VERIZON COMMUNICATIONS INC
Form S-4
April 12, 2005
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As filed with the Securities and Exchange Commission on April 12, 2005

Registration No. [ ]

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

Verizon Communications Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**4813**	**23-2259884**
(State or other jurisdiction of incorporation)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification Number)**

1095 Avenue of the Americas

New York, New York 10036

(212) 395-2121
(Address, including Zip Code, and Telephone Number, including Area Code, of Registrant s Principal Executive Offices)

Marianne Drost, Esq.

Senior Vice President, Deputy General Counsel and Corporate Secretary

Verizon Communications Inc.

1095 Avenue of the Americas

New York, New York 10036

(212) 395-2121

(Name, Address, including Zip Code, and Telephone Number, including Area Code, of Agent for Service)

With copies to:

Jeffrey J. Rosen, Esq.	**Anastasia D. Kelly, Esq.**	**Phillip R. Mills, Esq.**
William D. Regner, Esq.	**General Counsel**	**Michael Kaplan, Esq.**
Debevoise & Plimpton LLP	**MCI, Inc.**	**Davis Polk & Wardwell**
919 Third Avenue	**22001 Loudoun County Parkway**	**450 Lexington Avenue**
New York, New York 10022	**Ashburn, Virginia 20147**	**New York, New York 10017**
(212) 909-6000	**(703) 886-5600**	**(212) 450-4000**

Approximate date of commencement of the proposed sale of the securities to the public: As soon as practicable after this Registration Statement becomes effective and at the closing of the merger of MCI, Inc. with and into Eli Acquisition, LLC, a Delaware limited liability company and a direct, wholly owned subsidiary of Verizon Communications Inc. (or at the closing of the alternative merger of a direct and wholly owned subsidiary of Verizon with and into MCI, if either Verizon or MCI fails to receive, from its respective counsel, a tax opinion to the effect that the merger will qualify as a reorganization for tax purposes, or if certain other conditions are not satisfied), sometimes referred to as the merger, as described in the Agreement and Plan of Merger, dated as of February 14, 2005, as amended on March 4, 2005 and March 29, 2005, included as Annex A to the enclosed proxy statement and prospectus forming a part of this Registration Statement.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, 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(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

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CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered (1)	Amount to be Registered (2)	Proposed Maximum Offering Price Per Unit (3)	Proposed Maximum Aggregate Offering Price (4)	Amount of Registration Fee (5)
Common Stock ($0.10 par value)	132,055,620	$ 25.13	$ 8,169,763,000	$ 961,581.11

(1) This Registration Statement relates to shares of common stock of the registrant, par value $0.10 per share, issuable to holders of the common stock, par value $0.01 per share, of MCI, Inc., in connection with the merger.

(2) Represents the maximum number of shares of common stock of the registrant, par value $0.10 per share, estimated to be issued in connection with and upon completion of the merger. The estimated maximum number of shares of the registrant s common stock to be issued is based upon 325,100,000, the estimated number of shares of MCI, Inc. to be cancelled in connection with the merger, multiplied by 0.4062, the floor on the exchange ratio.

(3) Estimated solely for the purpose of calculating the registration fee required by Section 6(b) of the Securities Act, and calculated pursuant to Rules 457(c) and 457(f) under the Securities Act. Pursuant to Rules 457(c) and 457(f) under the Securities Act, the proposed maximum offering price per share of the common stock of the registrant was calculated based on the market value of the shares of common stock of MCI, Inc. (the securities to be cancelled in connection with the merger) in accordance with Rule 457(c) under the Securities Act, determined as the average of the high and low prices per share of MCI, Inc. common stock on April 5, 2005 as reported on The NASDAQ National Market, sometimes referred to as NASDAQ.

(4) Estimated solely for the purpose of calculating the registration fee required by Section 6(b) of the Securities Act, and calculated pursuant to Rules 457(c) and 457(f) under the Securities Act. Pursuant to Rules 457(c) and 457(f) under the Securities Act, the proposed maximum aggregate offering price of the common stock of the registrant was calculated based on the market value of the shares of common stock of MCI, Inc. (the securities to be cancelled in connection with the merger) in accordance with Rule 457(c) under the Securities Act, determined as the product of (A) $25.13, the average of the high and low prices per share of MCI, Inc. common stock on April 5, 2005 as reported on NASDAQ, and (B) 325,100,000, the estimated aggregate number of shares of common stock of MCI, Inc. to be cancelled in connection with the merger described in footnote (2) above.

(5) Calculated by multiplying the proposed maximum aggregate offering price, calculated as described in footnote (4) above, by 0.0001177. The registrant s indirect wholly owned subsidiary, Verizon New York Inc., sometimes referred to as Verizon New York, CIK No. 0000071689, previously paid a filing fee of $478,000 in connection with the registration of $2,000,000,000 of debentures under Registration Statement No. 333-74576 filed on December 5, 2001. $900,000,000 of debentures remain unsold under Registration Statement No. 333-74576. Verizon New York subsequently removed from registration all debentures registered under Registration Statement No. 333-74576 and remaining unsold. $58,093.36 of the remaining $215,100 of the balance was applied by the registrant, as the ultimate parent that owns all of the outstanding voting securities of Verizon New York, toward the payment of the registration fee in respect of 40,000,000 shares of the common stock of the registrant registered on Form S-8 Registration Statement No. 333-123374 filed on March 16, 2005 pursuant to Rule 457(p) promulgated under the Act. As a result, the balance of $157,006.64 is being applied to this filing by the registrant with the Securities and Exchange Commission in accordance with Rule 457(p) promulgated under the Securities Act. In addition, the registrant s indirect wholly owned subsidiary, Verizon New England Inc., sometimes referred to as Verizon New England, CIK No. 0000071344, previously paid a filing fee of $40,450 in connection with the registration of $500,000,000 of debentures under Registration Statement No. 333-106853 filed on July 7, 2003. $220,000,000 of debentures remain unsold under Registration Statement No. 333-106853. Verizon New England subsequently removed from registration all debentures registered under Registration Statement No. 333-106853 and remaining unsold. The remaining $17,798 of the balance is being applied by the registrant, as the parent that owns of all of the outstanding voting securities of Verizon New England, toward the payment of the registration fee in respect of the common stock registered hereunder pursuant to Rule 457(p) promulgated under the Securities Act. After the application of these offsetting balances, we will pay a registration fee of $786,776.47.

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, AS AMENDED, OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATES AS THE SECURITIES AND EXCHANGE

COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

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The information in this proxy statement and prospectus is not complete and may be changed. The securities being offered by the use of this proxy statement and prospectus may not be issued until the registration statement filed with the Securities and Exchange Commission, of which this proxy statement and prospectus is a part, is declared effective. This proxy statement and prospectus is not an offer to sell these securities nor a solicitation of any offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION DATED APRIL 12, 2005

SPECIAL MEETING OF STOCKHOLDERS OF MCI, INC.

April [   ], 2005

Dear MCI Stockholder:

It is a pleasure to invite you to the special meeting of stockholders of MCI, Inc., on [   ], 2005, beginning at [   ] local time.

At the meeting, you will be asked to adopt the Agreement and Plan of Merger, dated as of February 14, 2005, among Verizon, Eli Acquisition LLC and MCI, as amended as of March 4, 2005 and March 29, 2005, and as it may be amended from time to time, sometimes referred to collectively as the merger agreement, and approve the merger. In the merger, MCI will merge with and into a wholly owned subsidiary of Verizon (or, in certain situations, as provided in the merger agreement, a wholly owned subsidiary of Verizon will merge with and into MCI) and will become a wholly owned subsidiary of Verizon. MCI and Verizon believe that the merger will create a strong, U.S.-based globally competitive Internet protocol, sometimes referred to as IP, communications network and services provider, positioned to put an American company in a leadership role in the globalization and expansion of advanced IP communications and services.

Upon closing of the merger, each share of MCI common stock you hold will be converted into the right to receive a combination of (i) $2.75 in cash and (ii) shares of Verizon common stock. The number of shares of Verizon common stock you will receive for each share of MCI common stock you hold will be equal to the greater of the following exchange ratio: (a) 0.4062 and (b) the quotient obtained by dividing $14.75 by the volume weighted average of the closing prices of Verizon common stock, as these prices are reported on the NYSE Composite Transactions Tape, for each of the 20 trading days ending on the third trading day immediately preceding the closing of the merger. This volume weighted average of the closing prices is sometimes referred to as the Verizon average stock price. If the exchange ratio is greater than 0.4062, Verizon has the right to reduce the exchange ratio to an amount no less than 0.4062 and increase the per share cash amount by an amount equal to the product of (x) the amount by which Verizon has reduced the exchange ratio and (y) the Verizon average stock price. The consideration you will receive is subject to a potential downward purchase price adjustment for certain liabilities, which liabilities include certain MCI bankruptcy claims, including state tax claims, and certain international tax liabilities. The merger agreement also provides for the distribution by MCI, after MCI stockholder approval of the merger and prior to the closing of the merger, of a special cash dividend to MCI stockholders in the amount of up to $5.60 per share, in addition to the $0.40 per share dividend paid by MCI on March 15, 2005, and less the per share amount of any dividend declared by MCI between February 14, 2005 and the closing of the merger. If less than the full amount of the special cash dividend is paid, the remainder, without interest, will be added to the $2.75 cash payment you will receive in connection with the merger. Based on the closing price of $36.31 per share of Verizon common stock on the New York Stock Exchange, sometimes referred to as the NYSE, on February 11, 2005, the last trading day before the public announcement of the merger, the 0.4062 exchange ratio, taken together with the $2.75 in cash and the $5.60 special cash dividend (but excluding the $0.40 per share dividend paid by MCI on March 15, 2005), represents total payments of approximately $23.10 per MCI share. This value may be greater at the closing of the merger if the Verizon average stock price exceeds $36.31 per share.

After careful consideration, MCI s board of directors has unanimously adopted the merger agreement, declared that the merger and the other transactions contemplated by the merger agreement, including the special cash dividend, are advisable and unanimously recommends that you vote FOR the adoption of the merger agreement and approval of the merger and FOR authorizing MCI s board of directors to act in their discretion with respect to any other business as may properly come before the special meeting or any adjournments of the special meeting.

The accompanying document describes the special meeting of MCI stockholders, the merger, the documents related to the merger and other related matters. **Please read this entire document carefully,**

including the section discussing risk factors beginning on page 20 for a discussion of the risks related to the merger. You can also obtain information about MCI and Verizon from documents that each company has filed with the SEC.

Your vote is very important. Whether or not you expect to attend the meeting, please vote as soon as possible to ensure that your shares are represented at the meeting. Registered stockholders and many broker-managed stockholders can vote their shares by using a toll-free telephone number or the Internet. Instructions for using these convenient services are provided on the proxy card. Of course, you may still vote your shares by marking your votes on the proxy card, signing and dating it and mailing it in the envelope provided. If you sign and return your proxy card without specifying your choices, it will be understood that you wish to have your shares voted in accordance with the directors recommendations.

I look forward to seeing you on [ ] in [ ].

Sincerely,

Michael D. Capellas

Chief Executive Officer

MCI, Inc.

MCI common stock is quoted on NASDAQ under the symbol MCIP. Verizon common stock is quoted on the NYSE under the symbol VZ.

Neither the SEC nor any state securities commission has approved or disapproved of the merger described in this proxy statement and prospectus or the securities to be issued pursuant to the merger under this proxy statement and prospectus or determined that this proxy statement and prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.

This proxy statement and prospectus is dated [ ], 2005, and is expected to be first mailed to MCI stockholders on or about [ ], 2005.

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MCI, INC.

22001 Loudoun County Parkway

Ashburn, Virginia 20147

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

To Be Held On [ ], 2005

To the Stockholders of MCI, Inc.:

NOTICE IS HEREBY GIVEN that the special meeting of stockholders of MCI, Inc., a Delaware corporation, will be held at [ ] on [ ], 2005, at [ ], Eastern Daylight Time, to consider and vote upon the proposal to adopt the Agreement and Plan of Merger, dated as of February 14, 2005, among Verizon Communications Inc., Eli Acquisition, LLC and MCI, Inc., as amended as of March 4, 2005 and March 29, 2005, and as it may be amended from time to time, and to approve the merger contemplated by the merger agreement.

MCI s board of directors unanimously recommends that you vote **FOR** the adoption of the merger agreement and approval of the merger and **FOR** authorizing MCI s board of directors to act in its discretion with respect to any other business as may properly come before the special meeting or any adjournments of the special meeting.

We have fixed the close of business on [ ], 2005 as the record date for the special meeting of MCI stockholders. Only holders of record of our common stock on that date will be entitled to notice of and to vote at the special meeting of MCI stockholders or any postponement or adjournment of the special meeting of MCI stockholders.

The accompanying document describes the proposed merger in more detail. We encourage you to read the entire document carefully, including the merger agreement which is included as Annex A to the document.

Whether or not you expect to attend the special meeting of MCI stockholders, to ensure that your shares are represented at the special meeting of MCI stockholders, please complete, date, sign and return the enclosed proxy card in the envelope that has been provided or vote your shares by using a touch-tone telephone or through the Internet, as explained in the proxy voting instructions attached to the proxy card. No postage is required for mailing in the United States. Voting by mail, by telephone or through the Internet will not prevent you from voting in person at the meeting. If you are able to attend the meeting, you may revoke your proxy and vote your shares in person even if you have previously completed and returned the enclosed proxy card or voted by telephone or through the Internet. Thank you for acting promptly.

Michael D. Capellas

Chief Executive Officer

[ ], 2005

Ashburn, Virginia

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THIS PROXY STATEMENT AND PROSPECTUS INCORPORATES ADDITIONAL INFORMATION

This proxy statement and prospectus incorporates important business and financial information about Verizon Communications Inc., sometimes referred to as Verizon, and MCI, Inc., sometimes referred to as MCI, from documents that are not included in or delivered with this proxy statement and prospectus. This information is available to you without charge upon request. You can obtain the documents incorporated by reference in this proxy statement and prospectus by requesting them in writing or by telephone from the appropriate company at the following addresses and telephone numbers:

Verizon Communications Inc. 1095 Avenue of the Americas	**MCI, Inc.** 22001 Loudoun County Parkway
New York, New York 10036	Ashburn, Virginia 20147
Attention: Investor Relations	Attention: Investor Relations
Telephone: (212) 395-2121	Telephone: (703) 886-5600

Investors may also consult Verizon s or MCI s respective Web sites for more information concerning the merger described in this proxy statement and prospectus, which is sometimes referred to as the merger. Verizon s Web site is www.verizon.com. MCI s Web site is www.mci.com. Information included on either Web site is not incorporated by reference in this proxy statement and prospectus.

Please note that copies of the documents to be provided to you will not include exhibits, unless the exhibits are specifically incorporated by reference into the documents or into this proxy statement and prospectus.

PLEASE CONTACT VERIZON OR MCI, AS APPLICABLE, NO LATER THAN [ ], 2005 IN ORDER TO RECEIVE TIMELY DELIVERY OF THE DOCUMENTS BEFORE THE SPECIAL MEETING OF MCI STOCKHOLDERS.

Also see Where You Can Find More Information beginning on page 114.

ABOUT THIS PROXY STATEMENT AND PROSPECTUS

This document, which forms part of a registration statement on Form S-4 filed with the SEC by Verizon, constitutes a prospectus of Verizon under Section 5 of the Securities Act of 1933, as amended, which is sometimes referred to as the Securities Act, with respect to the shares of Verizon common stock to be issued to MCI stockholders in connection with the merger. This document also constitutes a proxy statement under Section 14(a) of the Securities Exchange Act of 1934, as amended, which is sometimes referred to as the Exchange Act, and the rules thereunder, and a notice of meeting with respect to the special meeting of stockholders of MCI, Inc. to consider and vote upon the proposal to adopt the merger agreement and approve the merger.

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QUESTIONS AND ANSWERS FOR MCI STOCKHOLDERS ABOUT THE MERGER AND THE APPROVAL OF THE MERGER

Q: Why are the companies proposing the merger?

A. We believe that the merger will capitalize on the complementary strengths of the two companies and will create one of the world s leading providers of communication services, including local, nationwide and international long-distance voice, data and advanced IP communication services, wireless services, and value-added services and solutions for residential consumers, businesses and governmental entities. For a discussion of our reasons for the merger, we urge you to read the information under The Merger Verizon s Reasons for the Merger beginning on page 44 of this proxy statement and prospectus and The Merger MCI s Reasons for the Merger, beginning on page 47 of this proxy statement and prospectus.

We also believe that operating the businesses of MCI with Verizon will create greater value for each company s stockholders than would be achieved if the merger did not occur.

Q: What will I receive in the merger and when will I receive it?

