

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

| | | |
|--------------------------------------|---|---|
| In re: |) | Chapter 11 – (Jointly Administered) |
| |) | Case No. 02-43558 (PCB) |
| GENUITY, INC., <u>et al.</u>, |) | |
| |) | Objections due by February 6, 2004 |
| |) | By 4:00 PM Eastern Time |
| Debtors |) | |
| |) | Hearing Date: Negative Notice |

**NOTICE OF FILING REPORT BY AP SERVICES, LLC OF
COMPENSATION EARNED AND EXPENSES INCURRED
FOR THE PERIOD OF OCTOBER 1, 2003 THROUGH DECEMBER 2, 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 incurred¹ for the period of October 1, 2003 through December 2, 2003.

You are required to file an objection, if any, on or before 4:00 p.m. on February 6, 2004. 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: January 16, 2004

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

¹ Please e-mail Kevin L. Larin at klarin@alixpartners.com if you desire a copy of the detail.

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SOUTHERN DISTRICT OF NEW YORK**

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

**REPORT BY AP SERVICES, LLC OF
COMPENSATION EARNED AND EXPENSES INCURRED
FOR THE PERIOD OF OCTOBER 1, 2003 THROUGH DECEMBER 2, 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: January 16, 2004

SHELDON S. TOLL PLLC
Attorneys for AP Services, LLC

By: /s/ Sheldon S. Toll
Sheldon S. Toll (P-21490)
2000 Town Center, Suite 2550
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AP Services, LLC
Summary of Compensation and Expenses – Genuity, Inc., et al.
October 1, 2003 through December 2, 2003

| Period | Fees | Expenses | TOTAL |
|---------------------------------------|----------------------|----------------------|----------------------|
| October 1, 2003 to October 31, 2003 | \$ 212,123.25 | \$ 58,031.18 | \$ 270,154.43 |
| November 1, 2003 to November 30, 2003 | 194,146.50 | 24,506.55 | 218,653.05 |
| December 1, 2003 to December 31, 2003 | 21,352.50 | 31,127.88 | 52,480.38 |
| Total Accrued | \$ 427,622.25 | \$ 113,665.61 | \$ 541,287.86 |
| <i>Less 50% Travel Time</i> | <i>(22,461.75)</i> | - | <i>(22,461.75)</i> |
| Total Invoiced | \$ 405,160.50 | \$ 113,665.61 | \$ 518,826.11 |

AP Services, LLC
Summary of Professionals and Fees – Genuity, Inc., et al.
October 1, 2003 through December 2, 2003

| Temporary Employees - Individuals With Executive Officer Positions | | | | | | | |
|---|---------------------------------|-------------|--------------|--------|--------|--------------|----------------------|
| Name of Professional | Description of Function | Hourly Rate | Hours Billed | | | | Total Compensation |
| | | | Oct-03 | Nov-03 | Dec-03 | Total | |
| Brents, Todd B. | Interim Chief Financial Officer | \$ 305.00 | 233.7 | 262.3 | - | 496.0 | \$ 151,280.00 |
| Sub Total | | | | | | 496.0 | \$ 151,280.00 |

| Additional Temporary Staff Employees | | | | | | | |
|---|--|-------------|--------------|--------|--------|----------------|----------------------|
| Name of Professional | Description of Function | Hourly Rate | Hours Billed | | | | Total Compensation |
| | | | Oct-03 | Nov-03 | Dec-03 | Total | |
| Van Slyke, Shelly | Research Pleadings | \$ 60.00 | 3.3 | - | - | 3.3 | \$ 195.00 |
| Peppers, Diane | Research Pleadings | 105.00 | - | 0.3 | - | 0.3 | 31.50 |
| Callaway, Latonya | Claims/Executory Contract Analysis | 105.00 | - | 3.3 | - | 3.3 | 346.50 |
| Ni, Evelyn | Claims/Executory Contract Analysis | 150.00 | 137.0 | 162.4 | 29.4 | 328.8 | 49,320.00 |
| Rydeen, Brenda | Claims/Executory Contract Analysis | 150.00 | 212.6 | 223.4 | 26.3 | 462.3 | 69,345.00 |
| Larin, Kevin L. | Bankruptcy Reporting & Compliance | 215.00 | - | 3.2 | - | 3.2 | 688.00 |
| Bittner, Nancy | Claims Analysis | 260.00 | 1.9 | 0.8 | - | 2.7 | 702.00 |
| Ritter, Daniel D. | International Operations Wind-Down | 260.00 | 161.0 | 133.3 | 28.1 | 322.4 | 83,824.00 |
| Robison, Brent | Claims Analysis | 260.00 | 106.4 | 16.5 | 2.9 | 125.8 | 32,708.00 |
| Sanderson, Adam | Preference Recovery | 260.00 | - | 3.1 | - | 3.1 | 806.00 |
| Riordan, Thomas K. | Purchase Price Dispute Analysis / Expert Witness | 305.00 | 34.7 | - | - | 34.7 | 10,568.25 |
| Monger, Meade | SOFA / Executory Contract and Claims Analysis | 395.00 | 19.3 | 38.6 | 12.5 | 70.4 | 27,808.00 |
| Sub Total | | | | | | 1,353.4 | \$ 275,769.25 |
| GRAND TOTAL | | | | | | 1,849.4 | \$ 427,049.25 |

