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ORIGINAL

Hearing Date: January 21, 2003 at 2:30 p.m.  
Objections Due: January 16, 2003 at 4:30 p.m.

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

In re:	)	Chapter 11
GENUITY INC., et al.	)	Case No. 02-43558 (PCB)
Debtors.	)	Jointly Administered

**NOTICE OF APPLICATION FOR ORDER PURSUANT TO 11 U.S.C. §§ 327(a)  
AND 328(a) AND FED. R. BANKR. P. 2014(a) AUTHORIZING RETENTION OF  
LAZARD FRERES & CO. LLC AS FINANCIAL ADVISORS AND  
INVESTMENT BANKERS FOR DEBTORS-IN-POSSESSION**

PLEASE TAKE NOTICE that on November 27, 2002, Genuity, Inc. ("Genuity") and certain of its subsidiaries, debtors and debtors-in-possession in the above-captioned cases (collectively, the "Debtor"), filed an Application For Order Under 11 U.S.C. 327(a) and 328(a) and Fed R. Bankr. P. 2014(a) Authorizing Retention Of Lazard Freres & Co. LLC ("Lazard") as Financial Advisors And Investment Bankers For Debtors-in-Possession (the "Application").

PLEASE TAKE FURTHER NOTICE that a **final hearing (the "Hearing")** to consider the Application shall be held before the Honorable Prudence C. Beatty, United States Bankruptcy Judge, in Room 701 of the United States Bankruptcy Court, Alexander Hamilton Custom House, One Bowling Green, New York, New York, 10004, on **January 21, 2003 at 2:30 p.m. (New York Time)**, or as soon thereafter as counsel may be heard.

PLEASE TAKE FURTHER NOTICE that **objections, if any, to the Application must be filed and served** in accordance with the Bankruptcy Court's Order Under 11 U.S.C. §§ 102 and 105 and Fed. R. Bankr. P. 2002, 9006 and 9007 Establishing Certain Notice, Case Management and Administrative Procedures, dated December 2, 2002, **no later than January 16, 2003 at 4:30 p.m. (New York Time)** upon: (i) the Debtors, 225 Presidential Way, Woburn, MA 01801, Attn: Ira H. Parker, (ii) Ropes & Gray, Attorneys for Debtors and Debtors in Possession, One International Place, Boston, Massachusetts, Attn: Don S. DeAmicis and 885 Third Avenue, New York, New York 10022, Attn: D. Ross Martin, (iii) the Office of the United States Trustee, 33 Whitehall Street, 21st Floor, New York, New York 10004, Attn: Brian Masumoto, (iv) Kramer Levin Naftalis & Frankel LLP, counsel for the Official Committee of Unsecured Creditors, 919 Third Avenue, New York, New York 10022, Attn: David Feldman, (v) Shearman & Sterling, counsel to JP Morgan Chase Bank, Administrative Agent under the Amended and

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Restated Credit Agreement dated September 24, 2001, 599 Lexington Avenue, New York, New York 10022, Attn: Douglas P. Bartner, (vi) Securities and Exchange Commission, 233 Broadway, Suite 1300, New York, New York 10279, Attn: Bankruptcy Department and Securities and Exchange Commission, 15<sup>th</sup> and Pennsylvania Ave., NW, Washington, DC 20020, Attn: Michael Berman, (vii) Internal Revenue Service, 290 Broadway, New York, New York 10007, Attn: Bankruptcy Department and (viii) all parties having filed a notice of appearance and request for notices under Rule 2002 of the Federal Rules of Bankruptcy Procedure.

PLEASE TAKE FURTHER NOTICE that any objections must be in writing, shall conform to the Federal Rules of Bankruptcy Procedure and Local Rules of the Bankruptcy Court, and shall be filed with the Bankruptcy Court electronically in accordance with General Order M-242 (General Order M-242 and the User's Manual for the Electronic Case Filing System can be found at [www.nysb.uscourts.gov](http://www.nysb.uscourts.gov), the official website for the Bankruptcy Court), by registered users of the Bankruptcy Court's case filing system and, by all other parties in interest, on a 3.5 inch disk, preferably in Portable Document Formant (PDF), WordPerfect or any other Windows-based word processing format (with a hard-copy delivered directly to Chambers).

