona; Chicago, Illinois; Cambridge, Massachusetts; Washington, D.C.; and New York, New York. We also have one data center in each of Leeds, England, and Tokyo, Japan. Our data centers are strategically located in the same building, or in close proximity to, network access points, and all are directly connected to our Internet backbone. Our data centers are technologically advanced facilities with redundant, high speed connectivity to the Internet, uninterruptible power supplies, back-up generators, fire suppression, computer floors, separate cooling zones, seismically braced racks and high levels of physical and network security. Our highly trained staff monitors these systems 24 hours a day and seven days a week. By the end of 2001, we plan to add seven data centers, adding approximately 1.2 million square feet of additional capacity. Each of these new data centers will be directly connected to our network and will be designed specifically for mission-critical servers with complete redundancy of all support systems. These seven new data centers will be located in Los Angeles, California; Mountain View, California; Atlanta, Georgia; Cambridge, Massachusetts; Carteret, New Jersey; Dallas, Texas; and Chantilly, Virginia.

Our International Operations We provide global coverage for our international customers. Today, we lease our network facilities in international markets, including back haul services from over 200 local points of presence in 60 countries and a SONET fiber ring connecting London, Paris, Frankfurt and Amsterdam, which is capable of transmitting data at 155.520 megabits per second. We are able to provide dedicated access services in more than 60 countries and enable global dial-up access service in more than 150 countries. We provide web hosting services out of our data centers in the United Kingdom and Japan and we have the capability to provide managed security and virtual private network services in over 39 countries. We have nine points of presence in international markets, including Amsterdam, Dublin, Frankfurt, London (2), Milan, Paris, Sydney and Tokyo. All of our international points of presence are capable of accepting voice-over-IP traffic for delivery in the United States.

By the end of 2000, we plan to add 11 additional points of presence in the following locations: Manchester; Madrid; Stockholm; Dusseldorf; Hamburg; Hong Kong; Buenos Aires; Sao Paulo; Rio de Janeiro; San Juan; and Mexico City. By the end of 2000, we also plan to deploy one of the first OC-48 fiber rings in Europe employing IP over dense wave division multiplexing. We believe this fiber ring network connecting London, Amsterdam, Frankfurt and Paris will dramatically improve our ability to provide high-end data services and is required to meet our rapidly growing traffic in Europe.

In terms of trans-oceanic capacity, over the past two years we have entered into a number of agreements for indefeasible rights of use to cable systems that are either deployed or in the process of deployment. The following table details our current and planned international cable capacity. The expected dates of deployment represent approximate time frames in which we believe our capacity on this cable will become operational and are primarily based on construction timelines provided to us by third parties.

Expected Cable System Capacity Terms Deployment Americas II U.S.-Brazil (One STM-1)(a) 25 Years (IRU) Q3 2000 U.S.-Venezuela (One STM-1) U.S.-Puerto Rico (One DS-3)(b)

Atlantic Crossing-1	U.S.-United Kingdom (Two STM-1s) U.S.-Germany (One STM-1) United Kingdom-Netherlands (One STM-1) United Kingdom-Germany (One STM-1)	25 Years (IRU) In Service Lease Lease Lease

Japan-U.S. U.S.-Japan (Six STM-1s) 25 Years (IRU) Q4 2000 Cable Network U.S.-Hawaii (One STM-1) Upgrade Capability to 28.5 STM-1s TAT-14 U.S.-France-Netherlands-Germany- 25 Years (IRU) Q1 2001 Denmark-U.S. (30 STM-1s)

FLAG Atlantic-1	U.S.-United Kingdom-France-U.S. (Portable Capacity) Seven STM-1s Initially Upgrade Capability to over 50 STM-1s	25 Years (IRU) Q2 2001

ARCOS-1 U.S.-Caribbean (Portable Capacity) 25 Years (IRU) Q1 2001 Two STM-1s Initially Upgrade Capability to 21 STM-1s TPC-5 U.S.-Japan (One DS-3) Lease In Service (a) STM-1 is capable of transmitting data at 155.520 megabits per second. (b) DS-3 is capable of transmitting data at 44.736 megabits per second.

Research and Development We believe that the task of building an Internet infrastructure services business is primarily one of integrating third-party systems, technologies, communications equipment, software and services to provide reliable, highly scalable and cost-effective Internet infrastructure services. Therefore, we generally use commercially available equipment. Our 30 years of IP and networking experience and expertise not only enables us to assess the technology and quality of potential vendors and to assist them in making their products more responsive to the needs of our customers.

We continually monitor research developments in the various industries supporting our business. We work closely with the engineering groups of our existing vendors, technology partners, innovative start-up companies and complementary service providers to incorporate advanced technology, features and services. For example, we have worked closely with Cisco Systems, one of our primary suppliers, to develop new equipment and have been regular participants in its Technical Advisory Group. Through this and other cooperative programs, we strive to ensure that new hardware designs address the evolving requirements of our business and those of our customers.

In addition, we plan to work with innovative start-up companies to assist them in developing and implementing advanced technologies and converting these technologies into market-ready products and services. A key component of our strategy will be to develop strategic relationships with those start-ups that have technology or services that can help us expedite the execution of our business plan. The strategic nature of these relationships could take the form of acquisitions, technology transfers, equity investments or joint product development.

Our Customers

We primarily target enterprises and service providers. We have established a large and diversified base of enterprise customers in a wide range of industries, including financial services, manufacturing, media and publishing, consulting services and high technology. As of March 31, 2000, we had approximately 6,500 enterprise customers, the majority of which were located in the United States. The following is a representative list of our enterprise customers.

Financial Services Manufacturing

Block Financial
Prebon Yamane
Carrier Corporation
Hasbro Interactive

Media and Publishing Consulting Services

Yahoo!
ZDNet
ENTEX Information Systems
Sapient

High Technology

Cabletron
Sybase

Our customer base also includes many service providers, including application service providers, Internet service providers and telecommunications carriers. As of March 31, 2000, we had approximately 500 service provider customers, the majority of which were located in the United States. The following is a representative list of our service provider customers.

Consumer Internet Service Providers Business Internet Service Providers

America Online	I.NET S.p.A.
NetZero	Ipass

Telecommunications Carriers Internet-Centric Related Services

Pacific Gateway Exchange	Akamai Technologies
Tiscali S.p.A.	Digital Island

Our Relationship With America Online We have supplied managed, dial-up access services in the United States to America Online since 1995. During the year ended December 31, 1999, America Online accounted for approximately 52% of our total revenues. We entered into a new agreement with America Online effective as of December 31, 1999, pursuant to which America Online has agreed to purchase additional dial-up Internet access services from us for a seven-year term through December 31, 2006. Under the new agreement, America Online has also agreed to purchase managed digital subscriber line and other broadband network access services from us for a five- year term through December 31, 2004. The components and resources used to provide dial-up access and broadband connections to our network backbone for America Online are dedicated to them and may not be used by us to service other customers. In addition, our Columbia, Maryland network operations center is dedicated to servicing America Online.

Dial-Up Services. Under the new agreement, America Online has committed to purchase from us agreed upon minimum quantities of dial-up network access services as measured by the number of dial-up access ports, or modems, available for America Online customers. America Online has agreed to increase the number of dial-up access ports to be managed by us through June 2002, subject to the terms and conditions of the agreement. America Online pays us a fixed monthly fee for each activated dial-up access port managed by us for it. Under the agreement, the monthly per access port fee to which we are entitled will be reduced at specified intervals over the term of the agreement. In addition, we have agreed, subject to limitations, that if we offer a third party better pricing for comparable dial-up access services than that paid by America Online, America Online may gain the benefit of this better pricing.

At specified times during the course of the new agreement, America Online has the right to seek a reduction in the fees paid to us for access ports based on the then prevailing market prices for comparable dial-up access services. If we do not agree to reduce our charge to America Online for the applicable dial- up access ports to the market price, America Online may, subject to advance notice and other limitations, terminate future dial-up service commitments to us and decommission an equal number of its existing dial-up access ports with us.

Beginning January 1, 2003, America Online may, subject to advance notice and other limitations, decommission dial-up access ports managed by us in proportion to their decommissioning of dial-up access ports provided by other vendors. We are required to maintain a dedicated network operations center to service the portions of our network dedicated to America Online.

Broadband Services. Under the agreement, we also provide broadband services to America Online in connection with their digital subscriber line service offerings. America Online also has agreed to purchase additional network services from us in connection with its other broadband service offerings, including cable modem, wireless and satellite, as they offer additional broadband access options to their customers. America Online has committed to purchase from us the network services necessary to serve specified percentages of their digital subscriber line and other broadband customers. In connection with providing digital subscriber line service to an America Online customer, America Online is responsible for providing its customers with the local access circuit and we are responsible for the interconnection of that circuit to our backbone, transmission of the traffic to America Online and the monitoring, management and control of the network.

We receive a specified monthly fee for each America Online digital subscriber line and other broadband customer for whom we provide network services. Under the agreement, America Online pays us monthly fees based on the number of America Online broadband customers that are connected to our network, which fees are subject to agreed upon reductions as the number of America Online digital subscriber line and other broadband customers for whom we are providing services increases. In addition, we have also agreed to extend broadband network services. If we do not agree to reduce our fees to America Online for broadband network services to the market price, America Online may, subject to advance notice and other limitations, terminate future broadband service purchase commitments to us and terminate existing broadband service.

General. In providing America Online services under the agreement, we are obligated to comply with specified minimum service levels. Either party may terminate the agreement in the event the other party commits a material breach which is not cured within 30 days after notice of the breach. In addition, America Online has the right to terminate the agreement in the event of:

. repeated material breaches by us even if cured;

. a violation of the most favored customer pricing provisions;

. a total or near total outage of any of the services provided by us that, even if lasting fewer than 30 days, is widespread and prolonged;

. our inability to meet our service level commitments or to expand service availability as required under the agreement; and . a change in control of us other than changes in control resulting from or arising out of the closing of the proposed merger of GTE and Bell Atlantic.

We are also obligated to provide America Online assistance in the 12 months following any termination of the agreement to ensure a smooth transition of services. The agreement provides America Online with a right of first refusal with respect to the sale of our dial-up network access business.

Under a separate agreement, we have agreed to provide dial-up network access services to America Online in Japan. This agreement includes similar provisions to those described above regarding minimum purchase requirements on the part of America Online Japan, market pricing adjustments, service level requirements and termination provisions.

Operations and Customer Support We believe that a high level of operational and customer support is critical to our success in attracting and retaining enterprise and service provider customers. We provide superior customer support by understanding the evolving and often complex technical requirements and business objectives of our customers. We assist our customers by initially assembling design teams comprised of product specialists from all relevant areas of our organization, including Internet access, web hosting and security. These design teams work closely with our customers from the very beginning of the relationship to properly identify their Internet infrastructure requirements and design appropriate solutions. We also assign a project manager to this team when a customer is prepared to implement its solution. Our design teams can range from a small group for single service solutions to a dedicated multi-discipline team for complex solutions. We also assign an implementation engineer to coordinate all of our activities with a customer. Our implementation engineers assist customers in developing operational processes and databases for use within their internal support environment after installation.

We provide toll-free phone access, as well as e-mail or facsimile access, to our customer support centers. In addition, our web-enabled customer service tools allow our customers to track order and service status and request upgrades online. In addition, we have event management teams available 24 hours a day, seven days a week, to work with the appropriate organizations in the event of any major Internet-wide event that disrupts service. In these circumstances, we also utilize our automated emergency broadcast capability to quickly reach our customer by e-mail, telephone, facsimile or pager.

We provide operational support for all services 24 hours a day, seven days a week. We also have network engineers and operational support agreements with our vendors to provide us with support 24 hours a day, seven days a week. Our primary Network Operations Center is located in our Burlington, Massachusetts headquarters facility. This Network Operations Center is supported by dual external power grids with divergent entry, extensive failover battery backup and dual, on premises power generation stations. In addition, we have a Network Operations or Operations Support Center in the following locations: Cambridge, Massachusetts; Columbia, Maryland; Dallas, Texas; and Chantilly, Virginia. Our Columbia, Maryland network operations center is dedicated to servicing America Online. Our centers can perform disaster back-up for other centers. Our data centers are designed with these same commitments to availability, and we guarantee these capabilities with service level guarantees.

Sales and Marketing

Within the United States, we rely primarily on a direct sales force. This direct sales force focuses on U.S.-based enterprises and service providers with domestic and international service requirements. Our sales force within the United States generally works with the managers of the marketing, sales or finance departments, as well as with information technology officers within the enterprise. In addition, through our eP@rtners program, we have formed alliances with leading web integrators, e-business consultants, interactive agencies and other technology providers, which increases our access to potential service provider and enterprise customers. Our current partners in this program include Agency.com, Cambridge Technology Partners, Cisco Systems, Ernst & Young, Hewlett-Packard, IBM, Lante, Microsoft, Nortel Networks and Sapient. These alliances enable us to provide comprehensive e-

business solutions and also serve as a valuable, cost-effective channel for marketing our services. We also plan to expand our existing reseller relationships to significantly enhance our distribution capabilities.

Internationally, we have both a direct sales force and a channel partner program, which we call our Net.Alliance program. Our international direct sales force focuses primarily on the international service provider segment, while our Net.Alliance partners are our primary channel to multinational companies based outside of the United States. Many of our Net.Alliance partners are both customers and resellers of our services. This channel gives us distribution capabilities in over 14 countries globally. Our current partners in this program include Energis in the United Kingdom and Tiscali and I.NET in Italy.

All of our sales representatives participate in extensive technical and consultative sales training programs that we believe enable them to better comprehend, respond to and resolve the complex networking problems of our customers. As of March 31, 2000, we had a direct sales force of over 350 people.

We only recently changed our name to Genuity. To be successful, we must establish and strengthen our brand recognition. We intend to incur significant expenses to promote our brand. Our marketing organization is responsible for developing the strength and awareness of the Genuity brand on a local, national and international basis. We intend to build brand awareness through a variety of methods, including radio, print advertising in trade journals and special- interest publications and our web site. In addition, we also employ public relations personnel in-house and work with an outside public relations agency to provide broad coverage in the Internet and computer networking fields. To a limited extent, we also directly market our services at seminars and trade shows such as Internet World, ISPCon, COMnet, CeBit and various Gartner Group information technology conferences.

Competition

The market for Internet infrastructure services is extremely competitive and subject to rapid technological change. We expect to encounter increased competition in the future as a result of increased consolidation and development of strategic alliances in the industry. In addition, we will compete with foreign service providers as we expand internationally and as these service providers increasingly compete in the United States market. Our principal competitors in the Internet infrastructure services market may be divided into Internet infrastructure service providers and niche players offering services competitive with one or more of our services.

Internet Infrastructure Service Providers. We believe our primary competitors are those Internet infrastructure service providers that offer a similar breadth of services and possess the network users and content to offer their customers connectivity to virtually all addresses on the Internet, either through their Internet backbone or through high speed private peering relationships that permit them to have direct, cost-free exchange of traffic with a significant number of carriers and other Internet service providers. These competitors include UUNET Technologies, a subsidiary of MCI WorldCom, AT&T, Cable & Wireless and Sprint. UUNET has substantially greater market share than we do, and some of the others also have greater market share than we do. UUNET is a competitor for America

Online's access requirements and is reported to provide a substantial portion of those requirements. In addition, MCI WorldCom and Sprint have announced a proposed merger. We believe this proposed merger would substantially increase the market share and competitive position of UUNET, even if it were required to divest itself of portions of its Internet backbone as a condition to the merger. Some of these competitors also are able to bundle their Internet service offerings with other complementary services that we do not provide, such as local and long distance voice, data transmission and video services, thereby reducing the price of their services relative to ours. We may not be able to offset the effects of any price reductions. We also compete with an increasing number of Internet service providers that have a significant regional, national or international presence but do not offer as broad a range of services or possess fewer users and less on-network content than the infrastructure service providers listed above. These competitors include, among others, Level 3 Communications, Qwest Communications, KPNQwest, Deutsche Telekom, PSINet, Verio Communications and Williams Communications Group. As a result of the increase in the number of competitors and the vertical and horizontal integration that is occurring in this industry, we currently encounter and expect to continue to encounter significant competition, which could force us to, among other things, reduce our rates and invest more heavily in infrastructure.

We believe we compete with these competitors primarily on the basis of quality and quantity of on-network users and content, breadth of service offerings, geographic reach and quality of network infrastructure, capacity, quality of service and price. While we believe that our network infrastructure, comprehensive suite of services and expertise in designing, developing and implementing managed Internet infrastructure solutions distinguish us from our competitors, many of our existing and potential competitors have greater financial and other resources, more customers, a larger installed network infrastructure, greater market recognition and more established relationships and alliances in the industry. As a result, these competitors may be able to develop and expand their network infrastructure and service offerings more quickly, adapt more swiftly to new or emerging technologies and changes in customer demands, devote greater resources to the marketing and sale of their offerings, pursue acquisition and other opportunities more readily and adopt more aggressive pricing policies.

Niche Players. There are numerous competitors that service generally one or a small number of the specific Internet infrastructure requirements of enterprise customers. These competitors include, among others:

. web-hosting companies, such as Digex and Exodus Communications;

. broadband Internet access providers such as Covad Communications and Rhythms NetConnections, both of which focus on digital subscriber line services;

. providers of security and virtual private networks, such as Pilot Network Services; and . transport service providers, such as Level 3 Communications, Qwest Communications and Williams Communications Group.

