

**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

_____	)	Chapter 11 – (Jointly Administered)
In re:	)	Case No. 02-43558 (PCB)
<b>GENUITY, INC., et al.,</b>	)	
	)	<b>Objections due by: June 9, 2003</b>
	)	<b>By 4:00 PM Eastern Time</b>
Debtors	)	
_____	)	<b>Hearing Date: Negative Notice</b>

**NOTICE OF FILING REPORT BY AP SERVICES, LLC OF  
COMPENSATION EARNED AND EXPENSES INCURRED  
FOR THE PERIOD OF JANUARY 1, 2003 THROUGH MARCH 31, 2003**

Notice is hereby given that AP Services, LLC (“APS”), by and through its attorneys, Sheldon S. Toll PLLC, has filed a report of compensation earned and expenses incurred<sup>1</sup> for the period of January 1, 2003 through March 31, 2003.

You are required to file an objection, if any, on or before 4:00 p.m. on Monday June 9, 2003. At the same time, you must also serve a copy of the response on APS’ undersigned counsel.

A HEARING WILL BE HELD, only if an objection is timely filed and served before the Honorable Prudence C. Beatty, U.S. Bankruptcy Judge, Alexander Hamilton Custom House, One Bowling Green, New York, NY 10004, at a date and time to be scheduled by the Court.

Dated: May 15, 2003

**SHELDON S. TOLL PLLC**  
Attorneys for AP Services, LLC

By: /s/ Sheldon S. Toll  
Sheldon S. Toll (P-21490)  
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Southfield, MI 48075  
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<sup>1</sup> Please e-mail Kevin L. Larin at [klarin@alixpartners.com](mailto:klarin@alixpartners.com) if you desire a copy of the detail.

**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

_____	)	Chapter 11
	)	
<b>GENUITY, INC., <u>et al.</u>,</b>	)	Case No. 02-43558 (PCB)
	)	
Debtors	)	Jointly Administered
_____	)	

**REPORT BY AP SERVICES, LLC OF  
COMPENSATION EARNED AND EXPENSES INCURRED  
FOR THE PERIOD OF JANUARY 1, 2003 THROUGH MARCH 31, 2003**

Exhibit A – Summary of Compensation and Expenses

Exhibit B – Summary of Professionals and Fees

Exhibit C – Summary of Expenses

Exhibit D – Summary of Services

Dated: May 12, 2003

**SHELDON S. TOLL PLLC**  
Attorneys for AP Services, LLC

By: /s/ Sheldon S. Toll  
Sheldon S. Toll (P-21490)  
2000 Town Center, Suite 2550  
Southfield, MI 48075  
(248) 358-2460

AP Services, LLC  
Summary of Compensation and Expenses – Genuity, Inc., et al.  
January 1, 2003 through March 31, 2003

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<b>Period</b>	<b>Fees</b>	<b>Expenses</b>	<b>TOTAL</b>
January 1, 2003 to January 31, 2003	\$ 192,302.50	\$ 21,251.78	\$ 213,554.28
February 1, 2003 to February 28, 2003	359,144.00	69,987.41	429,131.41
March 1, 2003 to March 31, 2003	348,873.00	73,844.84	422,717.84
<i>Less 50% Travel Time Adjustment</i>	<i>(65,459.00)</i>	-	<i>(65,459.00)</i>
<b>Total Invoiced</b>	<b>\$ 900,319.50</b>	<b>\$ 165,084.03</b>	<b>\$ 999,944.53</b>

AP Services, LLC  
 Summary of Professionals and Fees – Genuity, Inc., et al.  
 January 1, 2003 through March 31, 2003

Temporary Employees - Individuals With Executive Officer Positions							
Name of Professional	Description of Function	Hourly Rate	Hours Billed				Total Compensation
			January-03	February-03	March-03	Total	
Simonsen, Eric	Interim Chief Executive Officer	\$ 620.00	-	8.5	173.1	181.6	\$ 112,592.00
<b>Sub Total</b>						<b>181.6</b>	<b>\$ 112,592.00</b>