A: Upon closing of the merger, each share of MCI common stock you hold will be converted into the right to receive a combination of (i) $2.75 in cash and (ii) shares of Verizon common stock. The number of shares of Verizon common stock you will have the right to receive for each share of MCI common stock you hold will be equal to the greater of the following exchange ratio: (a) 0.4062 and (b) the quotient obtained by dividing $14.75 by the Verizon average stock price. If the exchange ratio is greater than 0.4062, Verizon has the right to reduce the exchange ratio to an amount no less than 0.4062 and increase the per share cash amount by an amount equal to the product of (x) the amount by which Verizon has reduced the exchange ratio and (y) the Verizon average stock price. The consideration you will receive is subject to a potential downward purchase price adjustment for certain liabilities, which liabilities include certain MCI bankruptcy claims, including state tax claims, and certain international tax liabilities. For more detailed discussion of the timing of the closing of the merger, please refer to the question entitled When do you expect the merger to close? The merger agreement also provides for the distribution by MCI, after MCI stockholder approval of the merger and prior to the closing of the merger, of a special cash dividend to MCI stockholders in the amount of up to $5.60 per share and less the per share amount of any dividend declared by MCI between February 14, 2005 and the closing of the merger. If less than the full amount of the special cash dividend is paid, the remainder, without interest, will be added to the $2.75 cash payment you will receive in connection with the merger. Based on the closing price of $36.31 per share of Verizon common stock on the NYSE on February 11, 2005, the last trading day before the public announcement of the merger, the 0.4062 exchange ratio, taken together with the $2.75 in cash and the $5.60 special cash dividend, represents total payments of approximately $23.10 per MCI share. This value may be greater at the closing of the merger if the Verizon average stock price exceeds $36.31 per share.

Q: When is the special meeting of MCI stockholders?

A: The special meeting of MCI stockholders will take place on [ ], 2005, at the time and location specified on the cover page of this proxy statement and prospectus.

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Q: What do I need to do now?

A: After you have carefully read this entire proxy statement and prospectus, please vote your shares of MCI common stock. You may do this either by completing, signing, dating and mailing the enclosed proxy card or by submitting your proxy by telephone or through the Internet, as explained in the voting instructions attached to your proxy card. This will enable your shares of MCI common stock to be represented and voted at the special meeting of MCI stockholders. If you submit a valid proxy and do not indicate how you want to vote, we will vote your shares of MCI common stock in accordance with the unanimous recommendation of MCI s board of directors and in favor of the proposal to adopt the merger agreement and approve the merger.

MCI s board of directors unanimously recommends that MCI stockholders vote FOR the adoption of the merger agreement and approval of the merger and FOR authorizing MCI s board of directors to act in their discretion with respect to any other business as may properly come before the special meeting or adjournments of the special meeting.

Q: What constitutes a quorum at the special meeting of MCI stockholders?

A: The presence of the holders of record of a majority of the issued and outstanding shares of MCI common stock entitled to vote at the special meeting of MCI stockholders constitutes a quorum. Stockholders may be present in person or by proxy. You will be considered part of the quorum if you return a signed and dated proxy card, if you vote by telephone or the Internet, or if you vote in person at the special meeting of MCI stockholders.

Shares of MCI common stock voted by a bank or broker holding shares of MCI common stock for a beneficial owner and abstentions are counted as present and entitled to vote only for purposes of determining a quorum.

Q: What stockholder vote is required?

A: MCI stockholders are being asked to adopt the merger agreement and approve the merger. The approval of this proposal, and therefore the closing of the merger, requires the affirmative vote of the holders of a majority of the outstanding shares of MCI common stock.

Q: What is the effect of not voting?

A: If you do not return your proxy card, submit your proxy by telephone or through the Internet or vote in person at the special meeting of MCI stockholders, it will be more difficult for MCI to obtain the necessary quorum to hold the special meeting of MCI stockholders.

Your failure to vote or your abstention from voting will have the same effect as a vote against the adoption of the merger agreement and the approval of the merger. Brokers holding shares of MCI common stock as nominees who do not receive instructions from the beneficial owners of those shares of MCI common stock will not have discretionary authority to vote those shares of MCI common stock. Therefore, your failure to provide voting instructions to your broker will also have the same effect as a vote against the adoption of the merger agreement and approval of the merger.

Q: If my shares of MCI common stock are held in street name by my broker, will my broker automatically vote my shares of MCI common stock for me?

A: No. Your broker will vote your shares of MCI common stock only if you provide voting instructions to your broker. You should instruct your broker on how to vote your shares of MCI common stock by following the voting instructions your broker provides you. Please check the voting information form used by your broker to see if it offers telephone or Internet voting.

Q: What if I fail to instruct my broker?

A: A broker non-vote will be counted towards a quorum at the special meeting of MCI stockholders, but will have the same effect as a vote against the proposal to adopt the merger agreement and approve the merger.

Q: Can I attend the special meeting of MCI stockholders and vote my shares of MCI common stock in person?

A: All MCI stockholders are invited to attend the special meeting of MCI stockholders. However, only MCI stockholders of record as of [ ], 2005 will be entitled to vote in person at the special meeting of MCI stockholders. If a bank, broker or other nominee holds your shares of MCI common stock, then you are not the stockholder of record and you must ask your bank, broker or other nominee how you can vote in person at the special meeting of MCI stockholders. If your shares of MCI common stock are not held in the name of a bank, broker or other nominee, your admission ticket is the left side of your voting information form.

Q: Can I change my vote after I have submitted my proxy card or submitted my proxy by telephone or through the Internet?

A: Yes. If you are a record holder, you can change your proxy instructions after you have submitted your proxy card, or submitted your proxy by telephone or through the Internet, at any time before your proxy is exercised at the special meeting of MCI stockholders, by:

- submitting a written notice prior to the special meeting of MCI stockholders revoking your proxy to the corporate secretary of MCI;
- submitting a new proxy card with a later date, or submitting a new proxy by telephone or through the Internet; or
- attending the special meeting of MCI stockholders and voting in person.

For more detailed procedures on revoking a proxy, see the description under The Special Meeting of MCI Stockholders Proxies beginning on page 99.

If you own your shares of MCI common stock through a broker, you must follow the directions you receive from your broker in order to change or revoke your vote.

Q: Should I send in my stock certificates now?

A: No. You should not send in your stock certificates at this time. MCI stockholders who hold their shares of MCI common stock in certificated form will need to exchange their MCI stock certificates for the cash and Verizon common stock provided for in the merger agreement after we complete the merger. We will send MCI stockholders instructions for exchanging MCI stock certificates at that time. MCI stockholders who hold their shares in the name of a broker or nominee will receive instructions for exchanging their shares of MCI common stock after we complete the merger.

Q: When do you expect the merger of MCI by Verizon to close?

A: We expect that the merger of MCI by Verizon will close during the first half of 2006. However, we cannot assure you when or if the merger will be completed. We must first obtain the necessary approval of the MCI stockholders at the special meeting of MCI stockholders and all necessary regulatory approvals.

Q: Whom should I call with questions?

A: MCI stockholders with any questions about the merger should call MacKenzie Partners, Inc., MCI s proxy solicitors, toll-free at (800) 322-2885 or the MCI stockholder investor relations department at (866) 642-0211.

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SUMMARY

This summary highlights selected information contained elsewhere in this proxy statement and prospectus and may not contain all of the information about the merger that is important to you. We urge you to read carefully the entire proxy statement and prospectus, including the attached annexes and the other documents to which we refer, in order to understand fully the merger and the related transactions. See also Where You Can Find More Information beginning on page 114. Where applicable, we have included page references to direct you to a more complete description of the topics presented in this summary.

The Companies

Verizon

Verizon Communications Inc.

1095 Avenue of the Americas

New York, New York 10036

Telephone: (212) 395-2121

www.verizon.com

Verizon is one of the world s leading providers of communications services. Verizon s domestic wireline telecommunications business provides local telephone services, including broadband, in 29 states and Washington, D.C. and nationwide long distance and other communications products and services. The domestic wireline consumer business generally provides local, broadband and long distance services to customers. Verizon s domestic wireline business also provides a variety of services to other telecommunications carriers as well as large and small businesses. Verizon s domestic wireless business provides wireless voice and data products and services across the United States using one of the most extensive wireless networks. Information Services operates directory publishing businesses and provides electronic commerce services. Verizon s international presence extends primarily to the Americas. Verizon also maintains investments in Europe. As of December 31, 2004, Verizon employed more than 210,000 people.

MCI

MCI, Inc.

22001 Loudoun County Parkway

Ashburn, Virginia 20147

Telephone: (703) 886-5600

www.mci.com

MCI is one of the world s leading global communication companies, providing a broad range of services in over 200 countries on six continents. Each day, MCI provides Internet, data and voice communication services for thousands of businesses and government entities throughout the world and millions of consumers in the United States. MCI owns and operates one of the most extensive communications networks in the world, comprising approximately 100,000 route miles of network connections linking metropolitan centers and various regions across North America, Europe, Asia, Latin America, the Middle East, Africa and Australia. In addition to transporting customer traffic over its network, MCI provides value-added services that make communications more secure, reliable and efficient and MCI provides managed network services for customers that outsource all or portions of their communications and information processing operations. As of December 31, 2004, MCI had approximately 40,000 full and part-time employees.

The Special Meeting of MCI Stockholders (See page 99)

Meeting. The special meeting of MCI stockholders will be held on [ ], 2005, at [ ] a.m., Eastern Daylight Time, at [ ]. At the special meeting of MCI stockholders, MCI stockholders will be asked to vote on the adoption of the merger agreement and approval of the merger.

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Record Date. MCI has fixed the close of business on [ ], 2005 as the record date for determining the MCI stockholders entitled to receive notice of and to vote at the special meeting of MCI stockholders. Only holders of record of MCI common stock on the record date are entitled to receive notice of and to vote at the special meeting of MCI stockholders. Each share of MCI common stock is entitled to one vote.

Required Vote. The adoption of the merger agreement and approval of the merger, and therefore the closing of the merger, requires the affirmative vote of the holders of a majority of the outstanding shares of MCI common stock. The failure of an MCI stockholder to vote, an abstention or a broker non-vote with respect to the proposal to adopt the merger agreement and approve the merger will have the same effect as a vote against the adoption of the merger agreement and approval of the merger.

As of the MCI record date, directors and executive officers of MCI and their affiliates beneficially owned [ ] shares of MCI common stock, or approximately [ ] percent of the outstanding shares of MCI common stock entitled to vote at the special meeting of MCI stockholders. At that date, directors and executive officers of Verizon and their affiliates, including Verizon, beneficially owned [ ] shares of MCI common stock, or approximately [ ] percent of the outstanding shares of MCI common stock entitled to vote at the special meeting of MCI stockholders. On April 9, 2005, Verizon entered into a stock purchase agreement with certain of MCI s stockholders to purchase approximately 43.4 million shares of MCI common stock. Verizon intends to vote these shares (and any other shares of MCI common stock that it acquires and beneficially owns) in favor of the adoption of the merger agreement and the approval of the merger. The directors and executive officers of MCI have informed MCI that they intend to vote their shares of MCI common stock in favor of the adoption of the merger agreement and approval of the merger.

The Merger (See page 27)

A copy of the merger agreement is attached as Annex A to this proxy statement and prospectus. Verizon and MCI encourage you to read the entire merger agreement carefully because it is the governing document for the merger.

Structure of the Merger (See page 74)

Under the merger agreement, MCI will merge with and into Eli Acquisition, LLC, sometimes referred to as Eli Acquisition, a direct, wholly owned subsidiary of Verizon. Eli Acquisition will continue as the surviving entity and will be renamed MCI, LLC. Verizon and MCI have agreed that if their respective legal advisors are unable to deliver their opinions regarding the treatment of the merger as a reorganization for tax purposes or if certain other conditions are not satisfied, the merger will be completed by causing a Delaware corporation wholly owned by Verizon to merge with and into MCI, with MCI continuing as the surviving corporation. This structure is sometimes referred to as the alternative merger.

Merger Consideration and Conversion of MCI Common Stock (See page 74)

The merger agreement provides that, upon the closing of the merger, each share of MCI common stock issued and outstanding immediately prior to the closing of the merger, will be converted into the right to receive (i) a number of shares of Verizon common stock equal to the greater of (a) 0.4062 and (b) the quotient obtained by dividing $14.75 by the volume weighted average of the closing prices of Verizon common stock, as these prices are reported on the NYSE Composite Transactions Tape, for each of the 20 trading days ending on the

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third trading day immediately preceding the closing of the merger and (ii) $2.75 in cash. For example, if Verizon s stock price is above $36.31, then at the closing of the merger, the value of the Verizon common stock exchanged in the merger for MCI common stock will be above $14.75 per share. As a result, the value of the Verizon common stock is protected from falling below $14.75, but is not prevented from appreciating above $14.75. If less than the full amount of the special cash dividend is paid, the remainder, without interest, will be added to the $2.75 cash payment. The resulting cash payment is sometimes referred to as the per share cash amount. The merger consideration is subject to a potential downward purchase price adjustment for certain liabilities, which liabilities include certain MCI bankruptcy claims, including state tax claims, and certain international tax liabilities. See The Merger Agreement Potential Downward Purchase Price Adjustment for Specified Liabilities beginning on page 75.

Potential Downward Purchase Price Adjustment for Specified Liabilities (See page 75)

The aggregate consideration that MCI stockholders will receive in connection with the merger will be reduced if the estimated remaining liabilities at closing for certain MCI bankruptcy claims, including state tax claims, and certain international tax liabilities, together with the amount of cash actually spent by MCI from and after January 1, 2005, through the closing of the merger to satisfy these liabilities, exceed $1.775 billion in the aggregate. Prior to the anticipated closing of the merger, Verizon and MCI will attempt to reach agreement on an estimate of the remaining unpaid liabilities. If Verizon and MCI are unable to reach agreement, an estimate will be developed through a valuation process specified in the merger agreement.

If the aggregate amount of the paid liabilities and the remaining unpaid liabilities described above, which are sometimes referred to as the specified liabilities amount, is $1.775 billion or less, no adjustment will be made to the merger consideration. If the aggregate specified liabilities amount exceeds $1.775 billion, the per share cash amount will be reduced by an amount equal to the per share equivalent of the excess over $1.775 billion.

If the resulting downward adjustment exceeds the per share cash amount, the cash payment will be eliminated and the exchange ratio will be adjusted downward by multiplying the exchange ratio by a fraction, the numerator of which is the aggregate base merger consideration ($14.75 multiplied by the number of shares of MCI common stock outstanding immediately prior to the closing of the merger, including any unissued shares of MCI common stock reserved for issuance under the Debtors Modified Second Amended Joint Plan of Reorganization, dated October 21, 2003 and as confirmed on October 31, 2003, by order of the United States Bankruptcy Court for the Southern District of New York, sometimes referred to as the MCI bankruptcy plan, but excluding any shares of MCI common stock held by Verizon, MCI, Eli Acquisition or any of their respective subsidiaries), *minus* the product of (i) the amount by which the resulting downward adjustment exceeds the per share cash amount and (ii) the number of shares of MCI common stock outstanding immediately prior to the closing of the merger, including any unissued shares of MCI common stock reserved for issuance under the MCI bankruptcy plan, but excluding any shares of MCI common stock held by Verizon, MCI, Eli Acquisition or any of their respective subsidiaries and any shares of MCI common stock as to which the holder has exercised appraisal rights and the denominator of which is the aggregate base merger consideration.

Special Cash Dividend (See page 84)

Verizon and MCI have agreed that, as soon as practicable after the MCI stockholders adopt the merger agreement and approve the merger, and prior to the closing of the merger, MCI s board of directors will, except to the extent prohibited by applicable law or covenants in certain existing indentures, declare and pay a special cash dividend equal to all its remaining excess cash (as described below) in an amount up to $5.60 per share,

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less the per share amount of any dividend declared by MCI between February 14, 2005 and the closing of the merger, not including the $0.40 per share dividend declared by MCI on February 11, 2005. This dividend is sometimes referred to as the special cash dividend. The MCI bankruptcy plan required MCI to determine the amount of excess cash it had upon emergence from bankruptcy and then utilize such cash in accordance with MCI s board of directors best business judgment to maximize stockholder value. MCI s board of directors previously determined that MCI s excess cash was equal to $2.2 billion, a portion of which has previously been used to pay three $0.40 per share quarterly dividends. Under the merger agreement, MCI has agreed not to pay regular quarterly dividends of $0.40 after the date on which the special cash dividend is paid. See The Merger Senior Notes beginning on page 65 for a more detailed discussion of the restrictions under the Senior Notes affecting the ability of MCI to pay dividends.