We believe that there are relatively few barriers to entry in these markets. We compete with these niche players on the basis of technical expertise, quality of service, reliability and price.

There are numerous other companies from a variety of industries that have also focused on our target market. For example, many of the major cable companies have begun offering, or are exploring the possibility of offering, Internet access through their current networks to include Internet access capabilities. Direct broadcast satellite and wireless communications providers have also entered the Internet access market with various wireless and satellite-based service technologies. We believe that direct broadcast satellite and wireless communications providers have also entered the Internet access market.

As we continue to expand our operations in markets outside the United States, we will also encounter new competitors and competitive environments. Our foreign competitors may enjoy a government-sponsored monopoly on telecommunications services essential to our business, and will generally have a better understanding of their local industry and longer working relationships with local infrastructure providers.

Employees

As of March 31, 2000, we had a total of 3,557 employees, of which 1,263 were in customer service and support, 866 were in engineering, 761 were in sales and marketing, 345 were in information technology and 322 were in finance and administration. Our employees are not represented by any collective bargaining agreement, and we believe that relations with our employees are good.

Real Estate Facilities The following table provides information about our principal real estate facilities throughout the United States and abroad. We occupy our headquarters and primary Network Operations Center in Burlington, Massachusetts under a lease that expires in 2009. This lease includes renewal options for two three- year periods. We are constructing two new buildings in Woburn, Massachusetts, which are scheduled for completion in the next 12 months. We plan to move our corporate headquarters to one of these new buildings while retaining our Burlington, Massachusetts facility as an operations center. We lease space for our other Network Operating Center in Columbia, Maryland.

Proprietary Rights

We rely on a combination of patent, copyright, trademark and trade secret laws and contractual restrictions to establish and protect our technology. We own, either exclusively or jointly, an interest in nearly 200 inventions that are the subject of patents, patent applications or patent disclosures. These legal protections provide only limited protection. Further, the market for Internet infrastructure services is subject to rapid technological change. Accordingly, while we intend to continue to protect our proprietary rights where appropriate, we believe that our success in maintaining a technology leadership position is more dependent on the technical expertise and innovative abilities of our personnel than on these legal protections.

Despite our efforts to protect our proprietary technology, we cannot assure you that the steps taken by us will be adequate to prevent misappropriation of our technology or that our competitors will not independently develop technologies that are substantially equivalent or superior to our technology. The laws of many countries do not protect our proprietary technology to as great an extent as do the

laws of the United States. We may need to resort to litigation in the future to enforce our intellectual property rights, to protect our trade secrets, to determine the validity and scope of the proprietary rights of others or to defend against claims of invalidity. We are also subject to the risk of adverse claims and litigation alleging infringement of the intellectual property rights of others. Any resulting litigation could result in substantial costs and diversion of management and other resources and could have a material adverse effect on our business and financial condition.

Regulatory Matters

The following summarizes regulatory developments and legislation that we believe are currently material to us. It does not describe all present and proposed federal, state, local and foreign regulation and legislation affecting the telecommunications industry.

Our existing and planned Internet operations are not actively regulated by the Federal Communications Commission or any other government agency of the United States at the present time, other than regulations that apply to businesses generally. However, one of our subsidiaries, GTE Telecom, Inc., is classified as an "interexchange carrier" and provides primarily private line data services, primarily in the area of data transmission. As a result, this subsidiary is regulated as a telecommunications carrier and is subject to the requirements described below under "Telecommunications Services." Furthermore, the regulations governing the telecommunications industry generally are often subject to regulatory, judicial, or legislative modification and are in a state of flux at the present time. Some private parties and regulators have called the current regulatory status of various Internet service offerings into question. We cannot predict the actions of the regulatory authorities that have jurisdiction in this area or whether any of these authorities will attempt to impose new regulations on Internet services or expand their interpretations of existing regulations to make them apply directly to Internet services. Accordingly, we do not know whether current or future regulations could have a material adverse effect on us. If any regulatory authority imposes new regulations or expands their interpretations of existing regulations to make them applicable to Internet operations, some or all of the following rules may be applied to those operations. However, if new regulations are imposed on our industry, or existing regulations are expanded to cover our industry, these regulations will almost certainly also apply to all similarly situated parties offering comparable services, including our competitors.

Federal Telecommunications Regulation Federal regulations have undergone major changes in the last four years as the result of the enactment of the Telecommunications Act of 1996. The Telecommunications Act is the most comprehensive reform of the telecommunications law in the United States since the Communications Act was enacted in 1934. For example, the Telecommunications Act imposes interconnection and access requirements on telecommunications carriers and on all local exchange carriers, including incumbent local exchange carriers and competitive local exchange carriers.

Under the current regulatory regime, communications related services are generally classified into one of the following three definitional categories: (1) information services; (2) private carrier services; and (3) telecommunications services or common carriage. Because the boundaries between these categories

are neither precise nor well-fixed, and the industry is so dynamic, we cannot predict where particular services will be classified, now or in the future. The regulations associated with each type of classification are described below.

Information Services. Except for the provision of underlying basic transmission capability, Internet services have generally been considered to be "information services." Under current law, operators of information services are exempt from regulation by the Federal Communications Commission, but operators of telecommunications services are not similarly exempt. However, the Federal Communications Commission continues to review its regulatory position on the usage of the basic network and communications facilities used by Internet service providers. Whether it will assert regulatory authority over the Internet, and the level of any asserted authority, is a pending issue. While the Federal Communications Commission has determined in an April 1998 report to Congress that Internet access providers should not be treated as telecommunications carriers and therefore should not be regulated, it is expected that the status of various types of Internet service providers will continue to be uncertain. In the same report, the Federal Communications Commission also concluded that some of the services currently offered over the Internet, such as phone-to-phone IP telephone services, may be functionally indistinguishable from traditional telecommunications service offerings, and that their non-regulated status may have to be reexamined. The report also indicated that the Federal Communications Commission would determine on a case- by-case basis whether to subject IP telephone service providers to regulation, including whether to require them to contribute financially to universal service support mechanisms, which could also subject these services to other forms of regulation. The Federal Communications Commission has also stated that it may require Internet service providers that use their own transmission facilities to provide Internet access services to contribute to universal service mechanisms, and has previously considered and rejected the possibility of regulating Internet backbone peering arrangements, although that issue remains subject to further review.

Private Carrier Services. The offering of private carrier services typically entails the offering of telecommunications, but these services are provided to a limited class of users on the basis of individually negotiated terms and conditions that do not meet the definition of a telecommunications service under the Telecommunications Act. These private carriers are generally unregulated by the Federal Communications Commission, but are subject to universal service payment obligations, discussed below, based on their gross revenues from end users. These private carriers may also be subject to access charges if interconnected to local exchange facilities.

Telecommunications Services. A significant amount of regulation applies to providers of telecommunications services. The Communications Act defines telecommunications carriers as entities offering telecommunications for a fee, directly to the public or to classes of users so as to be effectively available directly to the public. The law does not distinguish on the basis of the facilities used to provide these services. "Telecommunications" is defined as the transmission, between or among points specified by the user, of information of the user's choosing, without change in the form or content of the information as sent and received. The Federal Communications Commission has found that the

definition of "telecommunications carrier" is essentially the same as the definition of "common carrier". Telecommunications carriers are subject to regulatory requirements that may impose substantial administrative and other burdens on their operations.

The Federal Communications Commission imposes regulations on some common carriers that have been found by the Federal Communications Commission to have some degree of market power, otherwise known as dominant carriers. The Federal Communications Commission imposes less regulation on other common carriers, which have been found by the Federal Communications Commission not to have market power, otherwise known as "non-dominant carriers", such as GTE Telecom, Inc. These non-dominant carriers do not need express prior authorization to provide domestic services and can file tariffs on one day's notice. The Federal Communications Commission requires common carriers to obtain a formal authorization to construct and operate telecommunications facilities and to provide or resell telecommunications services between the United States and international points. The Federal Communications Commission also regulates carrier exits from markets.

General Obligations. All telecommunications carriers are subject to the complaint process and rules and regulations of the Federal Communications Commission, as well as various other requirements set out in Title II of the Communications Act of 1934, as amended. In addition, telecommunications carriers have the following general obligations:

. not to charge unreasonable rates or engage in unreasonable practices;

. to provide service on reasonable request;

. not to unreasonably discriminate in their service offerings;

. to comply with reporting requirements;

. to offer customer premises equipment for sale on an unbundled basis to the extent that it is offered;

. to allow resale of their services in some circumstances; and . to restrict their use of customer information.

In addition, telecommunications carriers are subject to other regulatory requirements and are required to contribute to the Universal Service Fund, the Telecommunications Relay Service Fund, the Number Portability Fund and the North American Number Plan Administration Fund. Telecommunications carriers must also pay regulatory fees associated with filing license applications and other documents with the Federal Communications Commission.

Interconnection Obligations. All telecommunications carriers have the basic duty to interconnect and interoperate, either directly or indirectly, with the facilities of other telecommunications carriers.

Section 214 Authorizations. Common carriers are obligated to obtain, under Section 214 of the Communications Act, authorization from the Federal Communications Commission to provide services between the United States and other countries, and to disclose, among other things, the extent

to which they are owned or controlled by foreign entities. The compliance with these regulatory requirements imposes administrative and other burdens on these carriers.

Tariffs and Pricing Requirements. The Federal Communications Commission has eliminated the requirements that non-dominant interstate interexchange carriers, such as GTE Telecom, maintain tariffs on file with the Federal Communications Commission for domestic interstate services. Under the rules of the Federal Communications Commission, after a nine-month transition period, relationships between interstate carriers and their customers would be set by contract. At that point, the Federal Communications Commission would no longer recognize or accept tariffs for interstate, domestic interexchange services. Currently, a court imposed stay is in effect and interstate long distance telephone companies are therefore still required to file tariffs. However, competitive access providers do not have to file tariffs for their exchange access services, but may if they choose to do so. There has been no proposal to detariff international services.

Customer Proprietary Network Information. The use by a telecommunications carrier of customer proprietary network information, which generally includes any information regarding a subscriber's use of a telecommunications service obtained by a carrier solely by virtue of the carrier-customer relationship, is subject to statutory restrictions. This customer proprietary network information does not include a subscriber's name, telephone number and address, if that information is published or accepted for publication in any directory format. A telecommunications carrier may use a customer's proprietary network information only to market a service that is "necessary to, or used in" the provision of a service that the carrier already provides to the customer, unless it receives the customer's prior oral or written consent to use that information to market other services. The rules of the Federal Communications Commission regarding how to obtain consent have recently been struck down in the courts, leaving the current state of the customer proprietary network information requirements uncertain. In addition, the Federal Communications Commission recently relaxed a number of the requirements it initially adopted, which gives some flexibility to carriers on how to comply with these rules. These rules, either as adopted or as modified, may impede the ability of a telecommunications carrier to effectively market integrated packages of services and to expand existing customers' use of its services.

Universal Service. The Federal Communications Commission has recently expanded aid to schools and libraries and extensively revamped the support structure for high cost-of-service areas. These providers of interstate telecommunications services, as well as some other entities, such as private carriers offering excess capacity to end user customers, must contribute to a fund to pay for these programs. The schools and libraries and rural health care support mechanisms are assessed against interstate and international end-user revenues. The contribution level and overall size of federal support may change. Several petitions for administrative reconsideration of various Federal Communications Commission universal service orders are pending, and there are a number of other proceedings relating to universal service at the Federal Communications Commission and federal courts of appeals that are still ongoing. The rules of the Federal Communications Commission also require that telecommunications carriers contribute to the Number Portability Fund, the Telecommunications Relay Services Fund and the North American Number Plan Administrator Fund.

Communications Assistance for Law Enforcement Act. Telecommunications carriers may incur significant expenses to assure that their networks comply with the requirements of the Communications Assistance for Law Enforcement Act. Under this statute, telecommunications carriers are required to:

. provide law enforcement officials with call content and call identifying information pursuant to a valid electronic surveillance warrant; and . provide sufficient capacity for use by law enforcement officials in executing authorized electronic surveillance.

While the telecommunications industry is attempting to negotiate legislative and administrative provisions that would compensate carriers for some of the costs associated with complying with this statute, as it stands today those issues have not been definitively resolved.

Local Exchange Carriers Telecommunications carriers that are defined as local exchange carriers are subject to special regulatory provisions, in addition to those described above. A local exchange carrier is defined as a provider of telephone exchange service or exchange access. Telephone exchange service is defined as service within a telephone exchange or connected system of exchanges operated to provide inter- communicating service of the character ordinarily furnished by a single exchange, covered by the local exchange charge, or comparable service provided through a system of switches, transmission equipment or other facilities, or combination thereof, by which a subscriber can originate and terminate a telecommunications service. The universe of carriers that are classified as local exchange carriers has never been fully defined by the Federal Communications Commission. If an entity is found to be a local exchange carrier, it will have the following obligations:

Reciprocal Compensation. This requires all local exchange carriers to establish compensation arrangements with other carriers for the transport and termination of telecommunications.

Resale. This requires all local exchange carriers to permit resale of their telecommunications services without unreasonable restrictions or conditions.

Number Portability. This requires all local exchange carriers to permit users of telecommunications services to retain existing telephone numbers without impairment of quality, reliability or convenience when switching to another service provider at the same location.

Non-discriminatory Access and Dialing Parity. This requires all local exchange carriers to provide nondiscriminatory access to telephone numbers, operator services, directory assistance and directory listing with no unreasonable dialing delays and to give customers access to their selected carrier without having to dial extra digits.

Access to Rights-of-Way. This requires all local exchange carriers to permit competing carriers access to poles, ducts, conduits and rights of way at reasonable and nondiscriminatory rates, terms and conditions.

In addition, incumbent local exchange carriers also face additional pricing, network unbundling, and other obligations.

State Telecommunications Regulation States also regulate telecommunications services, including through certification of providers of intrastate services, regulation of intrastate rates and service offerings, and other regulations. The Telecommunications Act prohibits state and local governments from enforcing any law, rule or legal requirement that prohibits or has the effect of prohibiting any person from providing any interstate or intrastate telecommunications service. In addition, under current policies of the Federal Communications Commission, any dedicated transmission service or facility that is used more than 10% of the time for the purpose of interstate or foreign communication is subject to the jurisdiction of the Federal Communications Commission to the exclusion of any state regulation. Under the Telecommunications Act, states retain jurisdiction to adopt regulations necessary to preserve universal service, protect public safety and welfare, ensure the continued quality of communications services and safeguard the rights of consumers. Accordingly, the degree of state involvement in local telecommunications services may be substantial. Furthermore, states generally give municipal authorities responsibility over the access to rights- of-way, franchises, zoning, and other matters of local concern, which means that localities may also have involvement in the regulation of the telecommunications industry.

Other Potential Regulation Federal and state laws and regulations relating to the liability of online service companies and other Internet service providers for information carried on or disseminated through their networks are currently unsettled. Several private lawsuits seeking to impose this type of liability on online service companies and Internet access providers are pending. Legislation has been enacted and new legislation has been proposed that imposes liability for or prohibits transmission of some types of information on the Internet. The imposition of potential liability on us and other Internet service providers for information carried on or disseminated through our systems could require us to implement measures to reduce our exposure to this liability, which may require us to spend substantial amounts on or discontinue some of our service or product offerings. While we carry professional liability insurance, it may not be adequate to compensate or may not cover us if we become liable for information carried on or carried by our network. Any costs not covered by insurance incurred as a result of this liability or asserted liability could have a material adverse effect on our business, financial condition and results of operation. The increased attention on liability issues as a result of lawsuits and legislative actions and proposals could also impact the growth of Internet use.

Due to the increase in Internet use and publicity, it is possible that other laws and regulations will be adopted regarding the Internet, including laws pertaining to privacy, consumer protection, the dissemination of unlawful or otherwise disfavored content, and the pricing and characteristics of services or products. Additional legislative initiatives, including laws involving taxation of Internet services and transactions, Internet regulation and universal service contribution requirements for Internet providers have been proposed. The adoption of these types of laws or regulations could inhibit the continued growth of the Internet or other wide area information networks, impose additional costs on us, expose us to greater potential liability from regulatory actions or private legal proceedings or otherwise adversely affect our business operations or performance. We cannot predict the impact, if any, that those or other future laws and regulations or legal or regulatory changes may have on our business.

Other companies in our industry are not generally subject to direct regulation by the Federal Communications Commission or any other governmental agency of the United States, other than regulations that apply to all business organizations. However, in connection with the merger between Bell Atlantic and GTE, the Federal Communications Commission has reviewed our relationship with Verizon. In addition, the Federal Communications Commission continues to review its regulatory position on the usage of the basic network and communications facilities by Internet companies.

Recently, the Federal Communications Commission adopted rules that direct incumbent local exchange carriers to share their telephone lines with providers of high speed Internet access and other data services. This ruling enables competitive carriers to provide digital subscriber line-based services over the same telephone lines simultaneously used by incumbent local exchange carriers to provide basic telephone service. These changes may increase competitive pressures on incumbent local exchange carriers in the offering of advanced telecommunications services, including digital subscriber line services.

International Regulatory Matters The laws relating to the provision of Internet and telecommunications services in other countries vary substantially from country to country and are undergoing a rapid process of development and change. There are a variety of regulations in different jurisdictions regarding the manner in which services are to be provided, and some countries impose liability for providing access to prohibited content and restrict the transfer of personal information. As we continue to expand into international markets, these laws will have an increasing impact on our operations. We do not know whether new or existing laws or regulations could have a material adverse effect on us or our ability to offer some or all of our services in any country.