Additional Temporary Staff Employees							
Name of Professional	Description of Function	Hourly Rate	Hours Billed				Total Compensation
			January-03	February-03	March-03	Total	
Jones-Callaway, Latonya	Claims Analysis	\$ 105.00	1.2	-	-	1.2	\$ 126.00
Outland, Shannon	Claims Analysis	105.00	7.5	13.0	-	20.5	2,152.50
Colvin, Peter	Preference Recovery	150.00	-	-	8.0	8.0	1,200.00
Gring III, Clayton G.	Claims Analysis	150.00	1.6	-	-	1.6	240.00
Ni, Evelyn	SOFA / Executory Contract Analysis	150.00	22.9	139.0	70.4	232.3	34,845.00
Rydeen, Brenda	SOFA / Executory Contract Analysis	150.00	36.6	245.7	134.3	416.6	62,490.00
Andersen, Christopher	Preference Recovery	235.00	-	8.6	-	8.6	2,021.00
Bittner, Nancy	Claims Analysis	260.00	-	0.4	-	0.4	104.00
Hook, Kerri	SOFA / Executory Contract Analysis	260.00	145.1	208.1	148.8	502.0	130,520.00
Johnson, Matthew	International Operations Wind-Down	260.00	-	186.5	30.0	216.5	56,290.00
Ritter, Daniel D.	International Operations Wind-Down	260.00	26.5	245.4	181.0	452.9	117,754.00
Robison, Brent	Claims Analysis	260.00	-	6.7	7.0	13.7	3,562.00
Sanderson, Adam	Preference Recovery	260.00	-	25.8	115.7	141.5	36,790.00
Brents, Todd B.	SOFA / Executory Contract Analysis / Claims Analysis	305.00	36.7	118.5	131.7	286.9	87,504.50
Folse, Barry	SOFA / Executory Contract Analysis / Claims Analysis	305.00	157.4	37.3	18.6	213.3	65,056.50
Dangremond, Robert N.	Project Management	395.00	5.0	-	-	5.0	1,975.00
Lovett, David	International Operations Wind-Down	395.00	15.5	63.0	15.0	93.5	36,932.50
Monger, Meade	SOFA / Executory Contract Analysis / Claims Analysis	395.00	178.0	115.0	82.1	375.1	148,164.50
<b>Sub Total</b>						<b>2,989.6</b>	<b>\$ 787,727.50</b>
Total Incurred						3,171.2	\$ 900,319.50
<i>Less 50% Travel Time Adjustment</i>							<i>(65,459.00)</i>
<b>TOTAL INVOICED</b>							<b>\$ 834,860.50</b>

AP Services, LLC  
 Summary of Expenses – Genuity, Inc., et al.  
 January 1, 2003 through March 31, 2003

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<b>Expense Categories</b>	<b>January-03</b>	<b>February-03</b>	<b>March-03</b>	<b>TOTAL</b>
Airfare	\$ 13,799.49	\$ 49,392.41	\$ 46,269.29	\$ 109,461.19
Cab Fare / Ground Transportation	454.22	1,813.80	5,865.99	8,134.01
Computer Supplies / Support	9.44	113.98	-	123.42
Lodging	4,636.43	13,967.15	15,223.64	33,827.22
Long Distance Calls	20.28	201.52	225.02	446.82
Meals and Tips	697.81	2,430.75	2,482.17	5,610.73
Milage	-	115.20	254.41	369.61
Other	-	115.22	375.16	490.38
Overnight Mail Charges	26.20	85.61	118.74	230.55
Parking and Tolls	273.00	264.00	585.80	1,122.80
Rental Cars	1,334.91	1,279.21	2,444.62	5,058.74
Supplies	-	208.56	-	208.56
<b>TOTAL</b>	<b>\$ 21,251.78</b>	<b>\$ 69,987.41</b>	<b>\$ 73,844.84</b>	<b>\$ 165,084.03</b>

AP Services, LLC  
Summary of Services – Genuity, Inc., et al.  
January 1, 2003 through March 31, 2003

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Estate Management Activities