No Solicitation by MCI (See page 81)

Subject to specified legal and fiduciary exceptions, the merger agreement provides that neither MCI nor any of its subsidiaries will directly or indirectly:

- initiate or solicit or knowingly facilitate or encourage any inquiry or the making of any proposal, sometimes referred to as a takeover proposal, with respect to:
  - a merger, consolidation or similar transaction involving MCI or any of MCI s subsidiaries representing an amount equal to or greater than 15% of MCI s consolidated assets in which a third party will own more than 15% of MCI s outstanding capital stock immediately following the merger; or
  - any acquisition by a third party of 15% or more of any class of capital stock of MCI or of 15% or more of the consolidated assets of MCI and MCI s subsidiaries.
- enter into any letter of intent, memorandum of understanding, merger agreement or other understanding relating to any takeover proposal; or
- participate in any discussions or negotiations regarding, furnish to any person any information or data with respect to, or otherwise cooperate with or take any other action to facilitate any proposal that constitutes a takeover proposal or requires MCI to abandon, terminate or fail to consummate the merger or any other transactions contemplated by the merger agreement.

On March 31, 2005, Verizon and MCI entered into a letter agreement pursuant to which the parties agreed that, until the date of the special MCI stockholder meeting, MCI may engage in discussions with Qwest Communications International Inc, sometimes referred to as Qwest, regarding any proposal of Qwest to acquire MCI and that these discussions will not be deemed to violate the no solicitation provisions of the merger agreement. In order to engage in these discussions with parties other than Qwest, the no solicitation provisions of the merger agreement would require a finding that the failure to engage in discussions could reasonably be expected to result in a breach of MCI s board of directors fiduciary duties to the MCI stockholders and that the third party proposal could reasonably be expected to lead to a superior proposal that would be, among other things, more favorable to the stockholders of MCI than the merger and the special cash dividend and is reasonably capable of being consummated.

Changes in MCI s Recommendation (See page 82)

MCI s board of directors may change its recommendation to its stockholders in favor of the adoption of the merger agreement and approval of the merger in response to certain superior proposals or intervening events if MCI s board of directors determines in good faith, after consultation with its outside legal and financial advisors, that the failure to do so would be reasonably expected to result in a breach of its fiduciary duties to the MCI stockholders.

To effect a change in its recommendation, MCI s board of directors must provide prior written notice to Verizon. Verizon will then have five business days (or, if later, three business days after a material modification of a takeover proposal) to make a proposal that is at least as favorable to the MCI stockholders as the superior proposal or obviates the need for a change in its recommendation as a result of the intervening event, during which period MCI will negotiate in good faith with Verizon.

If MCI s board of directors changes, withdraws, modifies or qualifies its recommendation of the merger to MCI stockholders, Verizon has the option to request MCI to cause a stockholder meeting to be held to consider the adoption of the merger agreement and the approval of the merger. If Verizon exercises this option, Verizon will not be entitled to terminate the merger agreement as a result of the changed recommendation. If Verizon fails to exercise this option, MCI may terminate the merger agreement provided that MCI pays the $240 million termination fee to Verizon prior to termination and reimburses Verizon for up to $10 million in expenses. See The Merger Agreement Termination of the Merger Agreement beginning on page 87 for a more detailed discussion of the termination of the merger agreement.

Conditions to the Closing of the Merger (See page 85)

The obligations of Verizon and MCI to close the merger are subject to the satisfaction or waiver of the following conditions:

- the affirmative vote of the holders of a majority of the shares of MCI common stock to adopt the merger agreement and approve the merger;
- the authorization for listing on the NYSE of the shares of Verizon common stock to be issued in connection with the merger;
- the receipt of regulatory approvals, including those required under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, sometimes referred to as the HSR Act, from the Federal Communications Commission, sometimes referred to as the FCC, and from those state public utility commissions that have jurisdiction over the merger;
- the absence of any legally enforceable requirement and the absence of any order, injunction or similar action taken by a court or other governmental entity that makes the merger illegal or otherwise prohibits the closing of the merger, except by governmental entities outside the United States, the effect of which would not reasonably be expected to be material to Verizon or would not provide a reasonable basis to conclude that Verizon, MCI or their respective directors or officers would be subject to the risk of criminal liability;
- the declaration by the SEC that the registration statement of which this proxy statement and prospectus forms a part is effective and the absence of any stop order by the SEC suspending the effectiveness of the registration statement or any proceedings for that purpose; and
- the determination of the potential downward purchase price adjustment, if any, for specified liabilities.

Verizon s obligation to close the merger is also conditioned on the satisfaction or waiver of the following conditions:

MCI s representations and warranties being true and correct as of February 14, 2005 and as of the date of the closing of the merger (subject to customary exceptions);

MCI s performance in all material respects of all agreements and covenants required to be performed by MCI under the merger agreement;

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the absence of any litigation by a U.S. governmental entity, that has a reasonable likelihood of success, (i) challenging the merger, or seeking damages (in an amount material in relation to MCI and its subsidiaries taken together) from Verizon, MCI or Eli Acquisition, (ii) seeking to prohibit or limit the ownership or operation by Verizon or MCI or any of their subsidiaries of any material portion of the business or assets of Verizon, MCI or their respective subsidiaries or to compel Verizon, MCI or any of their subsidiaries to dispose of, or hold separate, any material portion of the business or assets of Verizon, MCI or any of their respective subsidiaries, (iii) seeking to limit Verizon s ability to acquire or hold or exercise full rights of ownership of MCI common stock, or (iv) seeking to prohibit Verizon or any of its subsidiaries from effectively controlling in any material respect the business or operations of MCI and its subsidiaries;

the receipt of an order from the United States Bankruptcy Court for the Southern District of New York, sometimes referred to as the bankruptcy court, providing that Verizon may issue shares of Verizon common stock in lieu of shares of MCI common stock to which certain general unsecured creditors would have been entitled in satisfaction of their claims pursuant to the MCI bankruptcy plan;

the receipt of an order from the United States District Court for the Southern District of New York providing that, among other things, the oversight of the corporate monitor is no longer required and that neither Verizon nor any of its subsidiaries, including MCI, LLC, will be subject to the corporate governance principles and processes developed by the corporate monitor, to which MCI and its predecessor company were subject;

the absence of any change or development, with certain exceptions, since February 14, 2005, that has had or would have a material adverse effect on MCI; and

the receipt of the required regulatory approvals not causing or being reasonably expected to cause, individually or in the aggregate, a material adverse effect on Verizon or MCI (with Verizon measured for these purposes as if Verizon and its subsidiaries were a consolidated entity equal in size to MCI and its subsidiaries).

MCI s obligation to close the merger is also conditioned on the satisfaction or waiver of the following conditions:

Verizon s representations and warranties being true and correct as of February 14, 2005, and as of the date of the closing of the merger (subject to customary exceptions);

Verizon s performance in all material respects of all agreements and covenants required to be performed by Verizon under the merger agreement; and

the absence of any change or development, with certain exceptions, since February 14, 2005 that has had or would have a material adverse effect on Verizon.

In addition, the parties obligations to close the merger pursuant to the currently contemplated structure (a merger of MCI with and into Eli Acquisition) is also conditioned on the satisfaction or waiver of the following condition:

each of Verizon and MCI has received the opinion of its respective counsel that the merger will be treated for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended from time to time, sometimes referred to as the Code, and that Verizon and MCI will each be a party to that reorganization within the meaning of Section 368(b) of the Code.

If the parties respective advisors are unable to deliver their opinions regarding the treatment of the merger as a reorganization for tax purposes or if certain other conditions are not satisfied, the transaction will be

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completed as the alternative merger by causing a Delaware corporation wholly owned by Verizon to merge with and into MCI, with MCI continuing as the surviving corporation.

Termination of the Merger Agreement (See page 87)

Verizon and MCI can jointly agree to terminate the merger agreement at any time. Either party may also terminate the merger agreement if the merger is not completed by February 14, 2006. However, either party has the right to extend that date for up to an aggregate of 180 days to obtain certain regulatory approvals and further for up to an aggregate of 120 days to resolve disputes relating to the estimated liability for certain MCI bankruptcy claims, including state tax claims, and certain international tax liabilities. Either party may terminate the agreement under other circumstances described in this proxy statement and prospectus. The merger agreement provides that if Verizon or MCI terminates the agreement under certain circumstances, MCI is required to pay Verizon a termination fee in the amount of $240 million and may be required to reimburse Verizon for up to $10 million in expenses.

Reasons for the Merger (See page 44)

The factors considered by Verizon s board of directors in reaching its decision to adopt the merger agreement and approve the merger are described in The Merger Verizon s Reasons for the Merger, beginning on page 44. The factors considered by MCI s board of directors in reaching its decision to adopt the merger agreement and approve the merger are described in The Merger MCI s Reasons for the Merger beginning on page 47.

Recommendation of MCI s Board of Directors (See page 51)

MCI s board of directors has unanimously determined that the merger agreement and the merger are fair to and in the best interests of MCI and its stockholders. MCI s board of directors unanimously recommends that MCI s stockholders vote **FOR** the adoption of the merger agreement and approval of the merger and **FOR** authorizing MCI s board of directors to act in its discretion with respect to any other business as may properly come before the special meeting or any adjournments of the special meeting.

Opinions of MCI s Financial Advisors Greenhill & Co., LLC,

J.P. Morgan Securities Inc. and Lazard Frères & Co. LLC (See page 52)

Greenhill & Co., LLC, sometimes referred to as Greenhill, J.P. Morgan Securities Inc., sometimes referred to as J.P. Morgan, and Lazard Frères & Co. LLC, sometimes referred to as Lazard, each delivered its opinion to MCI s board of directors that, as of March 29, 2005 and based upon and subject to the factors, assumptions, procedures, limitations and qualifications set forth in their respective opinions, the consideration to be issued and paid in connection with the merger agreement, consisting of (A) the number of shares of Verizon common stock for each share of MCI common stock equal to the greater of: (i) 0.4062 of a share and (ii) a number of shares equal to the quotient obtained by dividing $14.75 by the volume weighted average of the closing prices of Verizon common stock, as these prices are reported on the NYSE Composite Transactions Tape, for each of the 20 trading days ending on the third trading day immediately preceding the closing of the merger of MCI and Verizon and (B) $8.35 in cash, reduced by the amount of the special cash dividend to be paid by MCI prior to the closing of the merger, without interest, per share of MCI common stock, is fair from a financial point of view to the MCI stockholders. Pursuant to the merger agreement, if the exchange ratio (described above) is greater than 0.4062, then Verizon has the right to reduce the exchange ratio to an amount no less than 0.4062 and, in such case, the per share cash amount (as described above) will be increased by an amount (rounded to the nearest hundredth of a cent) equal to the product of (x) the amount by which Verizon has reduced the exchange ratio and

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(y) the Verizon average stock price. For purposes of the description of the fairness opinion of MCI s financial advisors, the exchange ratio, as it may be reduced pursuant to the preceding sentence, and the per share cash amount, as it may be increased pursuant to the preceding sentence, together with the special cash dividend, are collectively referred to as the merger consideration. The merger consideration will be subject to adjustment as provided in the merger agreement based on the amount of certain specified liabilities of MCI.

The full text of the written opinions of Greenhill, J.P. Morgan and Lazard, dated March 29, 2005, which contain assumptions made, procedures followed, matters considered and limitations and qualifications on the review undertaken in connection with the opinions, are attached as Annexes B, C, and D to this proxy statement and prospectus. The opinions should be read in their entirety. Greenhill, J.P. Morgan and Lazard provided their advisory services and opinions for the information and assistance of MCI s board of directors in connection with its consideration of the proposed merger. Greenhill, J.P. Morgan and Lazard have not expressed any opinion as to any transaction other than those contemplated by the merger agreement, nor have they expressed any opinion as to the relative merits of or consideration offered in any other transaction as compared to the transactions contemplated by the merger agreement. The Greenhill, J.P. Morgan and Lazard opinions do not constitute recommendations as to how MCI stockholders should vote with respect to the proposed merger.

Risks Associated with the Merger (See page 20)

While the merger is pending and if the merger is completed, MCI stockholders will be subject to a number of risks to which they otherwise may not be subject, including the following:

- The consideration to be received by the MCI stockholders in connection with the merger is subject to a potential downward adjustment for certain MCI bankruptcy claims, including state tax claims, and certain international tax liabilities.

- Obtaining regulatory approvals may delay or prevent the closing of the merger, reduce the benefits of the merger to MCI stockholders, result in additional transaction costs or impose burdens on Verizon or MCI.

- The merger may not be effected as a reorganization for tax purposes, in which case the transaction will not be tax free and MCI stockholders will be required to recognize gain or loss based upon all the consideration they receive in connection with the merger (including the value of Verizon common stock issued as merger consideration).

- MCI and Verizon are the subject of various legal proceedings relating to the merger, which may have the effect of delaying, enjoining or preventing the merger, or of requiring payment of damages. See Risk Factors Relating to the Merger, beginning on page 20.

- Following the merger, the market price of Verizon s common stock may be affected by factors different from those currently affecting the market price of Verizon common stock and MCI common stock.

- Verizon may face challenges as it operates the businesses of MCI in conjunction with those of Verizon following the closing of the merger and Verizon may not realize the anticipated benefits of the merger to the extent or in the time frame expected.

Regulatory Approvals Required for the Merger (See page 64)

U.S. Antitrust Laws. Under the HSR Act and its associated rules, the merger cannot be completed until notifications have been given and information and materials have been furnished to and reviewed by the Antitrust Division of the U.S. Department of Justice, sometimes referred to as the DOJ, and the Federal Trade Commission, sometimes referred to as the FTC, and the required waiting period has expired or been terminated.

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Verizon and MCI filed the required notification and report forms under the HSR Act with the FTC and the DOJ in February 2005. Since the DOJ has issued a request for additional information, the waiting period has been extended and the parties will not be able to complete the merger until the earlier of (i) 30 days after both parties substantially comply with the DOJ s request for additional information or on the next regular business day if the 30th day falls on a Saturday, Sunday or legal public holiday or (ii) when the DOJ terminates its review of the merger.

FCC Approvals. Verizon and MCI filed their applications for FCC approval on March 11, 2005. The approval of the FCC must be obtained before the merger can be completed.

Other Approvals. The approvals required to be obtained from various state public service or public utility commissions or similar state regulatory bodies and, subject to certain exceptions, under any foreign antitrust, competition, telecommunications regulatory or similar law must be obtained before the merger can be completed.

Accounting Treatment (See page 65)

The merger will be accounted for using the purchase method of accounting, and Verizon will be considered the acquirer of MCI for accounting purposes.

Material United States Federal Income Tax Considerations (See page 65)

The merger generally is intended to qualify as a reorganization within the meaning of Section 368(a) of the Code and the obligations of Verizon and MCI to structure the transaction as a merger of MCI with and into Eli Acquisition are subject to the condition that Verizon and MCI each receive a legal opinion from its respective counsel to the effect that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Code. Assuming that the merger does qualify for this treatment, for U.S. federal income tax purposes, an MCI stockholder who realizes a gain as a result of the merger will be required to recognize that gain only to the extent of cash received in the merger, and an MCI stockholder who realizes a loss as a result of the merger will not be permitted to recognize that loss.

If either Verizon or MCI fails to receive the respective tax opinion described above, or if certain other conditions are not satisfied, Verizon and MCI will effect a reverse subsidiary merger in which a direct, wholly owned subsidiary of Verizon will be merged with and into MCI. Verizon and MCI expect that the alternative merger will be a fully taxable transaction, in which case an MCI stockholder will be treated as having exchanged MCI common stock for Verizon common stock and cash and will recognize capital gain or loss in an amount equal to the difference between the amount realized and its tax basis in the MCI common stock surrendered. The amount realized will be determined by adding the fair market value of the Verizon common stock to the amount of cash received in connection with the alternative merger.

MCI intends to treat the special cash dividend to be paid to MCI stockholders as a distribution with respect to MCI common stock, and not as consideration in connection with the merger or the alternative merger.

See Material United States Federal Income Tax Considerations, beginning on page 65.

Senior Notes (See page 65)

The closing of the merger will constitute a change of control under MCI s outstanding 2007 Senior Notes, 2009 Senior Notes and 2014 Senior Notes. Unless these Senior Notes are redeemed by MCI in accordance with their terms prior to the closing of the merger, MCI, LLC will be obligated to make an offer to purchase these notes within 30 days following the closing of the merger at a purchase price equal to 101% of the principal amount plus accrued interest.

Interests of MCI Directors and Executive Officers in the Merger (See page 61)

When considering the unanimous recommendation of MCI s board of directors that MCI stockholders vote in favor of the adoption of the merger agreement and approval of the merger, you should be aware that MCI s executive officers, including Mr. Capellas, who is also one of MCI s directors, have financial interests in the merger that are different from the interests of MCI stockholders generally.