The ability for us to provide some or all of our Internet and other services, including the ownership and operation of the necessary assets and facilities in any particular country, will depend upon the extent to which applicable laws and regulations permit us to provide our services. We believe that the provision of some services, such as our voice-over-IP services, is more likely to be subject to local country regulation than other Internet services provided by us. Foreign countries treat voice-over IP differently. Some countries impose no regulation on the service, while others allow voice- over-IP but grant only a limited number of licenses to providers. In some instances, the country requires licenses, but will grant an unlimited number of licenses to providers. Finally, there are some countries that prohibit the service altogether. Whether a carrier can provide voice-over-IP services in any given country thus heavily depends on local regulations and the actions of local governments.

We currently have the ability to provide services in countries without obtaining regulatory authorizations, approvals, or licenses. In eight countries (Brazil, Germany, Ireland, Italy, Japan, Mexico, The Netherlands and Spain) where we currently have or are in the process of commencing operations, we have either obtained or have applied for regulatory approvals, authorizations, or licenses. In addition, as we enter new markets, we anticipate obtaining similar approvals, authorizations and licenses as required by applicable local rules and regulations in order to acquire, own and operate the necessary assets and facilities, and to provide services, in these countries. We do not know if we will obtain the necessary local regulatory approvals to own and operate the assets and facilities necessary to

provide service, or to provide the services themselves, in any country, or that local country laws or regulations will not change. Any failure to obtain approvals, or loss of authorization, to provide services in any country could have a material adverse effect on us.

Legal Proceedings

We are not involved in any legal proceedings which we believe would, if adversely determined, have a material adverse effect upon our business, financial condition or results of operations.

Management

The following table sets forth information concerning our executive officers and directors.

Name Age Position

Paul R. Gudonis..... 46 Chairman of the Board and Chief Executive Officer Joseph C. Farina..... 50 President and Chief Operating Officer Daniel P. O'Brien..... 45 Executive Vice President and Chief Financial Officer Ira H. Parker..... 43 Senior Vice President, General Counsel and Secretary Steven H. Blumenthal.... 46 Senior Vice President, Network Planning, Design and Engineering Susan H. Bowman..... 46 Senior Vice President, Human Resources James L. Freeze..... 39 Senior Vice President, Chief Strategy Officer and Director Charles J. Gibney..... 54 Senior Vice President, Enterprise Solutions and Director Michael J. Kalagher..... 54 Senior Vice President, Network Operations Paul A. O'Brien..... 47 Senior Vice President, Sales and Marketing Richard Stuntz..... 46 Senior Vice President, Network Services Paul R. Gudonis has served as our Chairman and Chief Executive Officer since April 2000. He has led the growth of Genuity since 1994, becoming President of Genuity in 1998, one year after GTE acquired BBN. From 1990 to 1994, he served as Vice President/General Manager-International of the Communications Industry Group of EDS Corporation. Prior to 1990, Mr. Gudonis served as a senior executive at several venture-backed start-up companies in the Boston, Massachusetts area specializing in software and telecommunications services. He started his career at AT&T, launching the first cellular phone operation in the United States as Vice President-Marketing for Ameritech Mobile Communications. Mr. Gudonis serves as a director of Boston Communications Group, Inc., a provider of information technology services to the wireless industry. In addition, he is Vice Chairman of the Massachusetts High Tech Council, a director of the Massachusetts Software and Internet Council and a director of the Massachusetts Telecommunications Council. He is a founding member of the Global Internet Project, a group of Internet chief executive officers who engage in public policy advocacy in support of Internet growth and expansion. Mr. Gudonis holds a B.S. in Electrical Engineering from Northwestern University and an M.B.A. from Harvard Business School.

Joseph C. Farina will serve as our President and Chief Operating Officer upon the completion of this offering. From 1998 to 2000, he served as President and Chief Executive Officer of Bell Atlantic's Data Solutions Group. He was Executive Vice President-Operations Assurance for Bell Atlantic from 1995 to 1998. From 1993 to 1995, Mr. Farina served as both Vice President-Corporate Business Development of NYNEX Corporation, a Regional Bell Operating Company that is now part of Bell Atlantic, and

President of the NYNEX Network Systems Company, leading NYNEX's international expansion into Europe and Asia. Prior to that time, he served as President of NYNEX Properties and Vice President-Operations of NYNEX Mobile Communications, where he launched the inaugural wireless service in New York City and Boston. Mr. Farina holds a B.S. from Fordham University and an M.B.A. from St. John's University.

Daniel P. O'Brien will serve as our Executive Vice President and Chief Financial Officer upon the completion of this offering. Since June 1998, Mr. O'Brien served as the Executive Vice President--Finance and Chief Financial Officer of GTE. From July 1997 to June 1998, he served as Vice President and Treasurer of GTE, and from October 1995 to July 1997 he served as Assistant Treasurer-Capital Markets of GTE. Prior to 1993, when he joined the Treasury Department of GTE, Mr. O'Brien held several positions with the Electrical Products Group of GTE, including Vice President-Controller of GTE European Lighting in Geneva, Switzerland from August 1991 to January 1993. Mr. O'Brien holds a B.S. in Chemistry from Boston College and an M.B.A. from University of Chicago.

Ira H. Parker will serve as our Senior Vice President, General Counsel and Secretary upon completion of this offering. From November 1997 to the completion of this offering, he served as Vice President and General Counsel with Genuity. In 1999, in addition to his General Counsel position at Genuity, Mr. Parker was appointed Vice President and Deputy General Counsel of GTE. From July 1993 to November 1997, Mr. Parker was a partner in the Washington, D.C. office of the law firm of Alston & Bird, where he founded and headed the Electronic Commerce Practice Area. Prior to 1993, Mr. Parker served in a number of positions with the United States Federal Deposit Insurance Corporation, including Assistant General Counsel for Litigation and Policy from August 1989 to May 1992 and Deputy General Counsel for Litigation for the Resolution Trust Corporation from May 1992 to June 1993. In 1978, Mr. Parker received his B.A. from Brooklyn College and he received his J.D. from Emory University in 1981.

Steven H. Blumenthal will serve as our Senior Vice President, Network Planning, Design and Engineering upon the completion of this offering. Since 1977, he has held several positions with BBN Corporation and Genuity, including Vice President for Network Engineering and Technology. Mr. Blumenthal has been responsible for the engineering of Genuity's network infrastructure and the development of Internet services. He also led the design and construction of our network infrastructure. Mr. Blumenthal holds a B.S.E.E. and M.S.E.E. from the Massachusetts Institute of Technology.

Susan H. Bowman will serve as our Senior Vice President, Human Resources upon the completion of this offering. From September 1997 to the completion of this offering, Ms. Bowman served as Vice President, Human Resources for Genuity and GTE Technology Service Corporation. Prior to that time, she held several positions with GTE, including serving as the Strategic Human Resources Business Partner for the Network Operations Group. Ms. Bowman holds a Ph.D. in industrial/organizational psychology from the University of South Florida.

James L. Freeze has served as a Director since April 2000 and will serve as our Senior Vice President and Chief Strategy Officer upon the completion of this offering. From August 1999 to the completion of this offering, he served as Vice President of Business Development for Genuity. From July 1998 to August 1999, he served as a senior telecommunications analyst at Forrester Research, Inc., an Internet research firm. From June 1997 to June 1998, Mr. Freeze served as Vice President of Sales and Marketing of Genuity, an Internet service provider and web hosting company. Prior to 1997, he held several positions with CompuServe Inc., a worldwide provider of network access hosting and Internet services to the business and consumer markets. Mr. Freeze holds a B.S. and M.A. from Ohio State University and a J.D. from Capital University.

Charles J. Gibney has served as a Director since April 2000 and will serve as our Senior Vice President, Enterprise Solutions upon the completion of this offering. From April 1998 to May 2000, he served as President and General Manager of Enterprise Services of Genuity. From January 1988 to March 1998, he served as Senior Vice President of International and Corporate Business of Cable & Wireless Inc., a global communications company. From 1962 to 1988, Mr. Gibney held various positions including the director of National Sales for Sprint, a telecommunications company, and from 1962 to 1974, he held several positions with Pacific Bell, a Regional Bell Operating Company.

Michael J. Kalagher will serve as our Senior Vice President, Network Operations upon the completion of this offering. From January, 2000 to the completion of this offering, Mr. Kalagher served as Vice President of Operations and Customer Service for BBN Corporation and Genuity. From July, 1995 to December, 1999, Mr. Kalagher has held several positions, including Divisional VP of Operations and Customer Service and Vice President of Operations for our DiaLinx remote access service. From 1969 to 1995, he held several positions with Digital Equipment Corp., a supplier of networked computer systems, software and services, including serving as Operations Manager for Worldwide Marketing and Field Service Manager in the Central European Region. Mr. Kalagher studied Electrical Engineering and Business at the undergraduate level, and is a 1982 P.mD. graduate of the Harvard Business School.

Paul A. O'Brien will serve as our Senior Vice President, Sales and Marketing upon the completion of this offering. From October, 1999 to the completion of this offering, he served as Vice President of Sales and Marketing for GTEI. From April 1998 to October 1999, he was Vice President and General Manager of the IP Telecom Services business unit of GTEI. From January, 1995 to April, 1998, Mr. O'Brien served as Vice President of the Communications Industry Busi- ness unit of NCR, a provider of information technology business solutions.

From May 1990 to December 1994, he served as Vice President of Marketing for Cincinnati Bell Telephone, a telecommunications company. Prior to 1990, Mr. O'Brien held several positions with AT&T and New England Telephone. Mr. O'Brien holds a B.S. from Westfield College and an M.B.A from Suffolk University.

Richard Stuntz will serve as our Senior Vice President, Network Services upon the completion of this offering. From April 1998 to the completion of this offering, he served as Vice President and General Manager of On-Line Services for Genuity. He was previously the Vice President for Business Planning and Management from March 1997 to April 1998. From 1992 to 1997, Mr. Stuntz was first Director,

and then Vice President of Contracts for BBN Corporation. Prior to joining BBN Corporation in 1986, he held several positions with Westinghouse Electric Corporation, a public utilities, manufacturing and defense contracting company. Mr. Stuntz holds a B.A. from Duke University.

Composition of Board of Directors Upon completion of our public offering, our by-laws will provide that our board of directors will consist of no less than three persons and no more than 20. Our board of directors will consist of 10 directors: (1) three Class I directors whose terms expire at the first annual meeting of stockholders; (2) three Class II directors whose terms expire at the second annual meeting of stockholders; (3) three Class III directors whose terms expire at the third annual meeting of stockholders; and (4) one director selected annually by the holder or holders of the Class B common stock, voting separately as a class.

Under our by-laws, at our first annual meeting of stockholders at least one of the incumbent Class I directors will not be renominated for election and our board of directors will nominate at least two new Class I directors. This will increase the number of directors to 11. The Class I directors will be elected to a three-year term.

At our second annual meeting of stockholders at least one of the incumbent Class II directors will not be renominated for election and our board of directors will nominate at least two new Class II directors. This will increase the number of directors to 12. The Class II directors will be elected to a three-year term.

At our third annual meeting of stockholders at least two of the incumbent Class III directors will not be renominated for election and our board of directors will nominate at least three new Class III directors. This will increase the number of directors to 13. The Class III directors will be elected to a three year term.

For each subsequent annual meeting of stockholders, our board of directors will determine the nominees for directors in the class of directors to be elected at the meeting.

Committees of Board of Directors We have a compensation committee comprised of and and an audit committee comprised of and . The compensation committee has the authority to approve salaries and bonuses and other compensation matters for our officers and consultants, to approve employee health and benefit plans and to administer our stock option plans. The audit committee, which is comprised of independent directors, has the authority to recommend the appointment of our independent auditors and to assist our board of directors in its review of the results and scope of audits, internal accounting controls and other accounting related matters.

Compensation Committee Interlocks and Insider Participation None of our executive officers serves as a member of the board of directors or compensation committee of any entity which has one or more executive officers serving as a member of our board of directors or compensation committee.

Director Compensation We intend to pay cash compensation to non-employee members of our board of directors in the amount of $30,000 annually. We will reimburse each member of the board of directors for reasonable expenses incurred in connection with attending a meeting of the board of directors or any committee thereof. In addition, pursuant to our 2000 Compensation Plan for Non-

Employee Directors, upon completion of this offering, each non-employee member of our board of directors will receive an option to purchase 30,000 shares of our Class A common stock at an exercise price per share equal to the initial public offering price on the front cover of this prospectus. However, any director initially elected to serve a one-year term will receive a one-time option to purchase 15,000 shares of our Class A common stock to vest at the conclusion of the term and any director initially elected to serve a two-year term will receive a one-time option to purchase 22,500 shares of our Class A common stock to vest at the conclusion of the term. These options to purchase shares shall be at an exercise price equal to the initial public offering price set forth on the cover of this prospectus.

Executive Compensation The following table shows the cash compensation paid or accrued for the fiscal year ended December 31, 1999 to our chief executive officer and each of our four most highly compensated executives other than the chief executive officer. GTE will not compensate our officers going forward and therefore this compensation is indicative only of the historical compensation paid by GTE to these officers and is not indicative of the compensation that Genuity will pay to these individuals in the future. The arrangements regarding the future compensation and other incentives of our executive officers are currently under study.

The options granted below represent options to acquire common stock of GTE. Under the existing terms of the GTE Corporation 1997 Long-Term Incentive Plan, the offering will not result in accelerated vesting of the remaining unvested portion of these options. Instead, these options will continue to vest according to their terms. These options were granted in recognition of past service to GTE. These officers will not receive future grants of GTE or Verizon options following the offering.

Summary Compensation Table

	Annual Compensation			Long-Term Compensation		
Name and Principal Position	Salary ($)	Bonus ($)(1)	Other Annual Compensation ($)(2)(3)	Restricted Stock Awards	Shares of GTE Common Stock Underlying Options (#)	LTIP Payments ($)(4)	All Other Compensation ($)(5)

Paul R. Gudonis..... 349,308 305,300 -- 80,642 43,400 1,027,500 5,000 Chairman and Chief Executive Officer Charles J. Gibney..... 289,808 126,200 -- 27,018 15,700 319,300 14,911 Senior Vice President, Enterprise Solutions Ira H. Parker..... 214,404 137,100 -- 21,535 20,900 216,400 7,200 Senior Vice President, General Counsel and Secretary David B. Monaghan..... 221,708 109,700 -- 26,855 12,200 333,800 12,372 Vice President, Finance Paul A. O'Brien..... 208,962 88,100 -- 5,506 35,700 -- 13,533 Senior Vice President, Sales and Marketing (1) These amounts represent the annual bonus received by each executive under the GTE Corporation 1997 Executive Incentive Plan for the year ended December 31, 1999, of which a portion has been deferred into restricted stock units payable at maturity, generally a minimum of three years from the time of deferral, in common stock of GTE. GTE restricted stock units will not be granted to these officers in the future.

(2) The number of restricted stock units received was calculated by dividing the sum of deferrals under (a) the annual bonus and (b) the LTIP payments by the average closing price of the common stock of GTE on the New York Stock Exchange Composite Transactions Tape for the twenty consecutive

trading days following the release to the public of the financial results of GTE for the fiscal year in which the bonus and LTIP payments were earned. Each executive received matching restricted stock units on the basis of one additional restricted stock unit for every four restricted stock units earned. The dollar value of the matching restricted stock units is based on the average closing price of the common stock of GTE on the date of grant for each related restricted stock unit as described above. Additional restricted stock units were received on each dividend payment date based upon the amount of the dividend paid and the closing price of the common stock of GTE on the New York Stock Exchange Composite Transactions Tape on the dividend declaration date.

(3) The aggregate amount of the restricted stock units as of the end of the year ended December 31, 1999 was 12,416, 1,981, 1,000 and 4,406 for Messrs. Gudonis, Gibney, Parker and Monaghan, respectively, and the aggregate value of these restricted stock units was $876,104, $139,784, $70,562 and $310,898 for Messrs. Gudonis, Gibney, Parker and Monaghan, respectively, based solely upon the closing price of the common stock of GTE on December 31, 1999.

(4) These amounts represent payments under the GTE Corporation 1997 Long-Term Incentive Plan, of which a portion has been deferred into restricted stock units payable at maturity, generally a minimum of three years from the time of deferral, in common stock of GTE. These awards became immediately non- forfeitable and payable when the GTE stockholders and Bell Atlantic stockholders approved the merger. Each payment equaled the average of the performance percentage for each individual for the three award cycles completed prior to the date the merger was approved. We also included in these amounts projected dividends through the end of the award cycle. GTE restricted stock units will not be granted to these officers in the future.

(5) These amounts consist of contributions under the BBN Corporation Retirement Trust Agreement of $5,000 for Mr. Gudonis and under the GTE Savings Plan of $7,200 for Messrs. Gibney, Parker, Monaghan, and O'Brien. This column also includes contributions by GTE to the GTE Executive Salary Deferral Plan of $7,711, $5,172 and $6,333 for Messrs. Gibney, Monaghan and O'Brien, respectively. These executives will not be eligible to contribute to the GTE Savings Plan or the GTE Executive Salary Deferral Plan following the offering.