PLEASE TAKE FURTHER NOTICE that pursuant to the Application, Debtors seek to retain Lazard to:

- a. Review and analyze the Debtor's business, operations and financial projections;
- b. Evaluate the Debtor's potential debt capacity in light of its projected cash flows;
- c. Assist in the determination of a capital structure for the Debtor;
- d. Determine a range of values for the Debtor on a going concern basis;
- e. Advise the Debtor on tactics and strategies for negotiating with the holders of the Existing Obligations (the "Stakeholders");
- f. Render financial advice to the Debtor and participate in meetings or negotiations with the Stakeholders and/or rating agencies or other appropriate parties in connection with any restructuring, modification or refinancing of the Debtor's Existing Obligations;
- g. Advise the Debtor on the timing, nature, and terms of new securities, other consideration or other inducements to be offered pursuant to the Restructuring;
- h. Assist the Debtor in preparing documentation within Lazard's expertise required in connection with the Restructuring;
- i. Advise and attend meetings of the Debtor's Board of Directors and its committees;
- j. Provide testimony, as necessary, in any proceeding before the Bankruptcy Court;
- k. Provide the Debtor with other appropriate general restructuring advice;
- l. Assist the Debtor in the preparation of a liquidation analysis in connection with a proposed Chapter 11 plan of reorganization; and
- m. Assist the Debtor in finding bidders for all or part of the Debtor's business.

PLEASE TAKE FURTHER NOTICE that, if its retention is approved, Lazard will, unless such terms prove to have been improvident in light of developments not capable of being anticipated at the time of the Hearing, be entitled to receive the following compensation:

- a. A monthly fee of \$250,000, payable in advance of each month's service, the first payment of which was due on July 25, 2002, with additional payments to be made on the 25th day of each month after the date of the Engagement Letter until the earlier of the completion of the Restructuring or the termination of Lazard's engagement pursuant to paragraph 10 of the Engagement Letter; and
- b. A cash fee equal to \$9.0 million upon the final consummation of a Restructuring (the "Restructuring Fee"), provided, however, that commencing with the payment due on November 25, 2002, any monthly fees will be credited against any Restructuring Fee, provided, further, that in no event will the Debtor be required to pay the Restructuring Fee more than once.

PLEASE TAKE FURTHER NOTICE that all capitalized terms contained in the foregoing paragraphs are defined in the engagement letter dated July 25, 2002 between the Debtor and Lazard (the "Engagement Letter").

PLEASE TAKE FURTHER NOTICE that if the Application is granted, the Debtor will indemnify Lazard pursuant to an indemnification letter dated July 25, 2002 (the "Indemnification Letter"), except to the extent that any loss, claim, damage, liability or expense is found by a court of competent jurisdiction in a judgment which has become final in that it is no longer subject to appeal or review to have resulted primarily from the self-dealing, breach of fiduciary duty (if any), willful misconduct, bad faith or gross negligence of Lazard.

PLEASE TAKE FURTHER NOTICE that the foregoing summary of certain elements of the retention is not complete and that the full terms of the retention are contained in the Application, the Engagement Letter and the Indemnification Letter, which are available for inspection at the clerk's office for the Bankruptcy Court and on the Bankruptcy Court's Internet site at [www.nysb.uscourts.gov](http://www.nysb.uscourts.gov), through an account obtained from Pacer Service Center web site at [www.pacer.psc.uscourts.gov](http://www.pacer.psc.uscourts.gov). To the extent that the summary of the retention terms set forth in this notice conflict with the terms of the Engagement Letter or the Indemnification Letter, the terms of the Engagement Letter and Indemnification Letter control.

Dated: Boston, Massachusetts  
January 10, 2003

ROPES & GRAY

/s/ D. Ross Martin

William F. McCarthy (WM-1669)  
Don S. DeAmicis (DD-2242)  
D. Ross Martin (DM-2947)

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and

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Attorneys for Genuity Inc., et al.,  
Debtors and Debtors-in-Possession