AP Services, LLC
 Summary of Expenses – Genuity, Inc., et al.
 October 1, 2003 through December 2, 2003

| Expense Categories | October-03 | November-03 | December-03 | TOTAL |
|----------------------------------|---------------------|---------------------|---------------------|----------------------|
| Airfare | \$ 29,189.19 | \$ 9,988.38 | \$ 15,269.55 | \$ 54,447.12 |
| Cab Fare / Ground Transportation | 4,814.73 | 3,285.75 | 590.10 | 8,690.58 |
| Communication Charges - Dallas | - | - | 6.38 | 6.38 |
| Computer Supplies / Support | 173.19 | 45.66 | - | 218.85 |
| Computerized Research | 203.28 | - | - | 203.28 |
| Lodging | 16,109.82 | 7,081.10 | 9,394.93 | 32,585.85 |
| Long Distance Calls | 152.02 | 21.89 | - | 173.91 |
| Meals and Tips | 3,631.22 | 1,385.14 | 3,998.17 | 9,014.53 |
| Other | 345.08 | 21.25 | 245.17 | 611.50 |
| Overnight Mail Charges | 107.57 | - | 12.23 | 119.80 |
| Parking and Tolls | 952.00 | 419.00 | 239.33 | 1,610.33 |
| Rental Cars | 2,353.08 | 2,258.38 | 1,372.02 | 5,983.48 |
| TOTAL | \$ 58,031.18 | \$ 24,506.55 | \$ 31,127.88 | \$ 113,665.61 |

AP Services, LLC
Summary of Services – Genuity, Inc., et al.
October 1, 2003 through December 2, 2003

Estate Management Activities

- Negotiated settlement of commercial claims with Verizon . Amounts claimed by Verizon exceeded \$260 million and amounts due to Genuity from Verizon exceeded \$90 million. Resolve dispute resulting in payment Genuity of \$25.2 million and reduction of Verizon’s unsecured claim \$174 million.
- Negotiated and settled various large vendor disputes including receipts from AOL for \$2.5 million. Resolved cure dispute with Cisco for \$6 million claim payment (\$8 million decrease) and Level 3 for \$35 million Purchase Price Adjustment settlement and \$305K administrative claim.
- Assisted Genuity management and outside counsel in reconciling vendor objections to cure amounts. Prepared settlement analysis and proposed settlement offers to Level 3, Time Warner Telecom and Americas II.
- Assisted Genuity management with review and analysis of 16 real estate rejection lease claims totaling \$17M and proposed objections to reduce by approximately \$5M.
- Worked with Estate team to develop strategy for document retention and system transition to liquidating trust, including establishment of budget and accounting procedures.
- Reviewed and reconciled claims in preparation of fifth omnibus objection, including categorization of claims and establishing review process to determine validity of claim. Objected to 206 claims totaling over \$220 million in the fifth omnibus objection.
- Reviewed and analyzed filed Admin claims from Interim Administrative Bar Date Notice for services provided November 27, 2002 through July 31, 2003. Proposed objections ordered in 5th Omnibus Hearing.
- Updated and performed necessary claims administrative functions including claims transfer requests.
- Compiled and mailed Final Administrative Bar Date Notice and Effective Date Notices to 57,000 parties.
- Coordinated retrieval of Tax ID information from all claimants before making distributions.
- Led Accounts Receivable wind-down activities. Coordinated efforts in areas including litigation matters with LaBoeuf, Morrison Forester and outside collection agencies.

- Made initial distribution on effective date of \$21 million to Class 3 creditors and \$675M to Class 4 creditors, resulting in a net 19.8% recovery to unsecured creditors.

International Activities

- Project management of outside advisors across all of the international entities.
- Managing an exit plan that minimizes the exposure to the Estate and its directors. Provide for continual updates to the UCC.
- Oversaw the accounting at each entity and completed the process of debt forgiveness.
- Implemented strategies with local accountants to find potential tax savings from asset write offs and other asset impairment
- Pooled information from each entity to a centralized liquidation report with timelines assigned to the conversion of non-cash assets and payments of liabilities.
- Project managed the local deregistration of all of the Branch entities and managed the liquidators.
- Placed the Hong Kong, Japan KK, Canada, Mexico, Sweden, Switzerland officially in liquidation eliminating any further Estate action.

CFO Activities

- Participated in development of strategy and quantification of Verizon settlement discussions. Assumed decision making responsibilities as delegated from CEO.
- Attended meetings and working sessions regarding management accounting, audit and tax issues.
- Drafted and reviewed financial statements for August and September 2003 and filed respective Monthly Operating Report and 8K.
- Attended meetings and conference calls with UCC regarding issues surrounding the Plan of Reorganization and Disclosure Statement, budget versus actual financial results, and general wind down activities.
- Communicated with UCC's financial advisor regarding assumption and rejection of executory contracts, employee retention and staffing.
- Provided input and oversight to estate on staffing, HR issues and compensation plan.

- Reviewed and approved cash disbursements. Managed day-to-day activities of receivables, treasury, accounting operations and financial reporting.
- Developed creditor recovery analysis and provided input into development of Plan of Reorganization, Disclosure Statement.
- Developed operating strategy for GLT Liquidating Trust, and established operations, including approval of budget, relocation of office to new facility, establishment of bank accounts, retention of 8 employees, and procurement of office and computer equipment.