Option Grants in Last Fiscal Year The following table describes grants of stock options to purchase GTE common stock to those executive officers listed in the Summary Compensation Table for the year ended December 31, 1999. These options vest as to one-third of the aggregate number of shares each year, commencing one year after the date of grant. These stock option grants included a replacement stock option feature. This feature provides that, if an executive exercises a stock option by delivering previously owned shares that are sufficient to pay the exercise price plus applicable tax withholdings, the executive will receive an additional one-time stock option grant. The number of shares represented by that option will be equal to the number of previously owned shares surrendered in this transaction. This replacement stock option will be granted with an exercise price equal to the fair market value on the date of grant. No stock appreciation rights were granted for the year ended December 31, 1999. These options were granted in recognition of past service to GTE. These officers will not receive future grants of GTE or Verizon options following the offering.

The potential realizable value is calculated based on the term of the option at its date of grant. It is calculated assuming that the fair market value of the common stock of GTE on the date of grant appreciates at the indicated annual rates compounded annually for the entire term of the option and that the option is exercised and sold on the last day of its term for the appreciated stock price. These numbers are calculated based on the requirements of the Securities and Exchange Commission and do not reflect our estimate of future stock price growth.

	Individual Grants					
Name	Shares of GTE Common Stock Underlying Options Granted	% of Total Options Granted to Employees in Fiscal Year	Exercise or Base Price Per Share	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term 5%	10%
Paul R. Gudonis.....	43,400	*	$65.0313	2/15/2009	$1,774,355	$4,498,105
Charles J. Gibney.....	15,700	*	65.0313	2/15/2009	642,092	1,627,194
Ira H. Parker.....	400	*	63.0313	1/10/2009	16,013	40,580
	10,100	*	65.0313	2/15/2009	413,065	1,046,794
	5,600	*	68.7500	9/1/2009	242,123	613,589
	4,800	*	73.8400	11/03/2009	222,312	564,904
David B. Monaghan.....	12,200	*	65.0313	2/15/2009	498,950	1,264,444
Paul A. O'Brien.....	8,900	*	65.0313	2/15/2009	363,988	922,422
	20,000	*	66.7500	4/29/2009	839,569	2,127,642
	6,800	*	73.8400	11/03/2009	315,792	800,280

* Less than one percent.

Fiscal Year End Option Values The following table provides information for the executive officers listed in the Summary Compensation Table regarding exercises of GTE options during the year ended December 31, 1999 and GTE options held as of December 31, 1999. The values in the table have been calculated on the basis of the fair market value of the shares of common stock of GTE on December 31, 1999 less the applicable exercise price. These options were granted in recognition of past service to GTE. These officers will not receive further grants of GTE or Verizon options following the offering.

			Shares of GTE Common Stock Underlying Unexercised Options at Fiscal Year End (#)		Value of Unexercised In-the-Money Options Fiscal Year End ($)	
Name	GTE Common Stock Acquired on Exercise (#)	Value Realized ($)	Exercisable	Unexercisable	Exercisable	Unexercisable
Paul R. Gudonis.....	0	0	229,075	79,400	5,426,247	923,380
Charles J. Gibney.....	0	0	29,700	15,700	271,947	85,371
Ira H. Parker.....	6,000	189,750	9,700	20,900	156,111	67,271
David B. Monaghan.....	6,500	282,750	38,500	12,200	839,048	66,339
Paul A. O'Brien.....	0	0	15,000	35,700	167,815	122,775

Awards Under Long Term Incentive Plans in Last Fiscal Year The following table sets forth grants under the GTE Corporation 1997 Long- Term Incentive Plan to those executive officers listed in the Summary Compensation Table for the year ended December 31, 1999. These executives will receive no further awards under the GTE Corporation 1997 Long-Term Incentive Plan as of the date of the offering. In addition, any payouts to these executives will be reduced on a pro-rata basis as of the date of the offering.

Name	Shares, Units or Other Rights (#)	Performance or Other Period Until Maturation or Payout	Estimated Future Payouts Under Non-Stock Price-Based Plans		
			Threshold (Units)	Target (Units)	Maximum (Units)
Paul R. Gudonis.....	6,400	Three years	1,798	6,915	
Charles J. Gibney.....	1,800	Three years	506	1,945	
Ira H. Parker.....	2,070	Three years	575	2,211	
David B. Monaghan.....	1,200	Three years	337	1,297	
Paul A. O'Brien.....	1,350	Three years	374	1,438	

The estimated future payouts in the above table are calculated for illustrative purposes only and are based upon the dividend rate and price of the common stock of GTE at the close of business on December 31, 1999. The target award is the dollar amount derived by multiplying the number of units credited to the participant at the end of the award cycle by the average closing price of the common stock of GTE as reported on the New York Stock Exchange Composite Transactions Tape during the last 20 business days of the award cycle.

The maximum amount of the award has intentionally been left blank because it is not possible to determine the maximum number of units until the award cycle has been completed. The maximum amount of the award is determined by the extent to which the actual results of GTE for five key financial measures exceed the target levels.

Pension Plan

The following table illustrates the estimated annual benefits payable under the defined benefit pension plans of GTE. The information assumes normal retirement at age 65 and is calculated on a single life annuity basis, based upon final average earnings, integrated with social security as described below, and years of service.

Years of Service Final Average Earnings 15 20 25 30 35 $ 300,000..... $63,765 $85,020 $106,275 $127,530 $148,785 400,000..... 85,515 114,020 142,525 171,030 199,535 500,000..... 107,265 143,020 178,775 214,530 250,285 600,000..... 129,015 172,020 215,025 258,030 301,035 700,000..... 150,765 201,020 251,275 301,530 351,785 800,000..... 172,515 230,020 287,525 345,030 402,535 900,000..... 194,265 259,020 323,775 388,530 453,285 1,000,000..... 216,015 288,020 360,025 432,030 504,035 Messrs. Gibney, Parker, Monaghan and O'Brien participate in the GTE Service Corporation Plan for Employees' Pensions. The GTE Service Corporation Plan is a noncontributory pension plan for the benefit of all employees of GTE Service, a wholly owned subsidiary of GTE, and participating affiliates who are not covered by collective bargaining agreements. It provides a benefit based on a participant's years of service and earnings. Pension benefits provided by GTE Service and contributions to the GTE Service Corporation Plan are related to basic salary and incentive payments, exclusive of overtime, differentials, some types of incentive compensation and other similar types of payments. Under the GTE Service Corporation Plan, pensions are computed on a two-rate formula basis of 1.15% and 1.45% for each year of service, with the 1.15% service credit being applied to that portion of the average annual salary for the five highest consecutive years that does not exceed $33,000, which is the

portion of salary subject to the Federal Social Security Act, and the 1.45% service credit being applied to that portion of the average annual salary for the five highest consecutive years that exceeds this level up to the statutory limit on compensation. As of February 29, 2000, the credited years of service under the GTE Service Corporation Plan for Messrs. Gibney, Parker, Monaghan and O'Brien were 11, 2, 31 and 1, respectively. Although these executives will no longer be employed by GTE Service and will no longer accrue a pension under the GTE Service Pension Plan as of the date of the offering, they along with other active employees of Genuity who participate in the GTE Service Corporation Plan will continue to be credited with additional years of age and service with Genuity for purposes of early retirement eligibility under the GTE Service Corporation Plan. In addition, they will have an assumed annual salary growth of 3.5% under the GTE Service Corporation Plan. These special provisions will expire upon the earliest to occur of the following: (i) the date that is five years after the date of offering, (ii) an employee's termination of employment with Genuity, or (iii) the date that Genuity becomes a majority-owned subsidiary of Verizon. Service credit for GTE retiree welfare benefits will be provided in a similar manner to the service recognition for pension purposes.

Under federal law, an employee's benefits under a qualified pension plan, such as the GTE Service Corporation Plan, are limited to set maximum amounts. GTE maintains the Excess Pension Plan, which supplements the benefits of any participant in the GTE Service Corporation Plan in an amount by which any participant's benefits under the GTE Service Corporation Plan are limited by law. In addition, the GTE Supplemental Executive Retirement Plan provides additional retirement benefits under management incentive plans or special arrangements as determined by GTE Service or one of its affiliates. The Supplemental Executive Retirement Plan and the Excess Pension Plan benefits are payable in a lump sum or an annuity.

Long-Term Incentive Plan Our employees have historically been granted options to purchase common stock of GTE. On April , 2000, our board of directors adopted the 2000 Long- Term Incentive Plan, effective immediately, which has also been approved by GTE as our sole stockholder. The 2000 Long-Term Incentive Plan provides for the grant of a variety of stock and stock-based awards and other benefits, including stock options, restricted and unrestricted shares, deferred stock, stock-based performance awards and stock appreciation rights; but excluding any short-term or long-term cash awards. The 2000 Long-Term Incentive Plan will be administered by our board of directors or by the compensation committee of our board of directors. The administrator has the authority to determine eligibility, grant awards and make all other determinations under the plan.

Our 2000 Long-Term Incentive Plan provides for the grant of both incentive stock options that qualify under Section 422 of the Internal Revenue Code and nonqualified stock options. Incentive stock options may be granted only to employees. Non-qualified stock options, and all other awards may be granted to employees, officers and directors. The option exercise price of each stock option and the amount, if any, payable by participants under other awards shall be determined by the administrator, except that stock options will not be granted with an exercise price that is less than the fair market value of the Class A common stock on the date of grant. We anticipate that we will not grant our existing employees any additional awards under the 2000 Long-Term Incentive Plan during the four-year period following the offering.

Options granted under our 2000 Long-Term Incentive Plan may have a term of up to 10 years. The awards are transferable to the extent, if any, determined by the administrator. The period or periods during which an award will be exercisable or remain outstanding, including any periods following termination of service, the manner of exercise and other details of awards will be determined by the administrator consistent with the 2000 Long-Term Incentive Plan.

We have reserved shares of our Class A common stock for issuance under the 2000 Long-Term Incentive Plan, subject to adjustment for stock splits and similar events. Concurrently with this offering, we expect to issue options to purchase shares of our Class A common stock at an exercise price equal to the initial public offering price set forth on the cover page of this prospectus. The 2000 Long-Term Incentive Plan will terminate on January , 2010, unless sooner terminated in accordance with the terms of the plan.

2000 Compensation Plan for Non-Employee Directors The 2000 Compensation Plan for Non-Employee Directors was approved by our board of directors on April , 2000 and has been approved by GTE as our sole stockholder. Pursuant to this plan, non-employee directors who have agreed to serve on the board of directors will receive, effective upon the completion of this offering, a $30,000 annual cash fee and one-time option to purchase 30,000 shares of our Class A common stock at an exercise price equal to the initial public offering price set forth on the front cover of this prospectus. These stock options will vest in three equal installments commencing on the day of this offering and on the day immediately preceding the annual meeting of stockholders in each of the next years. However, any director initially elected to serve a one-year term will receive a one-time option to purchase 15,000 shares of our Class A common stock to vest at the conclusion of the term and any director initially elected to serve a two-year term will receive a one- time option to purchase 22,500 shares of our Class A common stock to vest at the conclusion of the term. These options to purchase shares shall be at an exercise price equal to the initial public offering price set forth on the cover of this prospectus. The administrator also has the discretion under this plan to grant options to non-employee directors in amounts and in terms as it deems is not inconsistent with the plan. We have reserved a total of shares of Class A common stock for issuance under the 2000 Compensation Plan for Non- Employee Directors, of which, after taking into account the grants expected to be made effective upon the completion of this offering, remain available for future grants.

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.

In addition to the indemnification provisions contained in our certificate of incorporation, before the completion of this offering, we intend to enter into indemnity agreements with each of our directors and executive officers. These agreements will provide for the indemnification of our executive officers and directors for all expenses and liabilities incurred in connection with any action or proceeding brought against them by reason of the fact that they are or were agents of Genuity. 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 agreements 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, which will become effective at the same time as 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 asychronous 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, Verizon must provide us with 180 days prior written notice of the date on which it intends to exercise its option 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. 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 may 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.

We will also enter into real estate guaranty agreements with GTE and Verizon. GTE has agreed to either issue new or continue existing guaranties to support our real estate obligations. GTE has agreed to continue these 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 We plan to enter into a Registration Rights Agreement with Verizon under which Verizon will have the right to require us to register shares of Class A common stock that are issued following conversion of our Class C common stock, which will have been issued upon conversion of Class B common stock. Verizon shall be entitled to demand registrations and will be able to participate in any offering of our securities by us or for the account of any of our other securityholders. Verizon will have the right to transfer or assign this agreement, in whole or in part, to any transferee of its Class B common stock or Class C common stock.

Subscription Agreement GTE will execute a subscription 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 that it owns for such number or shares of Class B common stock that will equal 10% of the total number of shares of our common stock immediately after the completion of this offering. The subscription agreement contains customary representations and warranties, including with respect to the issuance of the Class B common stock. The subscription 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 subscription agreement contains provisions requiring us to obtain the consent of the holders of a majority of the outstanding Class B common stock prior to taking the following actions:

. making acquisitions or entering into joint ventures involving cash, stock, stock equivalents or assets in excess of $100 million individually or $500 million in the aggregate during any 12-month period;

. making any dispositions of assets outside the ordinary course of business within the first two years after this offering and, thereafter, making dispositions of assets in excess of $50 million individually or $250 million in the aggregate in any 12-month period;

. incurring, during any 12-month period, indebtedness that exceeds an anticipated debt level for that period to be jointly agreed upon by us and GTE prior to the completion of this offering;

. entering into agreements or arrangements that contain provisions that trigger a default or require a material payment when Verizon exercises its conversion right; and . declaring extraordinary dividends or making other distributions to the holders of our common stock, including our Class A common stock.

We will not be required to obtain the consent of the holders of the Class B common stock to take the above actions if at any time:

. Verizon controls more than 50% of the then outstanding shares of Class B common stock, and the common stock controlled by Verizon and its affiliates constitutes less than 10% of our outstanding common stock on an as converted basis; or . Verizon controls 50% or less of the outstanding shares of Class B common stock, and the outstanding shares of Class B common stock constitute 50% or less of our outstanding common stock on an as converted basis.

Verizon has the right to transfer some or all of its shares of Class B common stock to one or more parties that would be able to prevent us from taking the actions described above.

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 10% 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 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.

Description of Capital Stock

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   Immediately following the completion of this offering, our authorized
capital stock will consist of    shares of Class A common stock, par value
$0.01 per share,    shares of Class B common stock, par value $0.01 per share,
   shares of Class C common stock, par value $0.01 per share, and    shares of
preferred stock, no par value per share. Immediately following the completion
of this offering, there will be outstanding:
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. shares of Class A common stock, all of which will be owned by the investors purchasing shares in this offering;

. options to purchase shares of Class A common stock;

. shares of Class B common stock, all of which will be owned by Verizon indirectly;

. no shares of Class C common stock; and . no shares of preferred stock.

The shares of Class B common stock held by Verizon and its affiliates are convertible into shares of Class C common stock. Prior to any exercise of the underwriters' over-allotment option, if the shares of Class B common stock were converted into shares of Class C common stock, the Class C common stock would constitute approximately 82% of our outstanding common stock, before giving effect to any issuance of shares of Class A common stock upon the exercise of outstanding options of Genuity or otherwise.

In the event that the underwriters exercise any portion of the over- allotment option, we will issue additional shares of Class B common stock to Verizon for no additional consideration. Immediately after the exercise of the underwriters' over-allotment option and the issuance of these additional shares, the total number of shares of Class B common stock that Verizon will beneficially own will equal 10% of the total number of shares of Class A common stock and Class B 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. Despite the issuance of the additional shares of Class B common stock to Verizon, the aggregate number of shares of Class C common stock issuable upon conversion of the Class B common stock, including the additional shares, will remain the same because the conversion ratio will be adjusted. If the Class B common stock were converted into Class C common stock immediately after the exercise in full of the underwriters' over-allotment option and the issuance of the additional shares of Class B common stock, the Class C common stock would constitute 80% of our outstanding common stock, 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, which may be held only by Verizon and its affiliates, 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 15% 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 15% 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 for:

. any issuance of capital stock, securities convertible into our capital stock or share equivalents, other than shares of our capital stock reserved at the time of this offering for issuance to employees and directors pursuant to our stock option plans;

. any authorization of additional capital stock;

. any material change in the nature or scope of our business;

. any merger, consolidation, sale of all or substantially all of our assets or any similar transaction;

. any amendment to our certificate of incorporation or our by-laws that affects the rights of the holders of our Class B common stock;

. any action that would make it unlawful for a holder of Class B common stock to exercise its conversion rights; and . any filing or declaration of bankruptcy or any full or partial liquidation.

This class vote will not be required if at any time:

. Verizon controls more than 50% of the then outstanding shares of Class B common stock, and the common stock owned by Verizon and its affiliates constitutes less than 10% of our outstanding common stock on an as converted basis; or . Verizon controls 50% or less of the then outstanding shares of Class B common stock, and the outstanding shares of Class B common stock constitute 50% or less of our outstanding common stock on an as converted basis.

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 "Subscription 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. 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. The Class A common stock has no conversion rights. The Class B common stock is convertible by Verizon and its affiliates into shares of Class C common stock. Prior to any exercise of the underwriters' over-allotment op- tion, if the shares of Class B common stock were converted into shares of Class C common stock, the Class C common stock would constitute approximately 82% of our outstanding common stock, before giving effect to any issuance of shares of Class A common stock following the exercise of any outstanding options under our long-term incentive plans or otherwise. Under our proposal to the Federal Communications Commission, the shares of Class B common stock held by Verizon must be converted on or prior to , 2005, unless by that date Verizon is permitted by law to provide long distance services with respect to at least 95% of the telephone lines in the Bell Atlantic states. In that event, the date by which Class B common stock held by Verizon can be converted will be extended until at least , 2006.