Treatment of Restricted Shares and Other Equity-Based Awards (See page 75)

Restricted Shares. At the completion of the merger, subject to the potential downward purchase price adjustment, each outstanding MCI restricted share will be converted into (i) a number of Verizon restricted shares equal to the exchange ratio plus (ii) a cash payment of $2.75 plus any amount of the special dividend that remains unpaid, without interest, to the holder of the MCI restricted share. Each Verizon restricted share issued upon the conversion of MCI restricted shares will have and be subject to the same terms and conditions as in effect immediately prior to the closing with respect to the corresponding MCI restricted shares and will bear a legend containing the same restrictions on transferability.

Other Equity-Based Awards. At the completion of the merger, subject to the potential downward purchase price adjustment, each then outstanding equity-based award (other than MCI restricted shares or rights under the MCI Employee Stock Purchase Plan) providing for a cash or stock payment measured by the value of MCI common stock will be deemed to refer to (or be measured by) (i) the number of shares of Verizon common stock equal to the number of shares of MCI common stock covered by the outstanding equity-based award multiplied by the exchange ratio plus (ii) a cash payment equal to the number of shares of MCI common stock covered by the outstanding equity-based award multiplied by $2.75, plus any amount of the special cash dividend that remains unpaid, without interest. The rights of any person with respect to shares of Verizon common stock under each outstanding equity-based award will have and be subject to the same terms, conditions and restrictions as in effect immediately prior to the closing with respect to the outstanding equity-based award.

Consequences of the Merger Not Being Completed

If the merger is not completed, the ongoing business of MCI may be negatively affected and the market price of MCI s common stock may decrease. Additionally, both parties will have incurred costs associated with the merger without realizing the benefits of having the merger completed. See The Merger Agreement Termination of the Merger Agreement beginning on page 87.

Stock Purchase Agreement for Purchase of Certain MCI Shares

Verizon entered into a stock purchase agreement, dated as of April 9, 2005, sometimes referred to as the stock purchase agreement, to purchase approximately 43.4 million shares of MCI common stock from eight entities affiliated with Carlos Slim Helu, sometimes referred to as the selling group, for $25.72 per share in cash, plus an additional cash amount of three percent per annum from April 9, 2005 until the closing date of the stock purchase, plus an adjustment amount payable at the end of one year equal to the amount per share of MCI common stock equal to 0.7241 times the amount by which the price of Verizon s common stock exceeds $35.52 per share (measured over a 20-day period). Under the stock purchase agreement, the selling group has agreed not to knowingly take actions which would reasonably be expected to delay or prevent the transactions contemplated by the merger agreement and has agreed to support the transactions contemplated by the merger agreement. The purchase is subject to termination of the waiting period under the HSR Act.

Appraisal Rights (See page 76)

Under Delaware law, MCI stockholders are entitled to appraisal rights with respect to the merger and, if the merger is completed and they perfect their appraisal rights, to receive payment in cash for the fair value of their shares of MCI common stock. In general, to preserve their appraisal rights, MCI stockholders who wish to exercise these rights must:

- deliver a written demand for appraisal to MCI at or before the time the vote is taken at the special meeting of MCI stockholders;
- not vote their shares for the adoption of the merger agreement and approval of the merger;
- continuously hold their shares of MCI common stock from the date they make the demand for appraisal through the closing of the merger; and
- comply with the other procedures set forth in Section 262 of the Delaware General Corporation Law, sometimes referred to as the DGCL.

The text of Section 262 of the DGCL governing appraisal rights is attached to this proxy statement and prospectus as Annex E. **Failure to comply with the procedures described in Annex E will result in the loss of appraisal rights. We urge you to read carefully the text of Section 262 governing appraisal rights and to consult your legal advisor.**

Selected Historical Financial Information

Verizon and MCI are providing the following financial information to assist you in your analysis of the financial aspects of the merger. Annual Verizon historical information is derived from the consolidated financial statements of Verizon as of and for each of the years ended December 31, 2000 through 2004. Annual MCI historical information is derived from the consolidated financial statements of MCI as of and for each of the years ended December 31, 2000 through 2004.

MCI adopted fresh-start reporting under the provisions of American Institute of Certified Public Accountants Statement of Position No. 90-7, Financial Reporting by Entities in Reorganization under the United States Bankruptcy Code, as of December 31, 2003. Upon adoption, MCI s reorganization value was $14.5 billion and was allocated to MCI s assets and liabilities. MCI s assets were stated at fair value using the concepts of Statement of Financial Accounting Standards, sometimes referred to as SFAS, No. 141, Business Combinations, and liabilities were recorded at the present value of amounts estimated to be paid. In addition, MCI s accumulated deficit was eliminated, and MCI s new debt and equity were recorded in accordance with distributions pursuant to MCI s bankruptcy plan. The adoption of fresh-start reporting had a material effect on MCI s consolidated financial statements. As a result, MCI s consolidated balance sheets as of December 31, 2003 and 2004 included in its Annual Report on Form 10-K for the year ended December 31, 2004, which is incorporated by reference in this proxy statement and prospectus, and MCI s consolidated statements of operations and cash flows published for periods following December 31, 2003 will not be comparable with those published before that date.

The information is only a summary and should be read in conjunction with each company s historical consolidated financial statements and related notes contained in, as applicable, Verizon s Annual Report on Form 10-K for the year ended December 31, 2004 or MCI s Annual Report on Form 10-K for the year ended December 31, 2004, each of which has been incorporated by reference in this proxy statement and prospectus, as well as other information that has been filed with the SEC. See Where You Can Find More Information, beginning on page 114 for information on where you can obtain copies of this information. The historical results included below and elsewhere in this proxy statement and prospectus may not be indicative of the future performance of Verizon, MCI or Verizon following the merger.

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Verizon Selected Historical Financial Information

	2004	2003	2002	2001	2000
	(dollars in millions, except per share amounts)				
Results of Operations					
Operating revenues	$ 71,283	$ 67,468	$ 67,056	$ 66,513	$ 64,093
Operating income	13,117	7,407	14,877	11,402	16,725
Income before discontinued operations, extraordinary items and cumulative effect of accounting change	7,261	3,460	4,591	545	10,844
Per share of common stock basic	2.62	1.26	1.68	.20	4.00
Per share of common stock diluted	2.59	1.25	1.67	.20	3.96
Net income	7,831	3,077	4,079	389	11,797
Net income available to common shareowners	7,831	3,077	4,079	389	11,787
Per share of common stock basic	2.83	1.12	1.49	.14	4.34
Per share of common stock diluted	2.79	1.12	1.49	.14	4.31
Cash dividends declared per share of common stock	1.54	1.54	1.54	1.54	1.54
Financial Position					
Total assets	$ 165,958	$ 165,968	$ 167,468	$ 170,795	$ 164,735
Long-term debt	35,674	39,413	44,003	44,873	41,858
Employee benefit obligations	17,941	16,754	15,392	11,895	12,541
Minority interest	25,053	24,348	24,057	21,915	21,698
Shareowners investment	37,560	33,466	32,616	32,539	34,578

Significant events affecting historical earnings trends in 2002 through 2004 are described in Verizon s Annual Report on Form 10-K for the year ended December 31, 2004, which is incorporated by reference in this proxy statement and prospectus.

2001 data includes losses on investments, severance benefits charges, and other special and/or non-recurring items.

2000 data includes gains on investments and sales of businesses, merger-related costs, when Bell Atlantic Corporation acquired GTE Corporation, and other special and/or non-recurring items.

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MCI Selected Historical Financial Information

	Successor Company	Predecessor Company			
	As of or for the Year Ended December 31,				
	2004	2003	2002	2001	2000
	(Dollars in Millions, except per share amount)				
Results of Operations:					
Revenues	$ 20,690	$ 24,266	$ 28,493	$ 32,913	$ 34,417
Other operating expenses	20,368	23,606	27,818	31,544	36,530
Impairment charges	3,513		4,999	9,855	47,180
Operating (loss) income	(3,191)	660	(4,324)	(8,486)	(49,293)
(Loss) income from continuing operations	(4,028)	22,469(1)	(8,939)	(11,902)	(47,228)
Net income (loss) from discontinued operations	26	(43)	(202)	(3,696)	(574)
Net (loss) income attributable to common shareholders	(4,002)	22,211	(9,192)	(15,616)	(47,802)
Loss from continuing operations per common share:					
Basic	(12.56)				
Diluted	(12.56)				
Other Data:					
Cash dividends declared per common share	$ 0.80	$	$	$ 1.80	$
Year-end stock price per share[(2)]	20.16	23.55	N/A	N/A	N/A

	Successor Company		Predecessor Company		
	As of December 31,				
	2004	2003[(3)]	2002	2001	2000
	(In Millions)				
Financial Position:					
Cash and cash equivalents	$ 4,449	$ 6,178	$ 2,820	$ 1,290	$ 382
Marketable securities	1,055	15	40	18	2
Property, plant and equipment, net	6,259	11,538	14,190	21,486	24,477
Total assets	17,060	27,470	26,762	33,706	44,188
Long-term debt, excluding current portion	5,909	7,117	1,046	29,310	17,184
Liabilities subject to compromise			37,154		
Minority interests and preferred stock subject to compromise			1,904		
Mandatorily redeemable preferred securities				1,855	752
Shareholders equity (deficit)	4,230	8,472	(22,295)	(12,941)	1,792

(1) Income from continuing operations for 2003 includes a $22.3 billion reorganization gain due to the effects of MCI s bankruptcy plan upon the adoption of fresh-start reporting as of December 31, 2003. Refer to Note 5 to MCI s consolidated financial statements included in MCI s Annual Report on Form 10-K for the year ended December 31, 2004, incorporated by reference in this proxy statement and prospectus, for a description of the components of the gain.

(2) Includes only the year-end price for new MCI common stock issued on the emergence date based on NASDAQ as of December 31, 2004 and on a when issued basis as of December 31, 2003.

(3) The consolidated balance sheet as of December 31, 2003 gives effect to the application of fresh-start reporting.

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Summary Selected Unaudited Condensed Consolidated Pro Forma Financial Information

The following selected unaudited condensed consolidated pro forma financial data present the effect of the merger. The following selected unaudited condensed consolidated pro forma statement of income data for the twelve months ended December 31, 2004 are extracted from the historical financial statements of Verizon and MCI included in their respective Annual Reports on Form 10-K for the year ended December 31, 2004, which are incorporated by reference into this proxy statement and prospectus, and consolidated as if the merger had occurred on January 1, 2004. The following selected unaudited condensed consolidated pro forma balance sheet data are extracted from the historical financial statements of Verizon and MCI included in their respective Annual Reports on Form 10-K for the year ended December 31, 2004, which are incorporated by reference into this proxy statement and prospectus, and consolidated giving effect to the merger as if it had occurred on December 31, 2004.

This selected unaudited condensed consolidated pro forma financial data should be read in conjunction with the Unaudited Condensed Consolidated Pro Forma Financial Statements and related notes included elsewhere in this proxy statement and prospectus and with the historical consolidated financial statements and the related notes of Verizon and MCI that are incorporated by reference in this proxy statement and prospectus.

The unaudited pro forma condensed consolidated financial information is presented for illustrative purposes only and does not purport to represent what the actual results of operations of Verizon and MCI would have been had the companies been a single entity during the period or as of the date presented or to project Verizon s results of operations that may be achieved following the merger.

Selected Unaudited Condensed Consolidated Pro Forma Financial Information

	Year Ended December 31, 2004
Results of Operations	
Operating revenues	$ 89,709
Operating income	9,650
Income before discontinued operations	3,046
Per share of common stock basic	1.06
Per share of common stock diluted	1.06

	As of December 31, 2004
Financial Position	
Total assets	$ 182,929
Long-term debt	41,928
Minority interest	25,053
Shareowners investment	41,714

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Unaudited Comparative Per Share Information

The following table sets forth selected historical per share information of Verizon and MCI and unaudited pro forma consolidated per share information after giving effect to the merger, accounted for under the purchase method of accounting, assuming that 0.4062 shares of Verizon common stock had been issued in exchange for each outstanding share of MCI common stock. It has been assumed, for purposes of the pro forma financial information provided, that the merger was completed on January 1, 2004 for income statement purposes and on December 31, 2004 for balance sheet purposes. You should read this information in conjunction with the selected historical financial information, included elsewhere in this proxy statement and prospectus, and the historical financial statements of Verizon and MCI that are incorporated in this proxy statement and prospectus by reference. The unaudited Verizon pro forma consolidated per share information is derived from, and should be read in conjunction with, the Unaudited Condensed Consolidated Pro Forma Financial Statements and related notes included on page 90 of this proxy statement and prospectus. The historical per share information is derived from the audited financial statements of both Verizon and MCI as of and for the year ended December 31, 2004, which have been incorporated by reference in this proxy statement and prospectus. The unaudited pro forma MCI per share equivalents are calculated by multiplying the unaudited Verizon pro forma consolidated per share amounts by an assumed exchange ratio of 0.4062.

The unaudited pro forma consolidated per share information is presented for illustrative purposes only and does not purport to represent what the actual results of operations of Verizon and MCI would have been had the companies been a single entity during the period or as of the date presented or to project Verizon s results of operations that may be achieved following the merger.

	Year Ended December 31, 2004
Verizon Historical	
Per common share data:	
Income before discontinued operations	
Basic	$ 2.62
Diluted	2.59
Dividends per share	1.54
Book value per share (unaudited)	13.56
MCI Historical	
Per common share data:	
Loss before discontinued operations	
Basic	$ (12.56)
Diluted	(12.56)
Dividends per share	.80
Book value per share (unaudited)	13.24
Verizon Unaudited Pro Forma Consolidated Per Share Information	
Per common share data:	
Income before discontinued operations	
Basic	$ 1.06
Diluted	1.06
Dividends per share	1.54
Book value per share (unaudited)	14.46
MCI Unaudited Pro Forma Equivalents	
Per common share data:	
Income before discontinued operations	
Basic	$ .43

Diluted	.43
Dividends per share	.63
Book value per share (unaudited)	5.87

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Comparative Per Share Market Price and Dividend Information

MCI common stock has traded on NASDAQ under the symbol MCIP since July 14, 2004. Verizon common stock is listed on the NYSE, under the symbol VZ, as well as on the Philadelphia, Boston, Chicago, Pacific, London, Swiss, Amsterdam and Frankfurt exchanges.

In July 2001, MCI s predecessor company, WorldCom, Inc., sometimes referred to as WorldCom, created a two class common stock structure (WorldCom group common stock and MCI group common stock). Prior to MCI predecessor company s bankruptcy proceedings and continuing through July 29, 2002, shares of WorldCom group common stock and MCI group common stock traded on NASDAQ under the symbols WCOM and MCIT, respectively. On July 29, 2002, WorldCom issued a press release announcing NASDAQ s decision to delist the shares of the WorldCom group common stock and MCI group common stock due to WorldCom s July 21, 2002, bankruptcy filing and the pending restatement of WorldCom s financial statements. On July 30, 2002, the shares of WorldCom group common stock and MCI group common stock commenced trading on the over-the-counter, sometimes referred to as the OTC, market under the symbols WCOEQ and MCWEQ. Pursuant to MCI s bankruptcy plan, all shares of WorldCom group common stock and MCI group common stock were cancelled and rendered null and void on April 20, 2004, the date MCI emerged from bankruptcy. Prior to its listing date on July 14, 2004, the MCI common stock was trading on a when issued basis through April 19, 2004 and after issuance, from April 20, 2004 to July 13, 2004, in the OTC market under the symbols MCIAV and MCIA, respectively.

The following table sets forth the high and low trade quotations per share of Verizon common stock on the NYSE, WorldCom group common stock and MCI group common stock as reported on the OTC market from January 1, 2003 through April 19, 2004 and the MCI common stock from November 3, 2003 through December 31, 2004 as reported on the OTC market and NASDAQ. The stock price information is based on published financial sources. OTC market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commissions, and may not necessarily represent actual transactions.