- Developed methodology for staffing of wind-down activities covering all functional areas, including accounts payable, accounts receivable, circuit finance, human resources, real estate, information technology, tax, treasury, legal and executive management. Also, created staffing forecast and cost estimates.
- Developed Employee Retention Plan methodology and cost estimates in order for Genuity to retain key employees for wind-down activities.
- Developed wind-down timeline and estimated recovery analysis to facilitate planning and communications with UCC.
- Assisted Genuity management in structuring Transition Services Agreement with Level 3 to allow Genuity to receive critical services during wind-down period.
- Obtained data required to compile Statements of Financial Affairs and Schedules for 15 Debtors, including asset, liability and executory contract information.
- Filed Statements of Financial Affairs and Schedules for 15 Debtors, including asset, liability and executory contract information.
- Assisted Genuity in developing collection strategies and account settlement guidelines for accounts receivable.
- Managed mailing of Notice of Deadline Requiring Filing of Proofs of Claim to over 55,000 potential creditors.
- Developed database of payments to creditors in order to identify potential preference claims
- Created methodology for calculating executory contract cure costs for over 1,300 contracts and 15,000 circuits and adherence to procedures in Asset Purchase Agreement for assumption and assignment of executory contracts to Level 3.
- Communicated with UCC's financial advisor regarding assumption and rejection of executory contracts, employee retention and staffing.
- Developed executory contract assumption cure cost calculations and methodology for over 1,300 contracts and 15,000 circuits.
- Developed detailed timeline of events, court hearings, and internal tasks in order to facilitate resolution of claims and emergence from Chapter 11 proceedings.

- Integrated scheduled claims database into executory contract database in order to identify contract cure and rejection costs and adhere to timeline for contract resolution established in Asset Purchase Agreement.
- Developed comprehensive claims reconciliation system based upon SOFAS data and executory contract data.

### International Activities

- Compiled the accounting data from each of the twenty-two entities across seventeen countries and analyzed the balance sheets from a liquidation perspective.
- Created a liquidation analysis with solvent versus insolvent wind downs and presented to management and advisors.
- Developed a decision matrix illustrating the potential outcomes of local insolvency proceedings and managed wind down quantifying the total projected cash outlay.
- Managed the assessment of legal issues through Baker & McKenzie
- Devised an exit plan that could be expeditiously executed and strive to minimize the exposure to the Estate and its directors. Confirmed the exit plan with management and advisors and briefed the UCC.
- Managed the process of determining vendor terminations and analyzed each contract to determine the potential exposure to the estate and the best course of action to terminate or assign the contract.
- Searched for off balance sheet liabilities through interviews and visits to local accountants.
  - Brewers Accountants in the United Kingdom (U.K. Limited & Italy Branch)
  - Pricewaterhouse Coopers in the Netherlands (Netherlands BV & Netherlands NV Branch).
  - Genuity local staff in Japan (Japan KK & Japan Branch).
- Analyzed accruals and investigate tax consequences of each transaction. Vetted assumptions built into accruals or other assets that were not cash related and adjusted accordingly.
- Reviewed the details of severance plans and oversaw the calculations and initial payments within statutory obligations.
- Presented the wind down plan to UCC outlining the best course of action based on the likely outcomes through the wind down. Proposed outflows based on mitigation of claims managed by Alix Partners and Estate management.

- Updated financials and worked with local accountants to find potential tax savings from asset write offs, forgiveness of intercompany debt and other asset impairment
- Prepared a cash flow budget for continued operations in Japan (continued trading of the DAOL contract).
- Managed the pooling of information from each entity to a centralized liquidation report with timelines assigned to the conversion of non-cash assets and payments of liabilities.
- Met with the international management team to create a go-forward plan and prepare the international wind down budget to be included in funding request motion. Identified potential claims and advised how to proceed with mitigation and coordinate mutual releases from contracts.
- Coordinating the local deregistration of each entity.

#### CFO Activities

- Transition CFO role from Paul Jalbert (departing CFO), including familiarization with senior management, accounting and finance functions.
- Update assumptions and financial estimates from Debtor's staffing budget through September 2003.