The shares of Class B common stock held by any person other than Verizon or its affiliates may not be converted into Class C common stock. Instead, such shares are convertible at any time into shares of Class A common stock. The number of shares of Class A common stock into which such shares of Class B common stock are convertible is equal to the number of shares of Class C common stock into which such shares would be convertible if they were held by Verizon or its affiliates.

Only Verizon and its affiliates may hold 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 (1) the shares are transferred to any person other than Verizon and its affiliates or (2) 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, and the number of shares of Class A common stock controlled by Verizon and its affiliates constitute less than 10% of our then outstanding common stock.

Right to Purchase Additional Shares Upon Conversion. If at the time Verizon or its affiliates converts shares of Class B common stock into shares of Class C common stock, and after the conversion, Verizon and its affiliates together 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 outstanding at that time, then Verizon will have the right to acquire from us a number of shares of Class A common stock so that 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 outstanding at that time. The price

payable per share in this purchase would be the average of the closing prices for the Class A common stock for the 30 trading days immediately preceding the date of the purchase. This right to purchase additional shares may be exercised only one time.

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. However, 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 By-laws 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 15% 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 by-laws 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. These provisions are summarized in the following paragraphs. The provisions relating to the existence of a classified board and the procedure for removing directors would not apply following the conversion of a majority of the then outstanding shares of Class B 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 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 certificate of incorporation provides that directors may be removed only for cause by the affirmative vote of the holders of two-thirds of the shares of capital stock entitled to vote in the election of directors. Under our certificate of incorporation and by-laws, a vacancy on the board of directors, including a vacancy resulting from an enlargement of the board of directors, other than the currently planned enlargement of the board of directors during the first three years after the date of this offering as described in the section in "Management" entitled "Composition of 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 by-laws further provide that special meetings of our stockholders may be called only by the chairman of the board of directors, the chief executive officer or, if none, the president, 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 by-laws 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 by-laws 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. 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.

Certain United States Tax Consequences to Non-u.s. Holders of Class a Common Stock

This section summarizes certain 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.

This section does not consider the specific facts and circumstances that may be relevant to a particular non-U.S. holder and 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 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 certain other conditions exist; 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, under certain 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 In certain circumstances, dividends paid with respect to Class A common stock, and gross proceeds from the disposition of Class A common stock, could be subject to information reporting and backup withholding tax at a rate of 31%. Under currently applicable law, if you are a non-U.S. holder, dividends paid to you at an address outside the United States will not be subject to United States information reporting requirements or backup withholding tax. Beginning with respect to 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 satisfies certain documentary evidence requirements for establishing that it is a non-U.S. holder, or otherwise establishes an exemption.

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 for certain 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 shares of our Class A common stock, as well shares of Class B common stock that are convertible into an aggregate of shares of Class C common stock. This Class C common stock is convertible into shares of Class A common stock. All of the 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 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 contractual restrictions on resale as described more fully in the section entitled "Underwriting".

Stock Options

Immediately after the completion of this offering, there will be options to purchase 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 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.

Underwriting

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

Number of Underwriters Shares U.S. Underwriters Morgan Stanley & Co. Incorporated..... Salomon Smith Barney Inc. ..... Subtotal..... International Underwriters Morgan Stanley & Co. International Limited ..... Salomon Brothers International Limited ..... Subtotal..... Total.....

We refer to the U.S. underwriters and the international underwriters, and the U.S. representatives and the international representatives, as the "underwriters" and the "representatives", respectively. 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 the approval of various legal matters by their counsel and to other 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.

In the agreement between U.S. and international underwriters, sales may be made between U.S. underwriters and international underwriters of any number of shares as may be mutually agreed. The per share price of any shares sold by the underwriters shall be the public offering price listed on the cover page of this prospectus, in United States dollars, less an amount not greater than the per share amount of the concession to dealers 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.

We have granted to the U.S. underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to an aggregate of 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 U.S. 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 U.S. 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 U.S. 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 U.S. underwriters in the preceding table. If the U.S. 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 under the symbol " ".

Each of Genuity, the directors and executive officers of Genuity 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.

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.

From time to time, Morgan Stanley & Co. Incorporated and Salomon Smith Barney Inc., have provided, and continue to provide, investment banking services to GTE and Bell Atlantic.

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 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 U.S. representatives. Among the factors to be considered in determining the initial public offering price will be 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 reports with respect thereto, and are included herein in reliance upon the authority of said firm as experts in giving said reports.

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. Any statements made in this prospectus as to the contents of any contract, agreement or other document are not necessarily complete. With respect to each such contract, agreement or other document filed as an exhibit to the registration statement, we refer you to the exhibit for a more complete description of the matter involved, and each statement in this prospectus shall be deemed qualified in its entirety by this reference. 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.	New York, New York	Chicago, Illinois
Room 1024, Judiciary Plaza	Seven World Trade Center	500 West Madison Street
450 Fifth Street, N.W.	Suite 1300	Suite 1400
Washington, D.C., 20549	New York, New York 10048	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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Combined Financial Statements..... F-8 After the recapitalization, issuance of Class B common stock and finalization of agreements discussed in Note 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

April 7, 2000

Report of Independent Public Accountants

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

We have audited the accompanying combined balance sheets of Genuity Inc. (comprised of certain operations of GTE Internetworking Incorporated and wholly-owned by GTE Corporation) (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

Genuity Inc.

COMBINED STATEMENTS OF OPERATIONS (dollars in thousands, except per share data)

	Predecessor		Genuity	
	Six Months Ended	Year Ended December 31,		
	June 30, 1997	1997	1998	1999
Revenues				
Access	$ 94,126	$ 128,838	$ 350,777	$ 574,503
Hosting	9,601	9,690	33,469	48,811
Transport	--	65,221	72,412	89,541
Other	2,591	3,035	14,880	37,569
Total revenues	106,318	206,784	471,538	750,424
Operating Expenses				
Cost of goods sold	92,670	184,914	512,967	786,965
Selling, general and administrative	38,801	144,360	316,491	399,529
Depreciation and amortization	10,536	49,483	104,523	188,667
Total operating expenses	142,007	378,757	933,981	1,375,161
Operating Loss	(35,689)	(171,973)	(462,443)	(624,737)
Other Income (Expense)				
Interest expense, net	(478)	(1,346)	(20)	(183)
Other, net	(1,496)	1,814	(2,924)	(32)
Loss Before Income Taxes	(37,663)	(171,505)	(465,387)	(624,952)
Income Taxes	--	535	1,653	1,737
Net Loss	$(37,663)	$(172,040)	$(467,040)	$(626,689)
Basic and Diluted Loss Per Common Share	$( )	$( )	$( )	$( )
Basic and Diluted Weighted-Average Common Shares Outstanding				

See notes to combined financial statements.

Genuity Inc.

COMBINED BALANCE SHEETS (dollars in thousands) December 31, 1998 1999

Assets		
Current Assets:		
Cash and cash equivalents	$ 13,883	$ 6,044
Receivables, less allowances of $3,651 and $5,550	150,630	217,649
Receivables--affiliates	18,077	40,462
Note receivable--affiliate	33,574	--
Other current assets	19,099	13,627
Total current assets	235,263	277,782
Property, Plant and Equipment, Net	908,039	1,524,390
Goodwill and Other Intangibles, Net	556,435	542,876
Other Assets	3,724	28,111
Total assets	$1,703,461	$2,373,159
Liabilities and Stockholder's Equity		
Current Liabilities:		
Short-term obligations, including current maturities	$ 20,499	$ 25,921
Note payable--affiliate	--	126,503
Accounts payable	73,711	142,752
Accounts payable--affiliates	13,440	38,647
Accrued compensation and related liabilities	15,763	49,637
Accrued circuits	--	44,786
Accrued liabilities	41,008	81,696
Advanced billings	10,172	26,320
Total current liabilities	174,593	536,262
Long-Term Obligations	126,855	112,717
Employee Benefit Plan Obligations and Deferred Compensation	46,388	20,466
Other Liabilities	3,406	370
Total long-term liabilities	176,649	133,553
Stockholder's Equity:		
Class B common stock--$ par value shares issued and outstanding	--	--
Additional paid-in capital	2,004,380	2,983,426
Other comprehensive income	3,928	2,696
Accumulated deficit	(656,089)	(1,282,778)
Total stockholder's equity	1,352,219	1,703,344
Total liabilities and stockholder's equity	$1,703,461	$2,373,159

See notes to combined financial statements.

Genuity Inc.

COMBINED STATEMENTS OF CASH FLOWS (dollars in thousands)

	Predecessor			
Genuity				
	Six Months Ended June 30, 1997	Year Ended December 31, 1997		
			1998	1999
Cash flows from operating activities:				
Net loss	$(37,663)	$(172,040)	$ (467,040)	$ (626,689)
Adjustments to reconcile net loss to net cash provided by (used in) operations:				
Depreciation and amortization	10,536	49,483	104,523	188,667
Changes in current assets and current liabilities:				
Receivables--net	(15,602)	(24,289)		

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(76,723)    (89,404)
   Other current assets.....................................................       726      (9,020)
(6,730)      5,472
   Other current liabilities................................................    46,265     104,761
(82,421)    175,160
  Other, net................................................................    (1,766)    (28,467)
26,823     (52,495)
Net cash provided by (used in) operating activities.........................     2,496     (79,572)
(501,568)   (399,289)
Cash flows from investing activities:
  Capital expenditures......................................................    (2,830)   (255,903)
(505,303)   (672,030)
  Purchase of businesses, net of cash acquired..............................        --    (517,788)
--          --
  Other, net................................................................        --          --
--     (36,244)
Net cash used in investing activities.......................................    (2,830)   (773,691)
(505,303)   (708,274)
Cash flows from financing activities:
  Repayment of long-term debt...............................................   (34,012)    (11,363)
(29,547)    (37,512)
  Change in short-term obligations..........................................    10,249         346
9,904       5,422
  Change in note payable/receivable--affiliate..............................        --     256,352
(289,926)    160,077
  Contributions from GTE....................................................        --     610,688
1,327,260     971,737
Net cash provided by (used in) financing activities.........................   (23,763)    856,023
1,017,691   1,099,724
Net increase (decrease) in cash and cash equivalents........................   (24,097)      2,760
10,820      (7,839)
Cash and cash equivalents, beginning of period..............................   102,870         303
3,063      13,883
Cash and cash equivalents, end of period.....................................  $ 78,773   $   3,063  $
13,883  $    6,044
Supplemental Cash Flows Disclosure
Cash paid during the year for:
  Interest..................................................................  $    671   $   2,142  $
16,401  $    4,403
  State income taxes........................................................  $     --   $     535  $
1,653  $    1,737
Noncash Investing and Financing Activities:
  Capital lease obligation incurred for equipment purchase..................  $ 20,425   $  21,469  $
54,958  $   23,374
  Accounts payable--work in process.........................................        --   $  22,119  $
27,570  $   54,584
```

See notes to combined financial statements.

Genuity Inc.

COMBINED STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY (dollars in thousands)

```
                          Additional                  Other
                 Common    Paid-In    Accumulated  Comprehensive Treasury
                  Stock    Capital      Deficit    Income (Loss)  Shares     Total