	Verizon Common Stock		WorldCom Group Common Stock (Ticker: WCOEQ) (1)		MCI Group Common Stock (Ticker: MCWEQ) (1)		MCI Common Stock (2) (Ticker: MCIP) (3)	
	High	**Low**	**High**	**Low**	**High**	**Low**	**High**	**Low**
2003								
Quarter ended March 31	$ 44.31	$ 32.06	$ 0.20	$ 0.11	$ 0.35	$ 0.02	$	$
Quarter ended June 30	41.35	32.80	0.15	0.03	0.29	0.02		
Quarter ended September 30	40.25	32.05	0.12	0.03	0.53	0.11		
Quarter ended December 31	35.25	31.10	0.20	0.01	0.26	0.00	27.00	22.30
2004								
Quarter ended March 31	$ 39.54	$ 35.08	$ 0.20	$ 0.00	$ 0.75	$ 0.02	$ 26.45	$ 19.00
Quarter ended June 30	38.20	34.25	0.06	0.00	0.08	0.01	22.70	12.50
Quarter ended September 30	41.01	34.13					17.75	13.69
Quarter ended December 31	42.27	38.26					20.34	15.84
2005								
Quarter ended March 31	$ 41.06	$ 34.38					$ 25.60	$ 17.85

(1)

Commenced trading on the OTC market on July 30, 2002, and ceased trading on April 20, 2004 when the stock was cancelled for no consideration.

(2) Share quotations include high and low trades for the when issued stock through April 19, 2004 and after issuance, from April 20, 2004 to July 13, 2004 on the OTC market. Thereafter, share quotations are for MCI common stock on NASDAQ.

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(3) Commenced trading on November 3, 2003 on a when issued basis under the symbol MCIAV, traded under the symbol MCIA from April 20, 2004 through July 13, 2004, and commenced trading under the symbol MCIP on July 14, 2004.

Recent Closing Prices

The following table sets forth the closing prices per share of Verizon common stock as reported on the NYSE Composite Transaction Tape on January 26, 2005, the last full trading day prior to the first news reports reporting on the probability of the acquisition of AT&T Corp., sometimes referred to as AT&T, by SBC Communications Inc., sometimes referred to as SBC, on February 2, 2005, the first full trading day prior to the first news reports reporting on discussions between MCI and Qwest relating to a potential business combination, on February 11, 2005, the last full trading day prior to the announcement of the merger, on March 28, 2005, the last full trading day prior to the announcement of the most recent amendment of the merger agreement and on April 11, 2005, the most recent practicable date prior to the date of this proxy statement and prospectus.

For illustrative purposes, this table also sets forth the equivalent price per share of MCI common stock on those dates. The table assumes an exchange ratio of 0.4062, that there has been no downward purchase price adjustment and that the full amount of the special cash dividend has been paid. Therefore, the equivalent price per share is equal to the sum of $2.75, plus the product of the closing price of a share of Verizon common stock on that date and the exchange ratio in connection with the merger. The exchange ratio will be equal to the greater of (a) 0.4062 and (b) the quotient obtained by dividing $14.75 by the Verizon average stock price. The table also sets forth the equivalent price per share of MCI common stock after giving effect to the special cash dividend. The equivalent price per share after giving effect to the special cash dividend is equal to the sum of the equivalent price per share, plus $5.60, the maximum amount of the special cash dividend scheduled to be paid as soon as practicable after the MCI stockholders adopt the merger agreement and approve the merger but prior to the closing of the merger. Although the special cash dividend is subject to reduction for the per share amount of any dividend declared by MCI between February 14, 2005 and the closing of the merger, for the purposes of illustrating the per share equivalent after giving effect to the special cash dividend, we have assumed the maximum special cash dividend of $5.60.

These prices will fluctuate prior to the special meeting of MCI stockholders and the closing of the merger, and stockholders are urged to obtain current market quotations prior to making any decision with respect to the merger.

	Verizon Common Stock	MCI Common Stock	MCI Common Stock Per Share Equivalent(1)	MCI Common Stock Per Share Equivalent Giving Effect to the Special Cash Dividend(1)
January 26, 2005	$ 36.52	$ 18.66	$ 17.58	$ 23.18
February 2, 2005	$ 35.88	$ 19.68	$ 17.50	$ 23.10
February 11, 2005	$ 36.31	$ 20.75	$ 17.50	$ 23.10
March 28, 2005	$ 34.72	$ 22.94	$ 17.50	$ 23.10
April 11, 2005	$ 34.90	$ 26.01	$ 17.50	$ 23.10

(1)

Where Verizon s common stock price is below $36.31 per share, the MCI common stock per share equivalent and MCI common stock per share equivalent giving effect to the special cash dividend will be $17.50 per share and $23.10 per share, respectively, since the exchange ratio cannot be less than 0.4062.

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Dividend Information

Since 1997, Verizon paid regular quarterly dividends on its common stock of $0.385. On March 4, 2005, Verizon s board of directors approved a 5.2% increase in the quarterly dividend to $0.405 per share. MCI has paid a $0.40 per share quarterly dividend since September 15, 2004 on its common stock. MCI currently does not plan to pay any further quarterly dividends on its common stock (other than the special cash dividend as permitted by the merger agreement).

After adoption of the merger agreement by the MCI stockholders and prior to the closing of the merger, and upon approval by MCI s board of directors, MCI will declare and pay a special cash dividend constituting all its remaining excess cash in an amount up to $5.60 per share, not including the $0.40 per share dividend declared by MCI on February 11, 2005, minus the per share amount of any other dividend declared by MCI between February 14, 2005 and the closing of the merger. The merger agreement provides that MCI will not pay regular quarterly dividends after the date on which the special cash dividend is paid.

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RISK FACTORS RELATING TO THE MERGER

In addition to the other information included and incorporated by reference in this proxy statement and prospectus, including the matters addressed in the Cautionary Statement Regarding Forward-Looking Statements on page 25, you should carefully consider the following risks before deciding how to cast your vote. In addition, you should read and consider the risks associated with each of the businesses of Verizon and MCI. These risks can be found in Verizon s Annual Report on Form 10-K for the year ended December 31, 2004 and MCI s Annual Report on Form 10-K for the year ended December 31, 2004, which have been filed with the SEC and incorporated by reference in this proxy statement and prospectus. You should also read and consider the other information in this proxy statement and prospectus and the other documents incorporated by reference in this proxy statement and prospectus. See Where You Can Find More Information beginning on page 114. Additional risks and uncertainties not presently known to Verizon or MCI or that are not currently believed to be important also may adversely affect the merger and Verizon following the merger.

The consideration that MCI stockholders will receive in connection with the merger is subject to downward adjustment for certain MCI bankruptcy claims, including state tax claims, and certain international tax liabilities.

The aggregate consideration to be received by the MCI stockholders in connection with the merger will be reduced if the estimated remaining liabilities at closing for certain MCI bankruptcy claims, including state tax claims, and certain international tax liabilities, together with the amount of cash actually spent by MCI from and after January 1, 2005, through the closing of the merger to satisfy these liabilities, exceed $1.775 billion in the aggregate. Prior to the anticipated closing of the merger, Verizon and MCI will attempt to agree on an estimate of the remaining unpaid liabilities and, if an agreement is reached, the estimated amount agreed upon will be final and binding for purposes of determining any adjustments to the consideration to be received by MCI stockholders in connection with the merger. If Verizon and MCI are unable to reach agreement, each of Verizon and MCI will submit its estimate of the remaining disputed liabilities relating to bankruptcy claims to an independent valuation firm and its estimate of the remaining disputed liabilities relating to tax claims to PricewaterhouseCoopers LLP. The independent valuation firm will select one of the two bankruptcy claims estimates as being most representative of the remaining disputed bankruptcy claim liabilities and PricewaterhouseCoopers LLP will select one of the two tax claims estimates as being most representative of the remaining disputed tax claim liabilities. The selected estimates will be final and binding.

If the aggregate specified liabilities amount is $1.775 billion or less, no adjustment will be made to the merger consideration. If the aggregate specified liabilities amount is greater than $1.775 billion, then the per share cash amount that the merger agreement contemplates MCI stockholders would have received will be reduced by an amount equal to the per share equivalent of the difference between the agreed specified liabilities amount and $1.775 billion. If the resulting downward adjustment exceeds the per share cash amount, the cash payment will be eliminated and assuming the exchange ratio is 0.4062, the exchange ratio will be adjusted downward.

As of December 31, 2004, MCI had accrued on its consolidated balance sheet liabilities of approximately $1.825 billion with respect to matters that would constitute specified liabilities. While the amount of MCI s accruals may provide some insight into the expected downward purchase price adjustment, the aggregate specified liabilities amount used in determining the amount of any downward purchase price adjustment may differ materially from the December 31, 2004 balance sheet accrual. The specified liabilities amount used in the determination of the downward purchase price adjustment is not solely based on balance sheet accruals but rather on the actual amount of cash spent to satisfy the specified liabilities from January 1, 2005 through the closing of the merger plus an estimate of the remaining unpaid liabilities at closing, and, in any event, MCI s December 31, 2004 accruals for the specified liabilities could increase or decrease to the extent that MCI s evaluation of any particular matter changes subsequent to December 31, 2004 or MCI settles such matter for an amount different than it had previously anticipated.

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The specified liabilities include a large number of claims that are expected to be resolved over time. Changes in estimates or settlement experience with respect to any particular claim could be offset by changes in estimates or settlement experience with respect to other claims, and changes in one fiscal period could be offset by changes in another fiscal period. Accordingly, it is difficult to predict the expected downward purchase price adjustment, if any, with accuracy. MCI does not intend to publicly update its balance sheet accruals with respect to the specified liabilities amount.

As a result of this adjustment formula, in the event of a significant increase in MCI s estimated specified liabilities amount, it is possible that the consideration payable to MCI stockholders could be significantly reduced. See The Merger Agreement Potential Downward Purchase Price Adjustment for Specified Liabilities beginning on page 75.

Obtaining regulatory approvals may delay or prevent the closing of the merger, reduce the benefits of the merger to stockholders or result in additional transaction costs. Any significant delay in completing the merger could adversely affect Verizon following the closing of the merger.

The closing of the merger is conditioned upon, among other things, the expiration or earlier termination of the waiting period under the HSR Act. The closing of the merger is also conditioned upon, among other things, obtaining required authorizations from the FCC, and will also be subject to the receipt of consents and approvals of a number of state public service or public utility commissions and other government authorities.

Verizon and MCI have not yet obtained the governmental or regulatory approvals required to complete the merger. As a result, MCI stockholders face the following risks:

- the requirement for obtaining these consents and approvals could delay the closing of the merger for a significant period after MCI stockholders have approved the merger, including for up to 180 days after the February 14, 2006, termination date if either party chooses to extend the termination date in the event that conditions as to regulatory approvals are not satisfied as of February 14, 2006;

- the merger may not be completed if the required consents and approvals are not obtained; and

- certain conditions or restrictions government authorities would impose in order to obtain regulatory approval could adversely affect the business or financial condition of Verizon following the closing of the merger.

Any of these conditions or restrictions may result in the merger being completed on terms different from those described in this proxy statement and prospectus and, as a result, the benefits of the merger may be different from those described in this proxy statement and prospectus. These conditions or restrictions may jeopardize or delay the closing of the merger or may reduce the anticipated benefits of the merger. Any delay could, among other things, result in additional transaction costs, loss of revenue or other negative effects associated with uncertainty about the closing of the merger.

The transaction may not be effected as a reorganization, in which case MCI stockholders may be required to recognize gain or loss based upon all the consideration they receive in connection with the merger (including the value of Verizon common stock issued as consideration).

The transaction is structured to take the form of a forward merger of MCI with and into a wholly owned subsidiary of Verizon and is intended to qualify as a reorganization. Under this structure, MCI s stockholders will recognize taxable gain only to the extent they receive cash in the transaction. They will not be entitled to recognize loss. In order to effect the transaction as a reorganization, Verizon and MCI must each receive an opinion of counsel indicating that the forward merger will qualify as a reorganization and must meet certain other requirements. If either company fails to receive opinion of counsel, or if certain other requirements are not met, the transaction will be completed as a reverse merger, which we refer to as the alternative merger. The parties expect that the alternative merger would be a fully taxable transaction. If the transaction is effected in this manner, MCI stockholders will recognize gain or loss based upon *all* the consideration they receive (including the value of Verizon common stock). However, it is possible, based upon facts that will not be known until the closing, that the alternative merger might qualify as a reorganization. See Material United States Federal Income Tax Considerations beginning on page 65.

Following the merger, the market price of Verizon s common stock may be affected by factors different from those currently affecting the market price of Verizon and MCI common stock.

When the merger is completed, the market price of Verizon s common stock may decline as a result of the merger or for a number of other reasons, including that Verizon may not achieve the anticipated revenue enhancements and cost savings benefits of the merger as rapidly as planned, or at all.

The businesses of Verizon and MCI differ. Accordingly, following the merger, Verizon s results of operations and the market price of its common stock may be affected by factors different from those currently affecting the independent results of operations and common stock market prices of each of Verizon and MCI.

Verizon may face challenges as it operates the businesses of MCI in conjunction with those of Verizon following the merger and Verizon may not realize the anticipated benefits of the merger to the extent or in the time frame expected.

The success of the merger will depend, in part, on the ability of Verizon to operate the businesses of MCI following the merger efficiently and effectively. Verizon will be required to devote management attention and resources to the businesses of MCI. In addition, some benefits and savings of the merger depend upon, among other things, operational and other efficiencies and cost savings which are based on future projections and assumptions that the businesses of MCI will be successfully operated in conjunction with the businesses of Verizon following the merger. Verizon believes that these savings can be achieved based upon its track record of combining the businesses of NYNEX Corporation and Bell Atlantic Corporation in 1997 and the businesses of GTE Corporation and Bell Atlantic Corporation in 2000. However, actual results may differ from these projections and assumptions. Because of antitrust laws and regulations, Verizon and MCI have been able to conduct only limited planning regarding the operation of the businesses of MCI in conjunction with those of Verizon following the announcement of the merger and have not yet determined the exact nature in which the businesses of MCI will be operated in conjunction with those of Verizon following the merger. As a result, additional and unforeseen expenses or delays may occur, and the anticipated benefits of the merger may not be realized. Verizon has estimated that it will spend $3.0 to $3.5 billion over the next three years to achieve the projected merger benefits. In addition, Verizon may be required to incur additional restructuring and other charges that, under purchase accounting, may or may not be treated as part of the purchase price of MCI. These costs are not currently estimable or factually supportable and as such have not been reflected in the pro forma financial information included in this proxy statement and prospectus.

Charges to earnings resulting from the application of the purchase method of accounting may adversely affect the market value of Verizon s common stock following the merger.

In accordance with regulations and accounting principles generally accepted in the United States of America, sometimes referred to as U.S. GAAP, following the closing of the merger, Verizon will account for the merger using the purchase method of accounting and Verizon will be considered the acquirer of MCI for accounting purposes, which will result in charges to Verizon s earnings that could adversely affect the market value of Verizon s common stock following the closing of the merger. Under the purchase method of accounting, Verizon will allocate the total purchase price to MCI s net tangible assets, amortizable intangible assets, intangible assets with indefinite lives based on their fair values as of the date of the closing of the merger, and record any excess of the purchase price over those fair values as goodwill. Verizon will incur additional depreciation and amortization expense over the useful lives of certain of the net tangible and intangible assets acquired in connection with the merger. In addition, to the extent the value of goodwill or intangible assets becomes impaired, Verizon may be required to incur charges relating to the impairment of those assets.

MCI s executive officers, including Mr. Capellas, who is also one of MCI s directors may have interests that are different from the interests of MCI and MCI s stockholders generally, in recommending that MCI stockholders vote for the proposal to adopt the merger agreement and approve the merger.

When considering the unanimous recommendation of MCI s board of directors that MCI stockholders vote in favor of the adoption of the merger agreement and approval of the merger, you should be aware that MCI s executive officers, including Mr. Capellas, who is also one of the directors of MCI participate to different extents in MCI restricted share and other equity-based awards, severance, employment and/or other benefit arrangements that provide them with interests in the merger and the merger agreement that are different from, or in addition to, the interests of MCI and MCI s stockholders generally. These benefits received by MCI s executive officers, including Mr. Capellas, who is also one of MCI s directors may include the conversion of restricted shares or other equity-based awards into the right to receive Verizon restricted shares or Verizon common stock and cash in connection with the merger (subject to the potential downward purchase price adjustment), the continuation of indemnification arrangements in connection with the merger and/or the payment of severance, bonus amounts and other benefits. The receipt of compensation and other benefits may have influenced these executive officers and directors in making their recommendation to MCI stockholders. See The Merger Interests of MCI Directors and Executive Officers in the Merger beginning on page 61.

In certain instances, the merger agreement requires payment of a termination fee of $240 million and reimbursement of expenses of up to $10 million by MCI, prohibits MCI from terminating the merger agreement and provides Verizon with the ability to require MCI to hold a stockholder meeting to consider approval of the merger in the event that MCI s board of directors changes its recommendation. These terms could affect the decisions of a third party proposing an alternative transaction to the merger.