PREDECESSOR
Balance, December 31,
 1996.....  $25,041 $  115,456 $    (5,967)    $    --    $(28,419) $  106,111
 Stock option
  exercises.....       88      1,912          --          --          --       2,000
```

Conversion of debentures	249	7,562	--	--	--	7,811
Net loss	--	--	(37,663)	--	--	(37,663)
Other	--	--	--	(1,033)	--	(1,033)
Balance, June 30, 1997	$25,378	$ 124,930	$ (43,630)	$(1,033)	$(28,419)	$ 77,226
GENUITY						
Balance, December 31, 1996	$ --	$ 47,764	$ (17,009)	$ --	$ --	$ 30,755
Conversion of Predecessor equity instruments	--	16,186	--	--	--	16,186
Capital contributions--GTE	--	610,688	--	--	--	610,688
Net loss	--	--	(172,040)	--	--	(172,040)
Other	--	--	--	2,046	--	2,046
Balance, December 31, 1997	--	674,638	(189,049)	2,046	--	487,635
Tax benefit on exercise of stock options--GTE	--	2,482	--	--	--	2,482
Capital contributions--GTE	--	1,327,260	--	--	--	1,327,260
Net loss	--	--	(467,040)	--	--	(467,040)
Other	--	--	--	1,882	--	1,882
Balance, December 31, 1998	--	2,004,380	(656,089)	3,928	--	1,352,219
Tax benefit on exercise of stock options--GTE	--	7,309	--	--	--	7,309
Capital contributions--GTE	--	971,737	--	--	--	971,737
Net loss	--	--	(626,689)	--	--	(626,689)
Other	--	--	--	(1,232)	--	(1,232)
Balance, December 31, 1999	$ --	$2,983,426	$(1,282,778)	$ 2,696	$ --	$1,703,344

See notes to combined financial statements.

Genuity Inc.

COMBINED STATEMENTS OF COMPREHENSIVE LOSS (dollars in thousands)

	Predecessor			
Genuity				
	Six Months Ended June 30,	Year Ended December 31,		
	1997	1997	1998	1999
Net Loss	$(37,663)	$(172,040)	$(467,040)	$(626,689)
Other Comprehensive Income (Loss):				
Foreign currency translation adjustments	(113)	(37)	32	118
Unrealized gain (loss) on securities	(920)	2,083	1,850	(1,350)
	(1,033)	2,046	1,882	(1,232)
Comprehensive Loss	$(38,696)	$(169,994)	$(465,158)	$(627,921)

See notes to combined financial statements.

Genuity Inc.

NOTES TO COMBINED FINANCIAL STATEMENTS December 31, 1997, 1998 and 1999
1.Description of Business and Summary of Significant Accounting Policies:

Description of Business and Organization Genuity Inc. (Genuity or the Company), a Delaware corporation, is a wholly- owned subsidiary of GTE Corporation (GTE). Genuity is a leading facilities-based provider of managed Internet infrastructure services. By leveraging a technologically advanced, high-bandwidth global fiber-optic network, data center facilities, and a rapidly growing base of business and consumer users and content directly attached to its Internet backbone, Genuity engineers and delivers a comprehensive suite of managed Internet infrastructure services. These services include Internet access through dial-up, dedicated and digital subscriber lines; web hosting and content delivery; and value added e-business services, such as virtual private networks for secure data transmission, security services and voice-over-IP. Genuity's services are provided to both enterprises and service providers including Internet service providers, application service providers and carriers.

Genuity's predecessor incurred net losses of $37.7 million for the six months ended June 30, 1997. Genuity incurred net losses of $172.0 million, $467.0 million and $626.7 million for the years ended December 31, 1997, 1998 and 1999, respectively. To date, Genuity has incurred cumulative operating losses of $1,282.8 million. Given the level of planned operating and capital expenditures, Genuity expects to continue to incur significant operating losses for the next several years.

The markets in which Genuity operates can be characterized as rapidly changing due to technological developments, evolving industry standards and customer demands and frequent new product and service introductions and enhancements. Genuity expects to continue to make significant investments to expand its capacity and facilities infrastructure, develop brand recognition, broaden the range of service offerings and expand its sales, marketing, technical and customer support personnel. These efforts will require significant expenditures, a substantial portion of which will be made before any significant corresponding revenue may be realized.

Genuity is also dependent on a limited source of suppliers for a number of components and parts necessary for its network buildout and operations. Genuity does not carry significant inventories of components and has no guaranteed supply arrangements with vendors. Shortages from these suppliers could cause significant delays in or abandonment of the expansion of the network and could have an adverse affect on Genuity's operating results.

Basis of Presentation The accompanying combined financial statements of Genuity include the financial position of some of the operations of GTE Internetworking as of December 31, 1998 and 1999 and results of their operations for each of the three years in the period ended December 31, 1999. Certain of the operations and assets included in these combined financial statements were transferred to Genuity on , 2000. GTE acquired BBN Corporation effective June 30, 1997. This acquisition was accounted for as a purchase business combination and, consequently, the results of

operations of BBN Corporation, excluding the operations of BBN Technologies (BBNT), which are being retained by GTE, are included in Genuity for the periods after June 30, 1997. The results of operations of our predecessor represent the results of BBN Corporation, excluding the operations of BBNT.

Genuity prepares its combined financial statements in accordance with generally accepted accounting principles, which require that management make estimates and assumptions that affect reported amounts. Actual results could differ from these estimates.

The combined financial statements of Genuity include the accounts of all majority-owned subsidiaries. All significant intercompany amounts have been eliminated.

Genuity Inc.

NOTES TO COMBINED FINANCIAL STATEMENTS--Continued December 31, 1997, 1998 and 1999 Revenue Recognition Revenue is generally recognized when services are rendered or products are delivered to customers. Access, web hosting and transport customers typically sign one or two-year contracts. Access customer contracts provide for monthly- recurring service fees and/or fees based on utilization. Web hosting revenues are derived primarily from monthly fees, usage of bandwidth and monthly server management fees. Transport revenues are based on customer usage of circuit mileage and bandwidth. Other value-added service revenue is generally based on monthly collocation fees or based on usage of service. Billings made or payments received in advance of providing services are deferred until the period these services are provided.

Genuity has contracts with some customers that provide service level commitments. If Genuity does not meet the required service levels, it may be obligated to provide credits, usually in the form of free service for a short period of time. These amounts are accounted for in cost of sales. To date, credits issued under these arrangements for Genuity's failure to meet service level commitments have not been material. During 1999, one of Genuity's vendors experienced failures on its network, which resulted in a disruption to Genuity's customers. Genuity's vendor provided credits to Genuity for the service failure, which Genuity passed on to its customers.

Advertising Costs

Genuity expenses the cost of advertising as incurred. The Predecessor's advertising expense was $5.1 million for the six months ended June 30, 1997. Genuity's advertising expense was $4.6 million, $16.5 million and $21.5 million for the years ended December 31, 1997, 1998 and 1999, respectively. Advertising expense is included as a component of selling expense in the accompanying combined statements of operations.

Income Taxes

Genuity has historically filed its federal income tax return on a consolidated basis with GTE. Upon completion of the initial public offering, Genuity will be deconsolidated from GTE for income tax purposes. Income tax payments and refunds will be determined based on the stand-alone filings of

Genuity. The accompanying combined financial statements are presented as if Genuity was a stand-alone company for all periods presented. The Predecessor was part of a stand-alone entity, and its taxes were recorded on that basis.

Genuity and the Predecessor computed their current and deferred income tax expense on a stand-alone basis in accordance with Statement of Financial Accounting Standards (SFAS) No. 109 "Accounting for Income Taxes," which requires recognition of deferred tax liabilities and assets based upon the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement and tax basis of assets and liabilities using tax rates in effect for the year in which the differences are expected to reverse. A valuation allowance has been established to reflect the likelihood of realization of deferred tax assets.

Genuity Inc.

NOTES TO COMBINED FINANCIAL STATEMENTS--Continued December 31, 1997, 1998 and 1999 Genuity has approximately $39 million of net operating losses and $10 million of research credit carryforwards, which are limited in use due to the fact that they were generated by the Predecessor.

Loss Per Common Share Loss per common share is calculated based on the provisions of SFAS No. 128, "Earnings per Share." Basic loss per common share of the Predecessor was computed by dividing net loss by the weighted-average number of common shares outstanding during the period. The basic loss per share of Genuity was computed based on the number of common shares that were issued in connection with the recapitalization of Genuity, which occurred on . No stock options or awards of the Predecessor were considered in calculating diluted loss per common share as their effect would be antidilutive. Genuity has no potentially dilutive common shares.

Cash and Cash Equivalents Cash and cash equivalents include investments in short-term, highly liquid securities, which have maturities when purchased of three months or less.

Property, Plant and Equipment Property, plant and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is computed over the assets' estimated useful lives using the straight-line method. Useful lives used in computing depreciation are as follows: buildings and fixtures--10 to 30 years, communications network--fiber-optic cable--20 to 25 years, communications network--data processing equipment and machinery which include labor and other direct costs--3 to 10 years and furniture--5 to 7 years. Leasehold improvements are amortized over the shorter of the lease period or their estimated useful lives using the straight-line method. Maintenance and repairs are charged to expense as incurred; improvements are capitalized.

When property is sold or retired, the cost of the property and the related accumulated depreciation are removed from the combined balance sheet and any gain or loss on the transaction is included in the accompanying combined statement of operations.

Work in progress represents costs incurred for the build-out and expansion of the network infrastructure and includes engineering costs and capitalized interest. When these assets are placed in service, the costs are recorded in the appropriate property, plant and equipment accounts and depreciation begins.

Genuity leases data communications equipment under a capital lease agreement. The assets and liabilities under the capital lease are recorded at the present value of minimum lease payments. Assets under the capital lease are depreciated over the term of the lease, which is generally 5 years.

Communications network--fiber optic cable primarily includes an indefeasible right of use agreement with Qwest Communications International Inc. at December 31, 1999.

Goodwill and Other Intangibles Goodwill and other intangible assets pertain to the acquisitions of the Predecessor and the assets of a web hosting business acquired in 1997, and internal use software. Goodwill is being amortized on a straight-line basis over the lesser of 20 years or the period benefited. Other intangible assets include customer bases,

Genuity Inc.

NOTES TO COMBINED FINANCIAL STATEMENTS--Continued December 31, 1997, 1998 and 1999 trademarks, developed technology and in-place work forces in connection with the acquisitions, and internal use software. Customer bases and in-place work forces are amortized in a manner consistent with historical attrition patterns over 3 to 10 years. Trademarks, developed technology and internal use software are amortized on a straight-line basis over 3 to 10 years.

Software

In March 1998, the American Institute of Certified Public Accountants issued Statement of Position (SOP) 98-1 "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." Under the provisions of this SOP, effective January 1, 1999, Genuity was required to capitalize and amortize the cost of all internal-use software. Prior to the adoption of SOP 98-1, primarily all software was expensed as incurred. Software expensed in 1997 and 1998 was approximately $17.3 million and $1.4 million, respectively. Capitalized software is amortized over a useful life ranging from 3 to 5 years. Software maintenance costs are expensed as incurred.

Employee Benefit Plans For periods prior to the initial public offering, Genuity participated in GTE's pension and postretirement health care and life insurance benefit plans. The plans' cost and liability recorded by Genuity are based on Genuity's participation in GTE's plans.

Valuation of Long-Lived Assets Genuity periodically reviews the values assigned to long-lived assets such as intangibles and property, plant and equipment, to determine whether any impairments exist that are other than temporary. If circumstances indicated that long-lived assets have been impaired, Genuity would estimate gross cash flows for the estimated useful life of the asset, compared to its carrying value. Genuity's management believes that no impairments exist related to its long-lived assets in the accompanying combined balance sheets.

Concentrations of Credit Risk and Significant Customers Genuity's accounts receivable subject it to credit risk. Genuity performs regular credit evaluations of its customers' financial condition and maintains allowances for potential credit losses. Genuity's risk of loss is limited due to advance billings to some of its customers for services and the ability to terminate service on delinquent accounts. The credit risk is also mitigated by the large number of customers comprising the customer base, with the exception of one large customer, America Online. Revenues from America Online in relation to Genuity's and Predecessor's total revenues were significant. However, the credit risk associated with America Online is mitigated by advance billings and timely collections. The average accounts receivable balance of America Online represented 34% and 44% of Genuity's receivable balance during 1998 and 1999, respectively, while revenues from America Online represented 53% and 52% of Genuity's total revenues for the years ended December 31, 1998 and 1999, respectively.

Genuity has been a supplier of network access services in the United States to America Online since 1995. Genuity entered into a new agreement with America Online effective as of December 31, 1999, pursuant to which America Online has agreed to purchase additional dial-up access services from Genuity for a seven- year term through December 31, 2006. Under the new agreement, America Online has also agreed to purchase managed digital subscriber line and other broadband network access services from Genuity for a five-year term through December 31, 2004. This agreement includes provisions for minimum purchase requirements at fixed monthly fees, subject to market pricing adjustments, service level requirements and termination provisions.

Genuity Inc.

NOTES TO COMBINED FINANCIAL STATEMENTS--Continued December 31, 1997, 1998 and 1999 In providing America Online services under the agreement, Genuity is obligated to comply with specified minimum service levels. Either party may terminate the agreement in the event the other party commits a material breach which is not cured within the specified period. In addition, America Online has the right to terminate the agreement in the event of: (1) repeated material breaches by Genuity; (2) a violation of the most favored customer pricing provisions; (3) a total or near total outage of any of the services provided by Genuity that, while lasting fewer than thirty days, is widespread and prolonged; (4) our inability to meet our service level commitments or to expand service availability as required under the agreement; and (5) a change in control other than through this initial public offering. Genuity is also obligated to provide America Online assistance in the twelve months following any termination of the agreement to ensure a smooth transition of services. The agreement provides America Online with a right of first refusal with respect to the sale of our dial-up network access business.

Under a separate agreement with America Online Japan and Genuity's Japanese branch, Genuity has agreed to provide dial-up network access services to America Online in Japan. This agreement also includes minimum purchase requirements on the part of America Online Japan, market pricing adjustments, service level requirements, and termination provisions.

Financial Instruments Financial instruments include cash and cash equivalents, accounts receivable, equity securities, accounts payable, notes payable and debt. The fair values of financial instruments included in the combined balance sheets, other than long-term debt, closely approximate their recorded values. The recorded values of equity securities equal their fair values based on quoted market prices, and are classified as available-for-sale securities. The securities are included in other current assets in the accompanying combined balance sheets and have a cost of $11.8 million and $3.5 million at December 31, 1998 and 1999, respectively. The estimated fair value of long-term debt based on a debt pricing model was lower than its recorded value as of December 31, 1998 and 1999 by approximately $1.2 million and $6.6 million, respectively.

Comprehensive Loss

Comprehensive loss is the change in equity from transactions and other events and circumstances that are not from owners. Included in other comprehensive income (loss) are foreign currency translation gains and losses and unrealized gains and losses on available-for-sale securities.

Foreign Currency Translation Assets and liabilities of units operating in foreign countries are translated into U.S. dollars using the exchange rates in effect on the balance sheet date. Results of operations are translated using the average exchange rates prevailing throughout the period. Foreign assets, liabilities and results of operations are not material in all periods presented.

Recent Accounting Pronouncement On December 3, 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition in Financial Statements." Genuity is required to adopt this accounting guidance, as amended by SAB No. 101A, no later than the second quarter of 2000. Genuity adopted this accounting in the first quarter of 2000.

Genuity Inc.

NOTES TO COMBINED FINANCIAL STATEMENTS--Continued December 31, 1997, 1998 and 1999 2.GTE's Proposed Merger with Bell Atlantic Corporation:

In July 1998, GTE and Bell Atlantic Corporation (Bell Atlantic) agreed to enter into a merger of equals transaction. The new combined company is Verizon Communications (Verizon). Under the terms of the agreement, which was unanimously approved by the boards of directors of both companies and a majority of the shareholders, GTE's shareholders will receive 1.22 shares of Verizon stock for each share of GTE's stock that they own. The merger is subject to regulatory approvals.

Under the Telecommunications Act of 1996, Regional Bell Operating Companies, including the Bell Atlantic local telephone operating companies, and their respective affiliates, are generally prohibited from providing long distance services that originate in any state in which they operate an incumbent local telephone company. These provisions restrict the operations of these companies until they have satisfied a 14-point competitive checklist under Section 271 of the Telecommunications Act of 1996

(Telecommunications Act) and obtained authority from the Federal Communications Commission (FCC) to provide long distance services in the states in which they operate an incumbent local telephone company.

Bell Atlantic is an incumbent local telephone company in 13 states, stretching from Maine to Virginia, and the District of Columbia. Bell Atlantic has obtained the necessary authorization to provide long distance service originating in New York. Because Genuity provides services in Bell Atlantic's region that could be characterized as long distance services, Bell Atlantic and GTE cannot complete their merger until they either (1) receive relief from the Telecommunications Act restrictions for the remaining states in which Bell Atlantic provides local telephone services or (2) implement a structure that complies with the requirements of the Telecommunications Act.

To ensure compliance with the requirements of the Telecommunications Act and to receive FCC approval of their merger, Bell Atlantic and GTE have proposed a structure to the FCC under which (1) GTE will exchange all of the currently outstanding shares of Genuity common stock for shares of Class B common stock and (2) Genuity will make an initial public offering of Class A common stock. As a result, immediately after completion of Genuity's initial public offering, the investors purchasing shares in the initial public offering will own shares of Genuity's Class A common stock possessing 90% of the total voting power of Genuity's capital stock and GTE will own shares of Genuity's Class B common stock possessing 10% of the total voting power of Genuity's capital stock. Genuity's Class B common stock is convertible at any time into shares of Genuity's Class C common stock that represent approximately 82% of Genuity's total capital stock and possess approximately 96% of the total voting power of Genuity's capital stock, in each case before giving effect to any outstanding options to purchase shares of Genuity common stock, the exercise of the underwriters' over-allotment option or other additional issuances of Genuity common stock. If the underwriters over-allotment option is exercised, Genuity's Class B common stock would be convertible into shares of Class C common stock representing 80% of Genuity's total capital stock.

Under the terms of the proposal to the FCC, the shares of Class B common stock held by Verizon must be converted on or prior to 2005, subject to extension. Assuming no additional issuances of Genuity's common stock after completion of this offering, Verizon will control Genuity if and when it converts its Class B common stock into Class C common stock. Subject to limited exceptions, if Verizon is unable to convert its shares of Class B common stock within this time period, it would be required to dispose of those shares.

Bell Atlantic and GTE are required to receive the formal approval of the FCC for the proposed structure.

Genuity Inc.

NOTES TO COMBINED FINANCIAL STATEMENTS--Continued December 31, 1997, 1998 and 1999 3.Property, Plant and Equipment, Net Property, plant and equipment, net was comprised of the following (in thousands):

December 31, 1998 1999

Land	$ 2,356	$ 2,417
Buildings and fixtures	6,654	14,771
Communications network--fiber-optic cable	300,035	481,573
Communications network--data processing equipment and machinery	483,944	732,306
Furniture	11,083	18,653
Leasehold improvements	95,418	164,542
Work in progress	177,607	402,740
Sub-Total	1,077,097	1,817,002
Accumulated depreciation	(169,058)	(292,612)
Total	$ 908,039	$1,524,390

During 1999, Genuity completed its initial buildout of its communications network in the United States. Costs directly related to the network have been capitalized, including amounts associated with the indefeasible rights of use. Genuity commenced depreciation as individual segments were placed in service.

The Predecessor's depreciation expense was $10.5 million for the six months ended June 30, 1997. Genuity's depreciation expense was $18.8 million, $56.3 million and $138.9 million for the years ended December 31, 1997, 1998 and 1999, respectively.

Interest and network engineering costs capitalized as part of property, plant and equipment were as follows (in thousands):

	Predecessor	Genuity		
	Six Months Ended June 30, 1997	For the Year Ended December 31, 1997	1998	1999
Network engineering costs	$422	$ 1,422	$ 10,263	$ 23,148
Capitalized interest	--	--	17,700	6,408
Total	$422	$ 1,422	$ 27,963	$ 29,556

Genuity Inc.

NOTES TO COMBINED FINANCIAL STATEMENTS--Continued December 31, 1997, 1998 and 1999 4.Goodwill and Other Intangibles, Net Goodwill and other intangibles, net was comprised of the following (in thousands):

December 31, 1998 1999

Goodwill	$496,192	$496,192
Customer bases	77,000	77,000
Trademarks	34,000	34,000
Developed technology	19,000	19,000
In-place work forces	9,190	9,190
Internal use software	--	36,244
Sub-Total	635,382	671,626
Accumulated amortization	(78,947)	(128,750)
Total	$556,435	$542,876

Genuity's amortization expense was $30.7 million, $48.3 million and $49.8 million for the years ended December 31, 1997, 1998 and 1999, respectively.

5.Debt

Long-term obligations and short-term obligations were as follows (in thousands):

December 31, 1998 1999

6% convertible subordinated debentures	$ 55,903	$ 48,948
Capital leases	70,952	63,769
Total long-term obligations	$126,855	$112,717
Note payable--affiliate	$ --	$126,503
Current portion of capital leases	20,499	25,921
Total short-term obligations	$ 20,499	$152,424

On April 1, 1987, Predecessor issued $84.7 million of 6% convertible subordinated debentures. The 6% convertible subordinated debentures due 2012 may be converted by the bondholders into cash at an exchange ratio of $966.67 for each $1,000 in principal amount of debentures. The debentures are unsecured obligations of Genuity and are subordinated in right of payment to Genuity's senior indebtedness, if any. Debt issuance costs are being amortized over the term of the debentures. The unamortized balance at December 31, 1999 of $0.6 million is included in other assets in the accompanying combined balance sheets.

Genuity is required to contribute to a sinking fund annual payments equal to 5% of the aggregate principal amount issued. The sinking fund was calculated to retire 70% of the original debentures prior to maturity. To date Genuity has purchased and retired debentures with a face value of $37.3 million which has been used to satisfy the annual sinking fund requirements through 2006.

Genuity Inc.

NOTES TO COMBINED FINANCIAL STATEMENTS--Continued December 31, 1997, 1998 and 1999 The interest rate on the note payable to/receivable from GTE is based on an intercompany borrowing interest rate established by GTE, which fluctuated between 4.85% and 6.58% in 1997, 5.41% and 6.24% in 1998 and 6.04% and 6.75% in 1999.

Genuity has entered into leasing agreements to finance some equipment acquisitions. The underlying assets serve to collateralize the debt. The borrowings bear interest at effective rates of 5.07% to 9.50% and have terms of 5 years from the date of purchase, with principal and interest payable quarterly in advance. The leases include purchase and renewal options at fair market values. The leases are classified as capital leases in accordance with the provisions of SFAS No. 13, "Accounting for Leases."

Assets under capital leases were as follows (in thousands):

December 31, 1998 1999 Data processing equipment..... $91,682 $115,056 Accumulated depreciation..... (25,936) (51,792) Total..... $65,746 $ 63,264 6.Stockholder's Equity Common Stock The authorized and issued common stock of Genuity is based on the number of common shares that will be issued in connection with the recapitalization of Genuity, which occurred on . In connection with the recapitalization, the 1,000 shares of common stock issued and outstanding were converted to shares of Class B common stock.

Additional Paid-In Capital Genuity received contributions from GTE of $610.7 million, $1,327.3 million and $971.7 million, for the years ended December 31, 1997, 1998 and 1999, respectively.

Accumulated Other Comprehensive Loss Accumulated other comprehensive loss includes cumulative foreign currency translation adjustments and the cumulative unrealized loss on investments in securities. The Predecessor's cumulative foreign currency translation adjustment was a loss of $0.1 million as of June 30, 1997 and Genuity's cumulative foreign currency translation adjustment was a gain of $0.1 million as of December 31, 1999. The Predecessor's cumulative unrealized loss on investments in securities was $0.9 million as of June 30, 1997 and Genuity's cumulative unrealized gain on investments in securities was $2.1 million, $3.9 million and $2.6 million as of December 31, 1997, 1998 and 1999, respectively.

7.Stock-Based Compensation GTE maintains broad-based stock option plans that has historically covered substantially all Genuity employees. Genuity employees will not participate in these plans after the initial public offering. Prior to 1997, options were granted separately or in conjunction with stock appreciation rights (SARs). Beginning in 1997, the granting of SARs was discontinued. In 1997, GTE's shareholders approved the GTE Corporation 1997 Long-

Genuity Inc.

NOTES TO COMBINED FINANCIAL STATEMENTS--Continued December 31, 1997, 1998 and 1999 Term Incentive Plan (the LTIP). Each option granted under the LTIP conveys the right to purchase, at fair market value on the date of the grant, shares of GTE common stock. Generally, options have a term of 10 years and become vested over a period not to exceed three years. At December 31, 1999, 1,595,984 options granted to Genuity employees were exercisable in shares of GTE common stock. Options granted under the Predecessor's stock incentive plan were converted into GTE options or plan participants received cash.

In 1995, the FASB issued SFAS No. 123, "Accounting for Stock-Based Compensation." As permitted by SFAS No. 123, GTE continues to apply the recognition and measurement provisions of Accounting Principles Board Opinion (APB) No. 25, "Accounting for Stock Issued to Employees." In accordance with APB No. 25, compensation expense is not recognized for stock options on the date of grant since it is GTE's practice to grant options with an exercise price equal to the fair market value of its common stock on the date of grant. Under SFAS No. 123, compensation cost is measured at the grant date based on the value of the award and is recognized over the service or vesting period. Had compensation cost for GTE's stock options been determined under SFAS No. 123, based on the fair market value at the grant dates, pro forma net loss and basic loss per share of Genuity would have been as follows (in thousands except per share amounts):

Genuity For the Year Ended December 31, 1997 1998 1999 Net loss As reported..... $(172,040) $(467,040) $(626,689) Pro forma..... (173,055) (472,845) (648,201)

```
Basic and diluted loss per share
  As reported..... $     (  ) $     (  ) $     (  )
  Pro forma.....       (  )       (  )       (  )
```

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions for GTE options granted during the years ended December 31, 1997, 1998 and 1999: expected volatility of 18%-19.5%, expected maturities of seven years, risk-free interest rates equal to the yield on seven-year U.S. Treasury notes on the grant date and expected dividend yield of approximately 3%.

8.Employee Benefit Plans Genuity does not intend to offer a pension or other postretirement plan to employees once its employees are no longer employees of GTE. Genuity does intend to offer a defined contribution (401(k)) plan.

GTE sponsors several qualified and nonqualified pension plans and other postretirement benefit plans for its employees, which prior to the initial public offering, include Genuity's employees. The Predecessor did not sponsor either a pension plan or an other postretirement benefit plan. Approximately 600 of Genuity's employees are covered under defined benefit pension plans and postretirement health care and life insurance plans. Pension plans are generally noncontributory by plan participants. Postretirement health care plans are generally contributory and include a limit on the portion of the cost of benefits for recent and future retirees paid by Genuity.

Genuity Inc.

NOTES TO COMBINED FINANCIAL STATEMENTS--Continued December 31, 1997, 1998 and 1999 The cost and liability for the pension and other postretirement benefit plans recorded by Genuity are based on Genuity's participation in GTE's plans, representing an allocation of the GTE's plans' assets and liabilities. Genuity's pension expense was $0.5 million, $0.9 million and $2.6 million for the years ended December 31, 1997, 1998 and 1999, respectively. Genuity's other postretirement benefit expense was $0.2 million, $0.4 million and $0.3 million for the years ended December 31, 1997, 1998 and 1999, respectively. Genuity's pension liability was $2.5 million and $5.1 million as of December 31, 1998 and 1999, respectively. Genuity's other postretirement benefit liability was $2.0 million and $2.2 million as of December 31, 1998 and 1999, respectively.

GTE sponsors employee savings and stock ownership plans under section 401(k) of the Internal Revenue Code. Through the date of the initial public offering the plans cover substantially all full-time employees of Genuity. Under the plans, Genuity provides matching contributions in either cash or GTE common stock based on qualified employee contributions. Genuity's matching contributions charged to income were $1.0 million, $3.1 million, and $4.8 million for the years ended December 31, 1997, 1998 and 1999, respectively.

BBN Corporation maintained the BBN Corporation Retirement Trust Agreement, which is a 401(k) plan that includes matching and profit sharing features. The plan covers most employees of Genuity who are not covered by the GTE Savings Plan. It is anticipated that the plan will be sponsored and maintained by Genuity or one of its affiliates after the offering. The Predecessor's matching contribution charged to income was $0.6 million for the six months ended June 30, 1997.

9.Interest Expense, Net The combined statements of operations reflect total interest expense, less interest capitalized during construction and interest income as follows (in thousands):

	Predecessor	Genuity		
	Six Months Ended June 30, 1997	Year Ended December 31, 1997	1998	1999
Interest expense	$(2,951)	$(1,346)	$(17,720)	$(9,952)
Interest capitalized	--	--	17,700	6,408
Interest income	2,473	--	--	3,361
Total	$ (478)	$(1,346)	$ (20)	$ (183)

10.Income Taxes

The income tax accounts included in the accompanying combined balance sheets and statements of operations are presented as if Genuity were a stand-alone company for all periods presented. The Predecessor was part of a stand-alone entity, and its income taxes were recorded on that basis. Taxable losses of Genuity aggregating $111.3 million, $524.4 million and $636.7 million for the years ended December 31, 1997, 1998 and 1999, respectively, have been benefited to GTE in its consolidated tax return. Genuity received reimbursements aggregating $39.2 million, $184.9 million and $222.8 million for the years ended December 31, 1997, 1998 and 1999, respectively. To present Genuity's tax provisions on a basis consistent with future periods these reimbursements have been accounted for as capital contributions. The tax provision included in the accompanying combined statements of operations represents the amounts owed for state taxes.

Genuity Inc.

NOTES TO COMBINED FINANCIAL STATEMENTS--Continued December 31, 1997, 1998 and 1999 The significant components of Genuity's deferred tax assets and liabilities are as follows (in thousands):

December 31, 1998 1999

Deferred tax assets:		
Employee benefit obligations	$ 21,183	$ 22,200
NOL carryforward	24,480	24,014
Predecessor goodwill	10,241	11,830
Capitalized software	3,548	5,256
Other	14,238	13,233
Total deferred tax assets	73,690	76,533
Deferred tax liabilities:		
Depreciation and amortization	(7,100)	(32,688)
Other intangibles	(35,775)	(29,247)
Operating leases	(4,201)	(4,201)
Other	(5,308)	(2,090)
Net deferred tax asset	21,306	8,307
Deferred tax asset--current	7,604	7,785
Deferred tax asset--noncurrent	13,702	522
Valuation allowance	(21,306)	(8,307)
	$ --	$ --

The net operating losses included above relate to Predecessor and are limited in their utilization under Internal Revenue Code Section 382. A full valuation allowance has been recorded in the accompanying combined financial statements to offset the net deferred tax asset because its future realizability is uncertain.

The difference between the income tax rate computed by applying the statutory federal income tax rate of 35% to income before income taxes and the actual effective income tax rate is summarized as follows:

1997 1998 1999

Statutory rate.....	(35.0%)	(35.0%)	(35.0%)
Increase (decrease) resulting from--			
State taxes, net of federal benefit.....	0.3	0.3	0.2
Goodwill.....	4.2	2.7	2.0
Meals and entertainment.....	0.1	0.1	--
Change in valuation allowance.....	6.5	(3.1)	(2.1)
Tax losses benefited to GTE.....	25.0	35.3	35.0
Other.....	(0.8)	--	0.1
	0.3%	0.3%	0.2%

11.Segment Reporting

Effective December 31, 1998, Genuity adopted SFAS No. 131, "Disclosure about Segments of an Enterprise and Related Information." SFAS No. 131 establishes standards for reporting financial information about operating segments in annual and interim financial statements and requires restatement of prior year information. Operating segments are defined as units of a business for which financial information is available that is evaluated by the primary decision- makers in determining the manner in which resources are allocated and in assessing performance of the business.

Genuity Inc.

NOTES TO COMBINED FINANCIAL STATEMENTS--Continued December 31, 1997, 1998 and 1999 Genuity's operations are reported in three segments, Access, Hosting and Transport.

Access--Internet access pertains to a variety of global Internet access services, including dial-up, dedicated, DSL and other broadband, by providing and managing the underlying scaleable infrastructure. Genuity also provides a range of customer premise equipment necessary to connect to the Internet, including routers, channel service units/data services units, modems, software and other products. Customers receive 24 hours per day, 7 days per week network monitoring and technical support from Genuity's Network Operations Centers (NOC).

Hosting--Hosting pertains to services that allow customers to successfully implement their e-business strategies through scaleable, reliable and secure Web sites, which serve as their e-business storefronts. Thee-business model enables companies to decrease sales costs; accelerate time to market; access new

sales channels; increase revenues, productivity and customer satisfaction; and gain competitive advantage. Genuity currently operates ten global data centers, eight in the US, one in Leeds, England and one in Tokyo, Japan. Through the web hosting operation center, Genuity monitors these systems 24 hours a day and 7 days a week.

Transport--Genuity provides a broad range of transport services to customers through a single point of contact for planning, ordering, installing, billing, maintaining and managing our customers transport services. Genuity provides seamless operation of local loops, central office connections and interexchange carrier transport. Through Genuity's NOC, network faults, intrusion or environmental alarms are observed, diagnostics are performed, and referrals or dispatches are initiated as needed.

Other--Represents revenue from international operations and international sales of domestic operations and revenue generated from value-added Internet services of security, virtual private networks and voice over IP.

As the network, which is referred to as GNI, supports the Access, Hosting and Transport segments, it is not allocated between the Access, Hosting and Transport units for management reporting, or consequently, segment reporting purposes. Similarly, selling, general and administrative expenses are not allocated to the segments for management or segment reporting purposes.

Revenues for America Online in relation to the Predecessor's total revenues represented 54% for the six months ended June 30, 1997. Revenues for America Online in relation to Genuity's total revenues were 42%, 53% and 52% for the years ended December 31, 1997, 1998 and 1999, respectively.

Management utilizes several measurements to evaluate its operations and allocate resources. However, the principal measurements are consistent with Genuity's financial statements. The accounting policies of the segments are the same as those described in Note 1.

Genuity Inc.

NOTES TO COMBINED FINANCIAL STATEMENTS--Continued December 31, 1997, 1998 and 1999 Financial information for Genuity's segments is as follows (in thousands):

	Predecessor		Genuity
	Six Months Ended June 30,	Year Ended December 31,	
	1997	1997	1998	1999
Revenues				
Access	$ 94,126	$ 128,838	$ 350,777	$ 574,503
Hosting	9,601	9,690	33,469	48,811
Transport	--	65,221	72,412	89,541
Other	2,591	3,035	14,880	37,569

Total revenues	106,318	206,784	471,538	750,424	
Operating Expenses					
Cost of goods sold	92,670	184,914	512,967	786,965	
Selling, general and administrative	38,801	144,360	316,491	399,529	
Depreciation and amortization	10,536	49,483	104,523	188,667	
Total operating expenses	142,007	378,757	933,981	1,375,161	
Operating Loss	$(35,689)	$ (171,973)	$ (462,443)	$ (624,737)	
Property, Plant and Equipment, Net					
Access	$ 44,212	$ 50,849	$ 100,884	$ 178,988	
Hosting	7,957	23,023	29,310	52,998	
Transport	--	27,313	26,752	31,706	
GNI	--	263,467	704,951	1,162,287	
Other	20,010	2,174	46,142	98,411	
Total	$ 72,179	$ 366,826	$ 908,039	$1,524,390	
Capital Expenditures/1/					
Access	$ 1,316	$ 9,544	$ 20,039	$ 97,638	
Hosting	402	2,919	4,878	29,581	
Transport	--	215	7,485	11,003	
GNI	--	263,610	458,038	531,719	
Other	1,112	23,203	97,391	80,047	
Total	$ 2,830	$ 299,491	$ 587,831	$ 749,988	
Depreciation and Amortization					
Access	$ 6,375	$ 6,341	$ 12,649	$ 32,543	
Hosting	138	2,534	8,514	12,585	
Transport	--	6,852	8,012	7,180	
GNI	--	143	19,119	72,475	
Other	4,023	33,613	56,229	63,884	
Total	$ 10,536	$ 49,483	$ 104,523	$ 188,667	

/1/ Includes accruals and capital leases.

Genuity Inc.

NOTES TO COMBINED FINANCIAL STATEMENTS--Continued December 31, 1997, 1998 and 1999 12.Commitments and Contingencies Leases Genuity leases office space and network equipment under long-term capital and operating leases. These leases have options for renewal with provisions for increased rent upon renewal. The Predecessor's rent expense was $2.1 million for the six months ended June 30, 1997, and Genuity's rent expense was $5.1 million, $12.9 million and $19.9 million for the years ended December 31, 1997, 1998 and 1999, respectively. Rent expense is included in cost of goods sold and selling, general and administrative expenses in the accompanying combined statements of operations.

As of December 31, 1999, future minimum lease payments under noncancelable capital and operating leases with initial or remaining periods in excess of one year were as follows (in thousands):

	Capital Leases	Operating Leases
2000	$ 33,475	$ 66,419
2001	28,701	60,143
2002	25,176	32,293
2003	11,643	26,142
2004	823	20,230
Subsequent years	--	56,502
Total minimum lease payments	99,818	$261,729
Amount representing interest	(10,128)	
Present value of minimum lease payments	$ 89,690	

GTE guarantees Genuity's existing real estate leases.

Contract Commitments

Genuity has entered into several agreements for indefeasible rights of use (IRU) for its network infrastructure in the United States. The initial terms of the IRUs are for 20-25 years, with options to extend the term. As of December 31, 1999 the outstanding commitments under the agreements is approximately $17.4 million. Genuity is also obligated to pay operating and maintenance costs under the contract terms.

In addition, Genuity has entered into a number of agreements for IRU to trans-oceanic cable systems that are either deployed or in the process of being deployed. The initial terms of the IRU is for 25 years. As of December 31, 1999, outstanding commitments under these agreements total approximately $54.4 million.

Contingencies

Some claims arising in the ordinary course of business are pending against the Company. In the opinion of management, these claims are without merit and are not expected to have a material effect on operations.

13.Related Party Transactions Genuity recorded revenues for transport services that it provided to affiliates in the amount of $13.6 million, $17.5 million and $24.1 million for the years ended December 31, 1997, 1998 and 1999, respectively. The transport services provided are similar to services provided

to unaffiliated customers and are priced at comparable rates.

Genuity Inc.

NOTES TO COMBINED FINANCIAL STATEMENTS--Continued December 31, 1997, 1998 and 1999 Genuity purchases payroll, purchasing, electronic data processing services and other general and administrative services from affiliates whose business is the provision of these services. The cost of these services to Genuity was $39.6 million, $92.3 million and $84.1 million for the years ended December 31, 1997, 1998 and 1999, respectively, and were based on the cost of providing these services as determined by cost and time studies performed periodically.

In management's view, the cost of services provided to Genuity by affiliates reasonably approximates the costs that Genuity would have incurred if it had performed the services.

Note payable to, and receivable from affiliate include GTE funding of net cash flows to and from Genuity. Accounts receivable from, and accounts payable to affiliates represent balances from transactions in the ordinary course of business between Genuity and affiliates.

Transition Services Agreements GTE and its affiliates currently provide a range of administrative and support services to Genuity. After the offering of Genuity's shares of Class A common stock, Genuity will enter into (1) an Agreement for Transition Services under which GTESC will continue to provide Genuity with services such as accounting and cash processing, billing and collection processing, human resource services and benefits administration and (2) an Agreement for Information Technology Transition Services under which Genuity and GTESC will provide each other with transitional information technology services.

In addition, GTESC will provide Genuity with computer programming and technical services, including the development of software interfaces and modifications and enhancements to existing systems.

Purchase, Resale and Marketing Agreement Genuity plans to enter into a Purchase, Resale and Marketing Agreement under which Verizon will purchase services from Genuity, that will include Internet access, value-added services and private line and asynchronous transfer mode transport services. Verizon will be permitted to use the services internally or resell the services on a stand-alone basis or as part of a bundled solution. Those services resold by Verizon may be co-branded with Genuity or may be branded without use of Genuity's marks. Genuity has granted Verizon most favored customer pricing and volume-based discounts. Under the terms of the agreement, Verizon will purchase at least $500 million of Genuity's 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 Genuity 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 Genuity 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.

In conjunction with the Purchase, Resale and Marketing Agreement, Genuity also plans to provide to Verizon undersea cable capacity in the Americas Region Caribbean Ring System and has committed to negotiate with Verizon with respect to obtaining capacity on the Americas III Cable Network currently under construction.

Genuity Inc.

NOTES TO COMBINED FINANCIAL STATEMENTS--Continued December 31, 1997, 1998 and 1999 Intellectual Property Agreements Genuity intends to enter into agreements with GTESC in order to allocate rights relating to existing and future patents, software, and technical service.

Network Monitoring Agreement Under the terms of an existing agreement, Genuity receives continual monitoring for some elements of Genuity's network infrastructure from GTE Network Services, including monitoring of network enabling devices and processes to detect anomalies occurring in the network. The agreement may be terminated by either party on 90 days notice.

Real Estate Agreements Genuity plans to enter into several agreements with Verizon under which Verizon will transfer to or share with Genuity various leased and owned properties including: (1) leases to Genuity of portions of specified properties owned by Genuity or Verizon; (2) subleases to Genuity of portions of specified properties leased by Verizon; and (3) assignments of leases for specified leased properties. Each agreement provides that the parties will use reasonable efforts to obtain any landlord consents required for the proposed transfer. Some of the provisions of each agreement, including the lease/sublease payment of rent term, vary depending on the underlying lease at the specified property and the result of negotiations pertaining to specific issues at a specified property.

Genuity will also enter into real estate guaranty agreements with Verizon. GTESC has agreed to either issue new or continue existing guaranties in support of our real estate obligations. The guaranties will continue until six months following the date of the offering of our shares of Class A common stock or the date on which both Standard & Poor's and Moody's publish a credit rating for Genuity, whichever occurs first. In return for the guaranties, Genuity has agreed to pay GTESC a commercially reasonable fee.

14.Subsequent Events

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   On            Genuity completed a recapitalization. As part of the
recapitalization, Genuity converted 1,000 shares of common stock issued and
outstanding to             shares of Class B common stock. In addition, GTE
forgave amounts payable to GTE of $     and contributed additional capital of
$     .
```

Common Stock

The shares of Genuity's 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.