Under the terms of the merger agreement, MCI may be required to pay to Verizon a termination fee of $240 million, and may be required to reimburse Verizon for up to $10 million in expenses, if the merger agreement is terminated under certain circumstances. Additionally, under the terms of the merger agreement, in the event MCI s board of directors changes its recommendation that MCI s stockholders vote for the adoption of the merger agreement and approval of the merger, MCI does not have the right to terminate the merger agreement and Verizon can require MCI to hold a stockholder meeting to vote on the adoption of the merger agreement and the approval of the merger. These terms could affect the structure, pricing and terms proposed by other parties seeking to acquire or merge with MCI. For a description of the termination rights of each party and the termination fee payable by MCI under the merger agreement, see The Merger Agreement Termination Fee beginning on page 88. For a description of Verizon s ability to require MCI to hold a stockholder meeting to vote on the adoption of the merger agreement and approval of the merger, notwithstanding a change in the recommendation of MCI s board of directors, see The Merger Agreement Amendment to the Agreement and Plan of Merger, dated as of March 29, 2005, beginning on page 89.

MCI and Verizon are the subject of various legal proceedings relating to the merger, which may have the effect of delaying, enjoining or preventing the merger or requiring payment of damages.

On February 15, 2005, MCI received notice that an individual stockholder filed a putative class action on behalf of himself and all MCI stockholders against MCI and all of the individual members of MCI s board of directors in the Chancery Court in the State of Delaware. Subsequently, plaintiff filed an amended complaint that added, among other things, Verizon as a defendant in the case. Plaintiff alleges that MCI and MCI s board of directors breached their fiduciary duties to stockholders in entering into the merger agreement with Verizon rather than accepting the merger proposal propounded by Qwest. As a remedy, plaintiff requests that the Chancery Court issue an injunction prohibiting closing of the merger. Additionally, MCI received notice that three additional putative class actions containing similar allegations were filed on February 18, 2005 against MCI and MCI s board of directors in the Chancery Court in the State of Delaware. Although each of Verizon and MCI will aggressively defend itself in the cases in which it has been named a defendant, we cannot predict the outcome of these legal proceedings and these legal proceedings may have the effect of delaying or preventing the merger or requiring payment of damages.

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In addition, the merger is subject to review by the Antitrust Division of the DOJ, and this U.S. governmental entity or state governmental entities may institute litigation or other proceedings seeking to delay, enjoin or prohibit the closing of the merger.

The payment of the special cash dividend could reduce the effectiveness of MCI s operations if the merger does not close.

Because the special cash dividend will accelerate MCI s payment of cash to the MCI stockholders, if the merger does not close, payment of the special cash dividend may have negative consequences for MCI, including decreasing MCI s remaining available cash for future needs and increasing MCI s vulnerability in the event of adverse economic conditions. MCI has significant cash needs for debt service, settlement of bankruptcy claims and other matters as described in MCI s Annual Report on Form 10-K for the year ended December 31, 2004.

MCI has been actively working to improve its internal controls and procedures, but there can be no assurance that new material weaknesses in MCI s internal controls will not be identified.

Through reports and letters generated primarily in 2003 by MCI s auditors, examiners and court-appointed monitors and a special committee of WorldCom s board of directors as part of WorldCom s bankruptcy, a substantial number of material weaknesses and problems were identified in MCI s internal controls and procedures and corporate governance. MCI has made significant efforts to establish a framework to improve its internal controls over financial reporting. While MCI s internal controls over financial reporting are significantly improved, as of December 31, 2004, MCI s management has identified a material weakness in internal control over accounting for income tax and has also identified certain other areas that it believes should be further enhanced as described in MCI s Annual Report on Form 10-K for the year ended December 31, 2004. Any failure by MCI to have appropriate controls or to comply with the other high standards for corporate governance that MCI has established for itself could materially and adversely affect MCI.

The merger may not occur or, if it does, may not provide all the anticipated benefits.

MCI must obtain stockholder approval and certain other approvals and consents in a timely manner from federal, state and, subject to certain exceptions, foreign agencies prior to the completion of the merger by Verizon. If MCI fails to receive these approvals, or fails to receive them on terms that satisfy the conditions set forth in the merger agreement, then MCI or Verizon will not be obligated to complete the merger. The governmental agencies from which MCI will seek these approvals have discretion in administering the governing regulations. As a condition to approval of the merger, agencies may impose requirements, limitations or costs that could negatively affect the way Verizon conducts business following the closing of the merger. These requirements, limitations or costs could jeopardize or delay the completion of the merger.

If Verizon and MCI are unable to close the merger, MCI would continue to be exposed to the general competitive pressures and risks in the communications industry described in MCI s Annual Report on Form 10-K for the year ended December 31, 2004 which has been filed with the SEC and which is incorporated by reference in this proxy statement and prospectus, which could be increased if certain of the other recently announced mergers in the communications industry are consummated, strengthening the competitive position of some of MCI s competitors.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement and prospectus and the documents incorporated by reference into this proxy statement and prospectus contain forward-looking statements within the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Statements in this proxy statement and prospectus and the other documents incorporated by reference that are not historical facts are hereby identified as forward-looking statements for the purpose of the safe harbor provided by Section 21E of the Exchange Act and Section 27A of the Securities Act.

These forward-looking statements, wherever they occur in this proxy statement and prospectus, are estimates reflecting the best judgment of the senior management of Verizon and MCI. These forward-looking statements involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. Forward-looking statements should, therefore, be considered in light of various important factors, including those set forth in this proxy statement and prospectus. Important factors that could cause actual results to differ materially from estimates or projections contained in the forward-looking statements include the following:

- the unsuccessful operation of the businesses of MCI in conjunction with those of Verizon following the merger;
- materially adverse changes in economic and industry conditions and labor matters, including workforce levels and labor negotiations, and any resulting financial and/or operational impact, in the markets served by Verizon or by companies in which Verizon has substantial investments;
- the failure of MCI stockholders to adopt the merger agreement and approve the merger;
- material changes in available technology;
- technology substitution;
- the availability of transmission facilities for MCI s business;
- the impact on MCI of oversupply of capacity resulting from the building of network capacity that exceeds current demands;
- an adverse change in the long and/or short term credit ratings afforded Verizon s or MCI s debt securities by nationally-accredited ratings organizations;
- availability and cost of capital to MCI;
- the final results of federal and state regulatory proceedings concerning provision of retail and wholesale services and judicial review of those results;
- a significant change in the timing of, or the imposition of any government conditions to, the closing of the merger, actual and contingent liabilities, and the extent and timing of Verizon s ability to obtain revenue enhancements and cost savings following the

merger;

the effects of competition in the telecommunications market;

risks to MCI of conducting international business;

the timing, scope and financial impacts of the deployment of Verizon s fiber-to-the-premises broadband technology;

the ability of Verizon Wireless to continue to obtain sufficient spectrum resources;

changes in accounting assumptions that regulatory agencies, including the SEC, may require or that result from changes in the accounting rules or their application, which could result in an impact on earnings;

contingencies that we are unaware of or that we may have underestimated; and

other factors described under Risk Factors Relating to the Merger beginning on page 20.

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Words such as estimate, project, plan, intend, expect, anticipate, could, target, intend, seek, may, assume, continue, of these words and similar expressions are intended to identify forward-looking statements. These forward-looking statements are found at various places throughout this proxy statement and prospectus and the other documents incorporated by reference.

You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this proxy statement and prospectus or the date of any document incorporated by reference.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this proxy statement and prospectus might not occur.

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THE MERGER

The following is a discussion of the proposed merger and the merger agreement. This is a summary only and may not contain all the information that is important to you. A composite copy of the merger agreement is attached to this proxy statement and prospectus as Annex A and the Agreement and Plan of Merger, dated as of February 14, 2005, among Verizon, Eli Acquisition and MCI, sometimes referred to as the original merger agreement, along with the March 4, 2005 and the March 29, 2005 amendments are incorporated by reference in this proxy statement and prospectus. You are urged to read this entire proxy statement and prospectus, including the merger agreement, for a more complete understanding of the merger.

Background of the Merger

MCI s predecessor was WorldCom, Inc., a Georgia corporation formed in 1983. On September 14, 1998, WorldCom acquired MCI Communications Corporation, one of the world s largest providers of telecommunications services. The combined entity was initially called MCI WorldCom, Inc., and later changed its name to WorldCom Inc.

During the second half of 2002, WorldCom announced that it had improperly reported pre-tax earnings for 1999, 2000, 2001 and the first quarter of 2002 and that certain financial entries were not made in accordance with accounting principles generally accepted in the United States of America. As a result, WorldCom announced that there would be a restatement of its earnings that could total in excess of $9 billion. In connection with the restatement announcement, the SEC filed suit against WorldCom and certain members of its former management for violations of various provisions of the Exchange Act and SEC rules and regulations. On July 21, 2002, WorldCom filed voluntary petitions for relief under Chapter 11 of Title 11 of the U.S. Bankruptcy Code.

In the summer of 2002, WorldCom appointed three new directors as members of its board of directors. On November 15, 2002, Mr. Michael Capellas was appointed as the Chief Executive Officer of WorldCom. Also in 2002, WorldCom accepted the resignations of all members of its board of directors who served at the time WorldCom filed for bankruptcy.

On November 26, 2002, WorldCom consented to the entry of a permanent injunction by the United States District Court for the Southern District of New York that partially resolved the claims brought by the SEC regarding WorldCom s past public financial reports. The permanent injunction imposed certain ongoing obligations on WorldCom, including the oversight of a corporate monitor, former SEC Chairman Richard Breeden, who was appointed on July 3, 2002 by the United States District Court for the Southern District of New York.

As participants in the telecommunications industry, the management of Verizon and MCI are generally familiar with each other s business. On an ongoing basis, Verizon and MCI each evaluate alternatives for achieving long-term strategic goals and enhancing long-term stockholder value.

Throughout late 2003, WorldCom s management and board of directors engaged in discussions regarding the rapidly changing nature of the telecommunications industry and the strategic challenges that WorldCom would face in the coming months. Management reviewed the recent trends in the marketplace, including the fact that the Regional Bell Operating Companies, sometimes referred to as RBOCs, continued to collect access fees while increasing their share of the long distance market. Additionally, management noted the continuing price compression in the telecommunications industry as the long-distance, wireless and broadband sectors converged. Management also discussed the fact that 2004 could be a year of great transition in the regulatory arena, and that an unfavorable ruling from the United States Court of Appeals for the District of Columbia, sometimes referred to as the D.C. Circuit, on the Triennial Review Order (further described below), coupled with Do Not Call legislation, could have an adverse impact on WorldCom s ability to provide services to the mass markets segment (*i.e.*, residential and small business subscribers) on a competitive basis. Additionally, management and WorldCom s board of directors discussed the regulatory approvals granted in recent months to RBOCs to sell long distance services in all the states, and the fact that RBOCs were quickly gaining market share in those states through pricing and other strategies. In January of 2004, WorldCom identified and appointed additional individuals to be new members of the board of directors of MCI, a wholly owned subsidiary of WorldCom and the entity into which WorldCom would be merged effective as of the date of WorldCom s emergence from bankruptcy. During the months of January and February of 2004, the directors participated in discussions with senior management regarding the changing dynamics and trends in the telecommunications industry, and the strategic challenges and alternatives facing MCI going forward.

At the invitation of a Regional Bell Operating Company other than Verizon, on December 2, 2003, members of WorldCom s and that RBOC s senior management met to discuss the changing industry dynamics and the potential for industry consolidation. On December 19, 2003, WorldCom and that RBOC entered into a confidentiality agreement. In the following months, there were a number of meetings between WorldCom s management, together with its financial and legal advisors, and that RBOC s management, together with its financial and legal advisors.

On March 2, 2004, the D.C. Circuit issued a decision that vacated and remanded key aspects of the FCC s February 2003 Triennial Review Order. The FCC had initiated a Triennial Review in December 2001 of the rules that required certain incumbent local exchange carriers, including the RBOCs, to lease certain key unbundled elements of their networks to competitors at cost-based prices. The Triennial Review Order had generally preserved the availability of unbundled switching, which is a required component of the unbundled network element platform, and the availability of loop and transport facilities at certain capacity levels. In addition to vacating and remanding significant aspects of the Triennial Review Order, the D.C. Circuit s decision also affirmed the portions of the Triennial Review Order that had not required incumbents to lease unbundled elements for the provision of broadband services. The Supreme Court declined to grant the petition for certiorari filed by the competitive local exchange industry, thereby assuring that the D.C. Circuit s decision would remain intact.

These decisions had an adverse effect on the ability of WorldCom s mass markets segment to provide services on a competitive basis and to sustain and grow its business. In light of the courts decisions in these cases, on March 12, 2004, at a regularly scheduled meeting of the WorldCom board of directors, WorldCom s senior management updated WorldCom s board of directors on the then-current status and position of WorldCom vis-à-vis the telecommunications industry, with an emphasis on the changing regulatory environment and the rapid adoption of next generation IP services, wireless and cable. Senior management recommended assembling a team of high-level management employees to explore the strategic options of the company that would emerge from bankruptcy. Throughout March and April of 2004, senior management and WorldCom s board of directors regularly reviewed the strategic objectives and means of achieving those objectives upon emergence from bankruptcy, including potential alliances, acquisitions and various business combinations.

On April 20, 2004, WorldCom s plan of reorganization was consummated and WorldCom emerged from bankruptcy. On the date that WorldCom emerged from bankruptcy, WorldCom merged with and into MCI whereby the separate existence of WorldCom ceased and MCI became the surviving company. MCI remained under the oversight of the corporate monitor pursuant to the November 26, 2002 permanent injunction. As part of his oversight of MCI, Mr. Breeden continues to attend all MCI s board of directors meetings and has actively overseen the process and events described below.

During May, June and early July of 2004, MCI s board of directors held frequent meetings at which senior management conducted an analysis of the state of the telecommunications industry, including MCI s competitive position, and reviewed MCI s strategic objectives and means of achieving those objectives. At these meetings, senior management also updated MCI s board of directors on the status of discussions with the RBOC mentioned above, which had most recently contacted MCI on May 14, 2004 to engage in discussions with respect to a potential business combination. During this time, representatives of J.P. Morgan and Lazard, MCI s financial advisors, and Davis Polk & Wardwell, sometimes referred to as Davis Polk, MCI s legal advisor, advised MCI s

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board of directors and senior management on the various aspects of a potential combination with that RBOC as well as other strategic options available to MCI. Throughout this period, members of MCI s senior management and MCI s advisors met with members of that RBOC s senior management and that RBOC s advisors on several occasions to discuss a potential transaction. On July 12, 2004, at a meeting of MCI s board of directors which was attended by MCI s legal and financial advisors, MCI s board of directors conducted a comprehensive review and evaluation of the terms of a best and final offer that RBOC had made with respect to a potential business combination. On July 15, 2004, MCI and that RBOC mutually agreed to terminate discussions regarding a potential transaction.

Verizon s board of directors and management periodically assessed a variety of strategic options for Verizon as part of the ongoing effort to complement and grow Verizon s existing business and identify potential acquisitions that would enhance its strategic business. Verizon s management reviewed with Verizon s board of directors a general analysis of various possible business combinations using publicly available information, including its conclusion that MCI, as a telecommunications company with a strong network and business services unit, could be complementary to Verizon s existing product and service offerings.

On July 1, 2004, at a meeting of MCI s board of directors, MCI s management informed MCI s board of directors that MCI had recently received preliminary indications of interest regarding a strategic transaction from both Verizon and Qwest. MCI s board of directors discussed the strategic implications and possible benefits and risks of a potential business combination with each of Verizon, Qwest and the RBOC mentioned above. MCI s board of directors, together with its advisors and MCI management, also discussed whether other parties could be interested in a potential strategic transaction with MCI. In the first week of July 2004, members of MCI s senior management held phone discussions with members of Verizon s senior management to discuss a potential strategic transaction and Verizon s preliminary due diligence review of MCI. During this week, MCI s senior management was informed that Qwest had conducted a substantial amount of financial analysis on MCI and was prepared to make an offer with respect to a business combination with MCI.

On July 14, 2004, MCI was re-listed and its shares began trading on NASDAQ.

On July 15, 2004, at a regularly scheduled meeting of MCI s board of directors, management updated MCI s board of directors on the status of management s discussions with Qwest regarding a potential transaction. At this meeting, management made a presentation with respect to various aspects of a potential business combination transaction with Qwest in which the consideration would be predominantly stock, including Qwest s financial and operating performance, operational profile, capital expenditures, products and service strategy, as well as its total level of debt and recent SEC investigations. On July 21, 2004, Qwest and MCI entered into a confidentiality agreement. Throughout the months of July, August and September of 2004, members of the senior management of MCI and Qwest, along with their financial and legal advisors, held numerous meetings and joint conference calls regarding a potential business combination transaction, and exchanged information and materials regarding their respective businesses. Also during this time, MCI s board of directors held seven meetings with MCI management, along with its financial and legal advisor, at which strategic options, including a potential transaction with Qwest, were discussed.