Voting Rights. Each share of Class A common stock and Class B common stock entitles the holder to one vote, and each share of Class C common stock entitles the holder to five votes on each matter submitted to a vote of Genuity's stockholders. 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 Genuity's stockholders. The Class B common stockholders have the right to elect a member of Genuity's board of directors.

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 for:

Genuity Inc.

NOTES TO COMBINED FINANCIAL STATEMENTS--Continued December 31, 1997, 1998 and 1999 . any issuance of capital stock, securities convertible into Genuity capital stock or share equivalents, other than shares of Genuity's capital stock reserved at the time of the initial public offering for issuance to employees and directors pursuant to Genuity's stock option plans;

. any authorization of additional capital stock;

. any material change in the nature or scope of the business;

. any merger, consolidation, sale of all or substantially all of Genuity's assets or any similar transaction;

. any amendment to Genuity's certificate of incorporation or Genuity's by- laws that affects the rights of the holders of Genuity's Class B common stock;

. any action that would make it unlawful for a holder of Class B common stock to exercise its conversion rights; and . any filing or declaration of bankruptcy or any full or partial liquidation.

This class vote will not be required if at any time:

. Verizon controls more than 50% of the then outstanding shares of Class B common stock and the common stock owned by Verizon and affiliates constitutes less than 10% of Genuity's outstanding common stock on an as converted basis; or . Verizon controls 50% or less of the then outstanding shares of Class B common stock and the outstanding shares of Class B common stock constitute 50% or less of Genuity's outstanding common stock on an as converted basis;

Conversion. The Class A common stock has no conversion rights. The Class B common stock is convertible by Verizon and its affiliates into shares of Class C common stock. Prior to any exercise of the underwriters' over-allotment option, if the shares of Class B common stock were converted into shares of Class C common stock, the Class C common stock would constitute approximately 82% of Genuity's outstanding common stock, before giving effect to any issuance of shares of Class A common stock following the exercise of any outstanding employee options under Genuity's long-term incentive plans or otherwise.

The shares of Class B common stock held by any person other than Verizon or its affiliates may not be converted into Class C common stock. Instead, such shares are convertible at any time into shares of Class A common stock.

Only Verizon and its affiliates may hold Class C common stock. The Class C common stock is convertible into Class A common stock, in whole or part, 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 (1) the shares are transferred to any person other than Verizon and its affiliates or (2) 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, and the number of shares of Class A common stock owned by Verizon and affiliates constitute less than 10% of Genuity's then outstanding common stock.

Right to Acquire Additional Shares Upon Conversion. In limited circumstances, if Verizon holds Class A common stock and Class C common stock that in the aggregate exceed 70% of the total number of common stock outstanding at that time, Verizon may acquire from Genuity a number of shares of Class A common stock so that Verizon will own a number of shares equal to 80% of the total number of shares of common stock.

Liquidation. In the event of any dissolution, liquidation, or winding up of Genuity's 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

Genuity Inc.

NOTES TO COMBINED FINANCIAL STATEMENTS--Continued December 31, 1997, 1998 and 1999 Genuity's outstanding common stock, in the assets legally available for distribution to stockholders, in each case after payment of all of Genuity's liabilities and subject to preferences that may apply to any series of preferred stock then outstanding. Genuity may not dissolve, liquidate or wind up its affairs without obtaining the consent of the holders of the outstanding shares of its Class B common stock.

Mergers and Other Business Combinations. If Genuity enters into a merger, consolidation or other similar transaction in which shares of its common stock are exchanged for or converted into securities, cash or any other property, the holder of each class of Genuity's 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.

Other Provisions. The holders of 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.

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   Immediately following the closing of the initial public offering, Genuity's
authorized capital stock will consist of        shares of Class A common stock,
par value $0.01 per share,       shares of Class B common stock, par value
$0.01 per share,        shares of Class C common stock, par value $0.01 per
share, and        shares of preferred stock, par value $0.01 per share.
Immediately following the closing of the initial public offering, there will be
outstanding: (1)        shares of Class A common stock; (2) options to purchase
       shares of Class A common stock; (3)        shares of Class B common
stock, all of which will be held of record by Verizon as of that date; (4) no
shares of Class C common stock; and (5) no shares of preferred stock.
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Subscription Agreement Genuity has entered into a subscription agreement with Verizon in connection with the Class B common stock. The Subscription Agreement contains provisions requiring GTE's consent prior to taking the following agreed-upon actions:

. making acquisitions or entering into joint ventures involving cash, stock, stock equivalents or assets in excess of $100 million individually or $500 million in the aggregate during any 12-month period;

. making any dispositions of assets outside the ordinary course of business within the first two years after the initial public offering and, thereafter, making dispositions of assets in excess of $50 million individually or $250 million in the aggregate in any 12-month period;

. incurring, during any 12-month period, indebtedness that exceeds an anticipated debt level for that period to be jointly agreed upon by Genuity and GTE prior to the completion of the initial public offering;

. entering into agreements or arrangements that contain provisions that trigger a default or require a material payment when Verizon exercises its conversion right; and . declaring extraordinary dividends or making other distributions to the holders of Genuity's common stock, including Genuity's Class A common stock.

Genuity will not be required to obtain the consent of the holders of the Class B common stock to take the above actions if at any time:

. Verizon controls more than 50% of the then outstanding shares of Class B common stock and the common stock controlled by Verizon and affiliates constitutes less than 10% of Genuity's outstanding common stock on an as converted basis; or

 . Verizon controls 50% or less of the outstanding shares of Class B common stock and the outstanding shares of Class B common stock constitute 50% or less of Genuity's outstanding common stock on an as converted basis.

2000 Long-Term Incentive Plan Genuity's employees have historically been granted options to purchase common stock of GTE. On April , 2000, Genuity's board of directors adopted the 2000 Long-Term Incentive Plan, effective immediately, which has also been approved by GTE as sole stockholder. The 2000 Long-Term Incentive Plan provides for the grant of a variety of stock and stock-based

awards and other benefits, including stock options, restricted and unrestricted shares, deferred stock, stock-based performance awards and stock appreciation rights; but excluding any short-term or long-term cash awards. The 2000 Long-Term Incentive Plan will be administered by the Genuity board of directors or by the compensation committee of the Genuity board of directors. The administrator has the authority to determine eligibility, grant awards and make all other determinations under the plan.

Our 2000 Long-Term Incentive Plan provides for the grant of both incentive stock options that qualify under Section 422 of the Internal Revenue Code and nonqualified stock options. Incentive stock options may be granted only to employees. Non-qualified stock options, and all other awards may be granted to employees, officers and directors. The option exercise price of each stock option and the amount, if any, payable by participants under other awards shall be determined by the administrator, except that stock options will not be granted with an exercise price that is less than the fair market value of the Class A common stock on the date of grant. It is anticipated that Genuity will not grant existing employees any additional awards under the 2000 Long-Term Incentive Plan during the four-year period following the offering.

Options granted under our 2000 Long-Term Incentive Plan may have a term of up to 10 years. The awards are transferable to the extent, if any, determined by the administrator. The period or periods during which an award will be exercisable or remain outstanding, including any periods following termination of service, the manner of exercise and other details of awards will be determined by the administrator consistent with the 2000 Long-Term Incentive Plan.

Genuity has reserved shares of Class A common stock for issuance under the 2000 Long-Term Incentive Plan, subject to adjustment for stock splits and similar events. Concurrently with the initial public offering, the Company expects to issue options to purchase shares of Genuity's Class A common stock at an exercise price equal to the initial public offering price. The 2000 Long-Term Incentive Plan will terminate on January , 2010, unless sooner terminated in accordance with the terms of the plan.

2000 Compensation Plan for Non-Employee Directors The 2000 Compensation Plan for Non-Employee Directors was approved by the board of directors on April , 2000 and has been approved by GTE as the sole stockholder. Pursuant to this plan, non-employee directors who have agreed to serve on the board of directors will receive, effective upon the completion of this offering, a $30,000 annual cash fee and one-time option to purchase 30,000 shares of Class A common stock at an exercise price equal to the initial public offering price. These stock options will vest in three equal installments commencing on the day of the initial public offering and on the day immediately preceding the annual meeting of stockholders in each of the next years. The administrator also has the discretion under this plan to grant options to non- employee directors in amounts and in terms as it deems is not inconsistent with the plan. Genuity has reserved a total of shares of Class A common stock for issuance under the 2000 Compensation Plan for Non-Employee Directors, of which, after taking into account the grants expected to be effective on the completion of this offering, remain available for future grants.

Genuity Inc.

Schedule Ii--valuation and Qualifying Accounts

For the Years Ended December 31, 1997, 1998 and 1999 for Genuity and the six months ended June 30, 1997 for the Predecessor (in thousands)

Column A	Column B	Column C		Column D	Column E
Description	Balance at beginning of period	Charged to costs and expenses	Charged to other accts.-- describe	Deductions-- describe	Balance at end of period

PREDECESSOR 1997 Allowance for doubtful accounts..... $ 948 $1,840 $ 1(a) $ (35)(c) $2,754 GENUITY 1997 Allowance for doubtful accounts..... $ 520 $1,898 $2,754(b) $ (850)(c) $4,322 1998 Allowance for doubtful accounts..... $4,322 $2,256 $ 131(a) $(3,058)(c) $3,651 1999 Allowance for doubtful accounts..... $3,651 $4,799 $ 201(a) $(3,101)(c) $5,550 (a) Represent bad debt recoveries (b) Represents the impact of acquiring the Predecessor (c) Represent write-offs of uncollectible receivable balances Shares Class A Common Stock

Logo of Genuity

$ per Share

Morgan Stanley Dean Witter Salomon Smith Barney

Part Ii

Information Not Required in Prospectus

ITEM 13. Other Expenses of Issuance and Distribution.

The following table sets forth the various expenses in connection with the sale and distribution of the securities being registered, other than the underwriting discounts and commissions. All amounts shown are estimates, except the Securities and Exchange Commission Registration Fee and the National Association of Securities Dealers, Inc. Filing Fee.

Securities and Exchange Commission Registration Fee.....	$ 2,640
National Association of Securities Dealers Filing Fee.....	1,500
Listing Fee*.....	*
Blue Sky Fees and Expenses.....	10,000
Transfer Agent and Registrar Fees.....	*
Accounting Fees and Expenses.....	*
Directors and Officers Liability Insurance.....	*
Legal Fees and Expenses.....	*
Printing Expenses.....	*
Miscellaneous.....	*
TOTAL.....	$ *

* To Be Included By Amendment ITEM 14. Indemnification of Directors and Officers.

Section 145 of the Delaware General Corporation Law authorizes a court to award, or the board of directors of a corporation to grant, indemnity to directors and officers in terms sufficiently broad to permit indemnification under some circumstances for liabilities, including reimbursement for expenses incurred, arising under the Securities Act of 1933.

As permitted by the Delaware General Corporation Law, the certificate of incorporation of the Registrant provides that its directors shall not be liable to the Registrant or its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent that the exculpation from liabilities is not permitted under the Delaware General Corporation Law as in effect at the time the liability is determined. As permitted by the Delaware General Corporation Law, the certificate of incorporation of the Registrant also provides that the Registrant shall indemnify its directors to the full extent permitted by the laws of the State of Delaware.

The Registrant is in the process of obtaining policies of insurance under which coverage will be provided (a) to its directors and officers against loss arising from claims made by reason of breach of fiduciary duty or other wrongful acts, including claims relating to public securities matters and (b) to the Registrant with respect to payments which may be made by the Registrant to these officers and directors pursuant to the above indemnification provision or otherwise as a matter of law.

The Registrant has also entered into indemnification agreements with its directors and officers obligating the Registrant to indemnify its directors and officers against losses incurred in connection with claims in their capacities as agents of the Registrant. The Underwriting Agreement provides for the indemnification of officers and directors of the Registrant by the Underwriters against some types of liability.

ITEM 15. Recent Sales of Unregistered Securities.

In the three fiscal years prior to the effective date of this Registration Statement, we have issued and sold the following unregistered securities:

The sales and issuances of securities listed above, other the sales and issuances in Item , were deemed to be exempt from registration under Section 4(2) of the Securities Act or Regulation D thereunder as transactions not involving a public offering. The sales and issuances of securities listed above in Item were deemed to be exempt from registration under the Securities Act by virtue of Rule 701 promulgated under Section 3(b) of the Securities Act of 1933 as transactions pursuant to compensation benefit plans and contracts relating to compensation. All of the foregoing securities are deemed restricted securities for purposes of the Securities Act.

ITEM 16. Exhibits and Financial Statement Schedules.

(a) The following exhibits are filed herewith:

Exhibit Number Exhibit Title

1.1	Form of Underwriting Agreement*
3.1	Certificate of Incorporation*

3.2	Amended and Restated Certificate of Incorporation (To Be Filed Prior To Closing Of Offering)*
3.3	By-laws*
4.1	Specimen Class A Common Stock Certificate*
5.1	Opinion of Ropes & Gray*
10.1	2000 Long-Term Incentive Plan*
10.2	2000 Compensation Plan for Non-Employee Directors*
10.3	IRU Agreement dated as of May 2, 1997 by and between Qwest Communications Corporation and GTE Intelligent Network Services Incorporated***
10.4	First Amendment to IRU Agreement dated as of August 13, 1997**
10.5	Second Amendment IRU Agreement dated as of May 29, 1998**
10.6	Third Amendment to IRU Agreement dated as of November 16, 1998**
10.7	Fourth Amendment to IRU Agreement dated as of February 5, 1999**
21.1	Subsidiaries*
23.1	Consent of Ropes & Gray (Exhibit 5.1)*
23.2	Consent of Arthur Andersen LLP
24.1	Power of Attorney (Signature Page)
27.	Financial Data Schedule

* To Be Filed By Amendment. ** There are portions of these agreements that have been omitted pursuant to a request for confidential treatment. *** Incorporated by reference to the registration statement of Qwest Communications International Inc. on Form S-1/A filed with the Securities and Exchange Commission on May 16, 1997, File No. 333-25391. There are portions of these agreements that have been omitted pursuant to a request for confidential treatment.

Other financial statement schedules are omitted because the information called for is not required or is shown either in the financial statements or the notes thereto.

ITEM 17. Undertakings.

(a) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the provisions described under "Item 14--Indemnification of Directors and Officers" above, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission this indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against these liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by the director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether the indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of the issue.

(b) The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For the purposes of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of these securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) The undersigned Registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement, certificates in the denominations and registered in the names required by the underwriters to permit prompt delivery to each purchaser.

Signatures

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Burlington, State of Massachusetts, on the 7th day of April, 2000.

Genuity Inc.

/s/ Paul R. Gudonis By _____ Paul R. Gudonis Chief Executive Officer

Power of Attorney

KNOW ALL PERSONS BY THESE PRESENTS that each individual whose signature appears below constitutes and appoints Paul R. Gudonis and Daniel L. O'Brien and each of them, his or her true and lawful attorneys-in-fact and agents with full power of substitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments, including post-effective amendments, to this Registration Statement, and to sign any registration statement for the same offering covered by the Registration Statement that is to be effective upon filing pursuant to Rule 462(b) promulgated under the Securities Act of 1933, as amended, and all post- effective amendments thereto, and to file the same, with all exhibits thereto and all documents in connection therewith, making such changes in this Registration Statement as such person or persons so acting deems appropriate, with the Securities and Exchange Commission, granting unto said attorneys-in- fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or his, her or their substitute or substitutes, may lawfully do or cause to be done or by virtue hereof. Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the date indicated.

Signature	Title	Date
/s/ Paul R. Gudonis	Chief Executive Officer and	April 7, 2000

Paul R. Gudonis	Director (Principal Executive Officer)	
/s/ Charles J. Gibney Charles J. Gibney	Director	April 7, 2000
/s/ James L. Freeze James L. Freeze	Director	April 7, 2000
/s/ David B. Monaghan David B. Monaghan	Vice President, Finance (Principal Financial Officer and Principal Accounting Officer)	April 7, 2000

Exhibit Index

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