In addition, from June through September of 2004, MCI received inquiries from several other parties regarding alternative transaction proposals. In response to these inquiries, members of MCI s management, and their financial and legal advisors, held numerous meetings and joint conference calls regarding a potential transaction with each of these parties. Also during this time, MCI s board of directors conducted numerous meetings with management, along with MCI s financial and legal advisors, at which strategic options, including potential transactions with these parties, were discussed. These discussions did not advance beyond the preliminary stage, and no agreement was reached with any of these parties with respect to a potential business combination transaction.

In August 2004, members of Verizon s senior management again contacted members of MCI s senior management to explore a potential merger.

On August 19, 2004, while MCI was in the midst of receiving inquiries from a number of parties, MCI engaged Greenhill as an additional financial advisor. In the second half of August and early September 2004, representatives of Greenhill held discussions with the senior management of Verizon with respect to a potential merger. On September 10, 2004, at a regularly scheduled meeting of MCI s board of directors, senior management and MCI s advisors updated MCI s board of directors on the status of discussions with Qwest and Verizon. Senior management reported on the potential benefits and issues in a business combination with Qwest. Representatives from Greenhill informed MCI s board of directors that Verizon remained interested in a possible merger with MCI, and that Verizon would conduct a due diligence review before deciding whether to engage in further discussions. On the same day, Verizon and MCI entered into a confidentiality agreement. On September 13, 2004, certain members of management from Verizon and MCI met to discuss a potential merger. On September 16, 2004, at a special meeting of MCI s board of directors, MCI s board of directors and senior management discussed the potential benefits that could result from a merger between MCI and Verizon for stockholders of MCI, specifically with regard to the competitive position of the businesses of Verizon and MCI following the merger. On September 21, 2004, members of management of Verizon and MCI met to discuss network and information technology matters. On September 22, 2004, certain members of management of Verizon and MCI participated in conference calls relating to various aspects of MCI s businesses. On September 23, 2004, Verizon s management and Verizon s legal advisor, Debevoise & Plimpton LLP, sometimes referred to as Debevoise, met with MCI s senior management team and other advisors of MCI, including MCI s accountants, to discuss MCI s process for estimating bankruptcy claims and other matters. Later that afternoon, Verizon s senior management met to discuss the preliminary due diligence findings. Also during the month of September 2004, Verizon, together with Debevoise, conducted a preliminary due diligence review of MCI and Verizon s management informed Verizon s board of directors of the status of its due diligence. Between approximately September 23, 2004 and September 28, 2004, Verizon management and members of MCI s finance team participated in several related conference calls.

On September 27, 2004, management of Verizon and MCI met to discuss marketing matters. On September 29, 2004, certain members from the management of Verizon and MCI participated in a conference call regarding the potential for certain cost savings to be derived from the potential merger.

In October 2004, the senior management of Verizon and MCI met to discuss the potential merger of MCI by Verizon. At a November 4, 2004 meeting of Verizon s board of directors, Verizon s senior management updated Verizon s board of directors on its due diligence investigation. Also in November 2004, senior management of MCI and management of Verizon met and participated in conference calls concerning potential cost savings that might be realized with the potential merger.

During August 2004, September 2004 and October 2004, members of MCI and Qwest senior management, along with their financial and legal advisors, had discussions regarding a potential business combination transaction, and exchanged further information regarding their respective businesses. Also during this time, MCI s board of directors held numerous meetings with management, along with MCI s financial and legal advisors, at which strategic options, including a potential transaction with Qwest, were discussed. In early October, Lazard s financial analysis of a potential business combination transaction with Qwest was delivered to MCI s board of directors for discussion purposes. On October 14, 2004, at a meeting of MCI s board of directors, management updated MCI s board of directors on the status of MCI s strategic options. Management and MCI s board of directors conducted further discussions of the development of MCI s stand-alone business plan. Management and MCI s board of directors also engaged in an extensive discussion regarding a potential business combination transaction with Qwest. After these discussions, MCI s board of directors decided to defer a decision with respect to the potential Qwest business combination transaction pending the exploration of other strategic options, including the stand-alone business plan, and to reconsider the issue at the December 10, 2004 MCI board of directors meeting, after further review of the Lazard materials. Senior management and MCI s board of directors continued to review the Lazard materials on a potential business combination transaction with Qwest throughout late October and early November of 2004. On November 3, 2004, Mr. Richard C. Notebaert, the Chairman and Chief Executive Officer of Qwest, sent a letter to Mr. Capellas which discussed Qwest s synergy analysis of a potential business combination transaction with MCI. In early November 2004, representatives of Lazard, in a written communication, confirmed to Qwest s financial advisors that while they had welcomed input from Qwest s financial advisors throughout the course of their risk analysis of a potential business combination, including synergy estimates, Lazard had not agreed with any specific aspect of their approach.

During October 2004, November 2004 and December 2004, management of MCI engaged in a comprehensive discussion and analysis of MCI s stand-alone business plan and, specifically, the potential realization of MCI s long-term capabilities as a stand-alone entity in the telecommunications industry. As a part of these discussions, management conducted an in-depth review of MCI s strategic objectives and means of developing a stand-alone strategic plan, including (i) plans for new product growth initiatives, (ii) growth through targeted acquisitions, (iii) the formulation of MCI s 2005 business plan, and (iv) the potential refinancing of MCI s bonds in order to establish a better long-term capital structure. Senior management discussed these issues with MCI s board of directors at the October 14, 2004 and December 10, 2004 meetings described below.

In December 2004, management of Verizon discussed with its board of directors its continuing evaluation of the advisability of a merger with MCI and Verizon management s preliminary views with respect to the strategic, structural, economic, operational, legal and regulatory issues associated with a potential merger with MCI. In late December 2004, Verizon s management continued to explore the strategic risks and benefits associated with a potential merger with MCI.

Throughout December 2004, members of the management of MCI and Verizon, along with representatives of Greenhill, held meetings and telephonic discussions regarding potential merger terms, structure and issues. Also during this time, MCI s board of directors conducted several meetings with management, along with MCI s financial and legal advisors, to discuss strategic options, including a potential merger with MCI.

On December 10, 2004, MCI s board of directors held a meeting, which was attended by MCI s management and MCI s financial and legal advisors. Management and MCI s board of directors engaged in an extensive review and evaluation of management s stand-alone business plan for MCI which had been developed over the prior months. Also during this meeting, MCI s board of directors approved the 2005 business plan and strategic investment framework. Additionally, management updated MCI s board of directors on MCI s proposed transaction with NetSec, Inc. as part of MCI s stand-alone plan aimed at expanding MCI s presence in the rapidly growing security segment, and management discussed other potential acquisitions in the hosting space. Management and its advisors also reviewed with MCI s board of directors a detailed plan of potential alliances and equity investments in the wireless segment. After discussion, MCI s board of directors approved the purchase of NetSec consistent with the terms described at the meeting. Also at this meeting, Greenhill reported that Verizon continued to be interested in a possible merger, but had inquired whether MCI would consider other strategic alliances such as a joint venture of their respective enterprise businesses. After discussion, MCI s board of directors directed management to advise Verizon that MCI was not interested in a joint venture. Management, together with MCI s board of directors and MCI s financial and legal advisors, also discussed the status of discussions with Qwest. After these discussions, MCI s board of directors directed management to advise Qwest that MCI was not interested in the proposed business combination transaction with Qwest. On December 13, 2004, MCI s senior management and one of its financial advisors informed Qwest that MCI s board of directors was not prepared to move forward with a potential transaction.

On December 15, 2004, two competitors of MCI in the telecommunications industry and industry leaders in the wireless segment, Sprint Corporation, sometimes referred to as Sprint, and Nextel Communications, Inc., sometimes referred to as Nextel, announced that they had entered into a definitive merger agreement.

In early January 2005, members of Verizon s management continued to evaluate the potential merger with MCI. In the first week of January 2005, at Verizon s invitation, members of MCI s and Verizon s senior management met to discuss further potential merger structures and issues. At a telephonic meeting of Verizon s

board of directors on January 11, 2005, Verizon s management updated Verizon s board of directors on its continuing evaluation of MCI. Shortly thereafter, Verizon engaged Bear Stearns & Co., sometimes referred to as Bear Stearns, as Verizon s financial advisor to assist it in evaluating a potential merger. MCI also provided additional information to Verizon during late January 2005. On January 20, 2005, Verizon s board of directors received reports from Verizon s management concerning the status of the parties discussions. Throughout the month, senior management of MCI and Verizon, together with their financial advisors, held several telephonic discussions with respect to Verizon s due diligence review of MCI and potential transaction structures, issues and timing.

In January of 2005, MCI was approached by several private equity funds regarding a potential transaction. Discussions with these parties did not advance beyond the preliminary stages.

Also in January of 2005, MCI s senior management received a call from another telecommunications provider regarding a potential business combination. MCI s senior management expressed concerns regarding the regulatory considerations involved in such a transaction, but agreed to have outside legal advisors of both companies meet. There were no direct meetings between MCI personnel and personnel of this telecommunications provider. Discussions between MCI and this telecommunications provider did not proceed any further.

On January 10, 2005, two more telecommunications firms, Alltel Corp. and Western Wireless Corp., announced that they had entered into a definitive merger agreement.

In the last two weeks of January 2005, members of Qwest s senior management contacted MCI s senior management to discuss a potential all-cash offer to acquire MCI. Members of MCI s senior management expressed the view that this offer should be priced at a premium to MCI s share price. Qwest s senior management, along with its financial advisors, confirmed that Qwest was willing to pay a premium to MCI s share price, and MCI s senior management agreed to meet with Qwest on that basis. On January 21, 2005 Qwest s senior management, together with Qwest s financial and legal advisors, held a meeting with MCI s senior management, together with MCI s financial and legal advisors, to discuss potential transaction structures and issues. At this meeting, representatives from Qwest requested access to additional confidential MCI information. Representatives from MCI informed Qwest s senior management that they were prepared to provide Qwest with further non-public information necessary in order for Qwest to make a revised proposal, but that MCI s management and MCI s board of directors must evaluate the terms of any new Qwest proposal before permitting Qwest to conduct a full due diligence review on MCI. At this meeting, Qwest s representatives informed members of MCI management that they were in the process of finalizing the terms of a fully financed all-cash offer to acquire MCI which would be priced at a premium to MCI s share price. Qwest s senior management also advised MCI that Qwest had secured financing from UBS Loan Finance LLC and Merrill Lynch Capital Corp. MCI s representatives informed Qwest s advisors that any new Qwest proposal must address MCI s board of directors concerns regarding price and certainty, and, as such, should include (i) merger consideration reflecting a premium to MCI s share price, (ii) evidence of financing commitments that would remain in place throughout the entire period required to obtain regulatory approval for such a transaction, and (iii) minimal conditions to closing. On January 24, 2005, at a meeting of MCI s board of directors, senior management reported that Qwest expressed an interest in an all cash transaction but had not, as of that time, provided any terms. In the last week of January 2005, Qwest conducted a due diligence review on certain non-public financial information provided by MCI, and senior management of Qwest and MCI continued discussions regarding a potential transaction.

On January 31, 2005, AT&T announced that it had entered into a definitive merger agreement with SBC. Throughout the last week of January and into early February 2005, there was a considerable increase in the market price of MCI shares based on speculation that MCI could be a potential acquisition target, and media reports of a Qwest proposal.

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Between January 31, 2005 and February 11, 2005, Verizon and MCI, together with their respective advisors, had additional meetings and discussions to obtain additional information and update the due diligence that had been conducted in late 2004. One of MCI s financial advisors held numerous meetings and telephonic discussions with Verizon s financial advisor with respect to the financial aspects of a potential business combination.

On February 1, 2005, Mr. Seidenberg advised Verizon s board of directors that management had intensified its consideration of a merger with MCI.

On February 1, 2005, at a special meeting of MCI s board of directors, senior management of MCI reviewed the impact that the recently announced merger of AT&T and SBC would have on both MCI and the industry as a whole, noting that AT&T s enterprise business would gain significant advantages in access costs and add a full suite of wireless capabilities. MCI s senior management also reported on the status of management s renewed discussions with Qwest regarding an anticipated all-cash proposal from Qwest. MCI s senior management reported that Qwest had advised MCI that it was prepared to present a term sheet regarding its anticipated proposal, and that MCI s senior management planned to meet with Qwest on February 2, 2005 to review Qwest s proposal. MCI s senior management also reported on increased interest from Verizon s management regarding a potential merger and noted that Verizon had hired a financial advisor. MCI s senior management and MCI s board of directors engaged in a lengthy discussion regarding the impact of the combination between SBC and AT&T, including the pricing on the AT&T transaction, and the estimated value of the savings for the combined corporations. MCI s senior management and MCI s board of directors also discussed the expected long-term impact on MCI as a result of a combination between SBC and AT&T.

On February 2, 2005, members of Qwest s senior management met with members of MCI s senior management to discuss the terms of a potential transaction with Qwest. At this meeting, Mr. Notebaert submitted a written offer for Qwest to purchase all of the common stock of MCI. The offer provided for a price of $17.85 per share in cash to be paid to the stockholders of MCI, and also provided for MCI stockholders to receive $0.40 per share in quarterly dividends for the four quarters anticipated between signing and closing. The offer did not contain any financing commitments and was subject to numerous conditions with respect to financing, regulatory approvals, and the completion of due diligence. The total stated amount of Qwest s proposal was $19.45 (including the $0.40 per share in quarterly dividends for the four quarters anticipated between signing and closing). The closing market price of MCI shares of common stock was $19.54 on the previous business day. On February 3, 2005, news of the Qwest proposal received widespread press coverage.

On February 4, 2005, at a special meeting of MCI s board of directors, senior management and MCI s financial and legal advisors updated MCI s board of directors on the key terms and conditions of the Qwest proposal and the status of discussions with Verizon. MCI s board of directors authorized management to evaluate Qwest s proposal and pursue discussions with Verizon. Also on February 4, 2005, Verizon s senior management contacted MCI s senior management and they agreed to intensify discussions that might lead toward a merger and outlined certain terms for a potential merger.

On the weekend of February 5, 2005, members of MCI s management, together with MCI s legal and financial advisors, held discussions with respect to the terms of a potential downward purchase price adjustment mechanism proposed by Verizon. The financial advisors of MCI and the financial advisor of Verizon continued discussions regarding the overall terms of a Verizon proposal.

On February 7, 2005, in a meeting between Greenhill and Verizon s financial advisor, Verizon made a proposal for a merger with MCI, subject to the approval of the Verizon board of directors. The proposal provided for (i) a cash component of $5.99 per share of MCI, representing the undistributed excess cash under the MCI bankruptcy plan and (ii) each share of MCI common stock to be converted into the right to receive 0.3802 shares of Verizon common stock. The proposal also provided for a potential purchase price adjustment mechanism that would decrease or increase the purchase price to the extent that MCI s cash at the closing of the merger, less the

fair value of remaining bankruptcy and tax-related liabilities, was less than $2.0 billion. The total stated amount of Verizon s proposal was $20.00 per share of MCI common stock, based on Verizon s closing market price of $36.85 on the previous business day. The closing market price of MCI of common stock on the previous business day was $21.03.

During the period from February 7, 2005 through February 14, 2005, Verizon, MCI, and their respective advisors engaged in extensive and detailed negotiations concerning the proposed terms of the definitive agreements necessary to close the merger, as well as completing the due diligence process.

On February 7, 2005, MCI s advisors contacted Qwest s advisors, and on February 8, 2005 and February 9, 2005, MCI s financial and legal advisors commenced discussions with Qwest s legal and financial advisors regarding Qwest s all-cash proposal, including (i) a review of the terms of Qwest s all-cash offer, (ii) further discussion regarding the financial assumptions underlying Qwest s offer, and (iii) a review and discussion of the financing conditions and other significant transaction contingencies present in the Qwest proposal.

On February 8, 2005, MCI s board of directors held a telephonic meeting at which senior management reviewed for MCI s board of directors the Verizon and Qwest proposals, and the status of discussions with each party.

On February 9, 2005, Verizon s board of directors met with its financial and legal advisors to discuss the potential merger with MCI. At Verizon s board of directors meeting, management reported on the financial, legal and organizational due diligence and reviewed the strategic reasons for the merger. They also discussed the potential benefits and cost savings from a merger with MCI and MCI s historical and projected financial results. A representative of Debevoise discussed with Verizon s board of directors their fiduciary duties in considering a business combination and the legal terms of the merger, including the proposed transaction structure and treatment of MCI s existing and contingent bankruptcy and tax liabilities.

On February 10, 2005, a telephonic meeting was held between the management of MCI and Verizon and their respective financial advisors during which MCI s management and advisors conducted due diligence with respect to Verizon s business, financial condition and operations.

In the afternoon of February 10, 2005, Mr. Notebaert sent a letter to MCI s financial advisors reviewing the potential benefits of a business combination with Qwest to the stockholders of both companies. In the evening, MCI s financial and legal advisors held a telephonic meeting with Qwest s financial and legal advisors. At that meeting, Qwest s advisors outlined a number of changes to Qwest s proposal of February 2, 2005, including (i) an increase in the offered purchase price to $18.27 per share in cash which also provided for MCI stockholders to receive $0.40 per share in quarterly dividends for the four quarters anticipated between signing and closing, (ii) a willingness to provide Qwest equity as part of the consideration in lieu of some of the cash purchase price, and (iii) the removal and narrowing of some conditions with respect to financing and regulatory approval. The total stated amount of Qwest s proposal was $19.87 (including the $0.40 per share in quarterly dividends for the four quarters anticipated between signing and closing). The closing market price of MCI shares of common stock was $20.86 on the previous business day.

On February 11, 2005, MCI s board of directors held a regularly scheduled in-person meeting, which was attended by MCI s management and MCI s financial and legal advisors. Management updated MCI s board of directors on the status of negotiations with Verizon and Qwest. Davis Polk advised MCI s board of directors on its legal duties and responsibilities and made a presentation regarding the structure and key terms and conditions of each transaction. Greenhill, J.P. Morgan and Lazard reviewed with MCI s board of directors certain financial aspects of each transaction and offeror. MCI s board of directors, in evaluating the value and certainty of each transaction, engaged in a discussion with management and its advisors with respect to the benefits and risks of each transaction, including (i) the potential benefits of a merger with

Verizon because of Verizon s stability, lower level of debt and network infrastructure, (ii) the potential benefits of a transaction with Qwest, including the level and achievability of potential synergies and tax savings from use of Qwest s net operating loss carry-forwards, (iii) certain concerns regarding a potential transaction with Qwest, including the presence of conditions and risks of the offer, Qwest s high level of debt, the potential amount of Qwest s contingent liabilities, Qwest s potential for growth, its lack of organic wireless capabilities, and concerns with the pro forma financial stability of a combined company, and (iv) the challenges facing MCI as a stand-alone corporation in the changed industry landscape that had resulted from the acquisition of AT&T by SBC and MCI s stronger ability to compete after a merger with Verizon. After this discussion, MCI s board of directors directed management and MCI s advisors to resolve any remaining issues with Verizon and to finalize the merger agreement. Also at this meeting, MCI s board of directors declared a regular quarterly cash dividend of $0.40 per share of MCI common stock. During the same day, news of the Verizon proposal began to receive widespread press coverage. The total stated amount of Verizon s February 7, 2005 proposal was $19.69 per share of MCI common stock (including the $0.40 per share cash dividend declared on February 11, 2005), based on Verizon s closing market price on February 10, 2005, of $36.04. The closing market price of MCI shares on February 10, 2005, was $20.46.

On the evening of February 11, 2005, after further discussions among MCI s and Qwest s financial and legal advisors, Qwest submitted a revised proposal for a potential business combination with MCI. The offer provided for $7.50 in cash and 3.735 shares of Qwest common stock for each share of MCI common stock. The offer also provided for MCI stockholders to receive $0.40 per share in quarterly dividends for the four quarters anticipated between signing and closing. The offer contained no express financing condition but was contingent on Qwest s completion of the due diligence process. Qwest requested essentially the same due diligence materials that Verizon had received. Representatives of MCI contacted representatives of Qwest that evening to notify them that, due to the revised proposal, Qwest would be granted access to the MCI data room, and to request that members of the Qwest management team attend meetings with MCI and its representatives at the offices of Lazard the following day so that MCI could evaluate Qwest. MCI also requested that Qwest provide merger agreements for both of its proposals and copies of any financing commitment letters. The total stated amount of Qwest s proposal was $24.60 per share of MCI common stock (including the $0.40 per share dividend declared by MCI s board of directors on February 11, 2005 and the other three quarterly dividends anticipated between signing and closing), based on Qwest s closing market price of $4.15 on February 11, 2005. The closing market price of MCI shares of common stock on February 11, 2005 was $20.75.

Also on the evening of February 11, 2005, members of the management of MCI and Verizon, together with MCI s financial and legal advisors and Verizon s financial advisor and legal advisor, continued negotiations regarding the terms of the merger agreement. These negotiations continued through February 12, 2005 and February 13, 2005.

On February 12, 2005, meetings were held between the management of Qwest and MCI, together with their financial and legal advisors, in which each party conducted due diligence with respect to the other s business, financial condition and operations. Although no financing commitments were delivered at that time, in the afternoon, Skadden, Arps, Slate, Meagher & Flom LLP, legal advisor to Qwest, delivered to Davis Polk an initial draft of a merger agreement relating to the proposed transaction. MCI management advised Qwest s representatives that they were welcome to conduct further due diligence and to meet with MCI s advisors, both to review MCI s information and to provide an opportunity for MCI to conduct due diligence with respect to Qwest. MCI requested certain clarifications from Qwest regarding its proposal and requested that Qwest increase its offer in time for the meeting of MCI s board of directors scheduled for the following day.

During the day on February 13, 2005, meetings were held between the management of Qwest and MCI, together with their financial and legal advisors, in which each party conducted further due diligence with respect to the other s business, financial condition and operations. Thereafter, members of the management of MCI and Qwest, together with their respective financial and legal advisors, conducted negotiations regarding the terms of the merger agreement, and MCI s financial advisors again requested that Qwest increase its offer. Also on that day, MCI s legal advisor discussed with Qwest s legal advisor regulatory issues associated with a potential transaction. In the afternoon, prior to MCI s board of directors meeting, Qwest reconfirmed the terms of its

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February 11, 2005 proposal in writing to MCI s board of directors. Qwest s representatives informed J.P. Morgan and Lazard that the terms of the proposal were subject to up to one week of additional due diligence on MCI, and that they did not foresee any contingency at that time that would cause Qwest to reduce its offer.

Also on February 13, 2005, throughout the day, members of the senior management of MCI and Verizon, together with their respective financial and legal advisors, continued negotiations regarding the terms of the merger agreement. During this time, members of MCI s senior management also contacted individual MCI directors to update them on the status of the negotiations with Qwest and the negotiations with Verizon. At 4:00 p.m., MCI s board of directors held a meeting (without Mr. Capellas), which was attended by MCI s senior management and MCI s financial and legal advisors. Senior management and MCI s advisors updated MCI s board of directors on the status of negotiations with Verizon, the February 10, 2005 all-cash offer from Qwest, the February 11, 2005 cash and stock offer from Qwest and the draft merger agreement from Qwest, and its evaluation of Qwest. MCI s board of directors, in evaluating the value and certainty of Qwest s proposal, discussed, among other considerations, (i) the changing competitive nature of the industry, (ii) the increasing need for scale and comprehensive wireless capabilities, (iii) access economics, (iv) the potential benefits of a transaction with Qwest, including the level and achievability of potential synergies and tax savings from use of Qwest s net operating loss carry-forwards, (v) the state of Qwest s capital structure, (vi) the ongoing ability to sustain network service quality and invest in new capabilities and (vii) ensuring ongoing customer confidence among MCI s large enterprise customers. Contemporaneously, Mr. Capellas met with Mr. Seidenberg to discuss improvements in the terms of the Verizon transaction. Verizon offered to revise its proposal for a merger with MCI to provide that each share of MCI common stock be converted into the right to receive (i) 0.4062 shares of Verizon common stock and (ii) cash in the amount of $1.50 per share, which amount of cash and number of shares could be reduced pursuant to a potential downward purchase price adjustment based on certain MCI bankruptcy claims, including state tax claims, and certain international tax liabilities. The offer also provided for the distribution by MCI after stockholder approval of the merger of a special cash dividend in the amount of $4.10 per share of MCI common stock (less the amount of any dividends declared by MCI during the period from February 14, 2005 to the consummation of the merger, but excluding the $0.40 per share dividend approved MCI s board of directors on February 11, 2005). The total stated amount of Verizon s proposal was $20.75 per share of MCI common stock (including the $0.40 per share dividend declared by MCI s board of directors on February 11, 2005), based on Verizon s closing market price on February 11, 2005 of $36.31 per share. The closing market price of MCI shares on February 11, 2005 was $20.75.

In the evening on February 13, 2005, Verizon s board of directors again met with its financial and legal advisors to discuss the financial aspects of the proposed merger with MCI and the proposed terms of the merger agreement and to consider approval of the merger agreement. At the meeting, Verizon s management presented Verizon s board of directors with an update on the status of the negotiations with MCI and again reviewed the strategic reasons for, and potential benefits and cost savings to be derived from, the proposed merger. Representatives of Bear Stearns discussed the transaction, including an analysis of their valuations. A representative of Debevoise reviewed again with Verizon s board of directors its fiduciary duties in considering a proposed business combination and discussed the material terms of the proposed merger agreement and the remaining open issues in connection with the proposed merger with MCI. Following additional discussions, Verizon s board of directors unanimously (with one potentially interested director abstaining because the firm to which he is an advisor had performed professional services for MCI unrelated to the merger) determined that the merger with MCI was advisable and in the best interests of Verizon s stockholders, approved the merger and related matters and authorized management to finalize and enter into definitive documents regarding the merger.

Also in the evening of February 13, 2005, MCI s board of directors held a special meeting, which was attended by MCI s management and MCI s financial and legal advisors. Management and MCI s financial and legal advisors advised MCI s board of directors on the revised proposal from Verizon and reviewed its terms and the financial and operational aspects of its offer. The MCI management team, together with MCI s financial advisors, reviewed with MCI s board of directors the terms of the Qwest proposal as well as an evaluation of Qwest. Greenhill, J.P. Morgan and Lazard reviewed with MCI s board of directors certain financial aspects of

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each transaction. Davis Polk advised MCI s board of directors on its legal duties and responsibilities and made a presentation regarding the structure and key terms and conditions of the proposed Qwest and Verizon transactions. Representatives of Greenhill, J.P. Morgan and Lazard reviewed their financial analyses and each rendered to MCI s board of directors its oral opinion, which opinion was subsequently confirmed in writing, that as of February 13, 2005 and based upon and subject to the factors, assumptions, procedures, limitations and qualifications set forth in these opinions, the consideration to be issued and paid to MCI s stockholders in connection with the Verizon merger is fair from a financial point of view to these holders. MCI s board of directors proceeded to discuss the original Verizon merger agreement and the transactions contemplated by the original merger agreement and compare it to the Qwest proposals. Mr. Breeden stated that the process of MCI s board of directors that he had observed in considering the competing proposals from Verizon and Qwest, as well as MCI s other strategic alternatives, had been a careful and detailed one in which MCI s board of directors had sought to evaluate both the potential value and the relative risks of those alternatives, including the risks associated with an extended period prior to the closing under each of the proposals from Verizon and Qwest. Following these discussions, MCI s board of directors unanimously determined that the original Verizon merger agreement and the transactions contemplated by the original Verizon merger agreement were advisable, fair and in the best interests of MCI s stockholders and voted unanimously to approve the original Verizon merger agreement and to recommend that MCI s stockholders approve and adopt the original merger agreement with Verizon.

Before the opening of the United States financial markets on February 14, 2005, Verizon and MCI executed the original agreement and issued a joint press release announcing the merger.

On February 20, 2005, MCI s board of directors, together with MCI s management and MCI s financial and legal advisors, held a meeting to discuss the reaction of major MCI stockholders to the pending merger with Verizon and Qwest s public statements about a proposed transaction with MCI.

On February 24, 2005, MCI received a revised proposal from Qwest to acquire MCI. The revised proposal provided for total consideration per share of MCI common stock equal to: (i) $6.00 in cash in quarterly and special dividends (including the $0.40 per share dividend declared by MCI s board of directors on February 11, 2005); (ii) $3.10 in cash at closing; and (iii) 3.735 shares of Qwest common stock for each share of MCI common stock. The revised proposal included the same purchase price adjustment mechanism included in the merger agreement between MCI and Verizon. Qwest s revised proposal also included a collar mechanism with respect to the stock component of the consideration which provided that if the average trading price for Qwest common stock during a period of 20 days prior to the closing of the transaction does not equal $4.15, then the exchange ratio would be adjusted as follows: (i) if the Qwest share price is between and inclusive of $3.74 and $4.14, then the exchange ratio would be adjusted upward to deliver value of $15.50 in stock consideration (although Qwest may at its option deliver all or a portion of the additional stock consideration in cash instead); (ii) if the Qwest share price is between and inclusive of $4.16 and $4.57, then the exchange ratio would be adjusted downward to deliver value of $15.50 in stock consideration; (iii) if the Qwest share price is below $3.74, then the exchange ratio would be 4.144 (although Qwest may at its option deliver all or a portion of the additional stock consideration in cash instead); and (iv) if the Qwest share price is above $4.57, then the exchange ratio would be 3.392. Qwest s revised proposal included an obligation on Qwest to agree to take actions to obtain the required regulatory approvals to consummate the proposed transaction other than those that would have a material adverse effect on the combined company (*i.e.*, Qwest and MCI and their subsidiaries taken as a whole). The revised offer remained contingent on Qwest s completion of its due diligence review. The total stated amount of Qwest s proposal was $24.60 per share of MCI common stock (including the $0.40 per share dividend declared on February 11, 2005), based on Qwest s closing market price of $4.05 on the previous business day, which was within the range of the collar mechanism under that proposal. The closing market price of MCI shares of common stock on the previous business day was $22.95.

On February 25, 2005, MCI shares began trading ex-dividend with respect to the $0.40 per share dividend declared on February 11, 2005.

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On February 27, 2005 and March 1, 2005, MCI s board of directors held special meetings, which were attended by MCI s senior management and MCI s financial and legal advisors, to review the revised proposal from Qwest.

On March 2, 2005, MCI announced its intention to engage in discussions and information exchanges with Qwest through March 17, 2005 after receiving a waiver from Verizon of certain terms of the merger agreement between Verizon and MCI to permit these discussions and information exchanges. Subsequently, MCI and Qwest engaged in ongoing and extensive discussions regarding Qwest s revised proposal, and engaged in additional information exchanges in connection with MCI s board of directors review and evaluation of Qwest s revised proposal and with a view to having Qwest be in a position to remove the due diligence condition to its proposal. During these discussions, MCI s advisors raised with Qwest s advisors issues and concerns with respect to certain terms of Qwest s draft merger agreement, including terms relating to deal certainty, structures, the risks associated with a need for stockholder approval by Qwest s stockholders and elimination of the purchase price adjustment which had been adopted from the Verizon merger agreement. These discussions and information exchanges took place over a two-week period in which there were numerous meetings and joint conference calls among the senior management and the advisors of both parties, and numerous data room visits by representatives from Qwest and MCI.

On March 11, 2005, MCI s board of directors held a regularly scheduled meeting, which was attended by MCI s management and MCI s financial and legal advisors. Management and MCI s financial and legal advisors reviewed with the MCI board of directors the status of the continuing discussions with Qwest, reviewed Qwest s revised proposal, and management reported on the results of the ongoing due diligence review on Qwest.

On March 13, 2005, Qwest delivered to MCI draft commitment letters relating to the proposed financing in connection with its proposal, and management of the companies, the proposed lenders under the commitment letters, and their respective advisors engaged in subsequent discussions regarding the terms of the commitment letters. MCI, Qwest and their respective advisors also engaged in further discussion regarding the terms and conditions of Qwest s draft merger agreement. During these discussions, MCI s advisors again raised with Qwest s advisors issues and concerns with respect to certain terms of Qwest s draft merger agreement, including terms relating to deal certainty, Qwest stockholder approval and elimination of the purchase price adjustment.

Qwest s advisors had requested an opportunity for Mr. Notebaert to present to MCI s board of directors a revised proposal and to answer questions from MCI s board of directors. On March 15, 2005, at the direction of MCI, one of MCI s financial advisors informed Qwest s advisors that, given the risks to MCI s business arising from the then-current uncertainties, MCI thought it appropriate to conclude further discussions and make its decision as to which proposal, as between Qwest s proposal and the Verizon merger agreement (including any improvement Verizon was prepared to make), was in the best interests of MCI stockholders, and that, in light of Mr. Notebaert s expressed interest in presenting a revised proposal at MCI s board of directors meeting on March 16, 2005, MCI intended to treat the proposal that Mr. Notebaert would present as Qwest s best and final offer.

On March 16, 2005, Mr. Notebaert attended a meeting of MCI s board of directors where he made a presentation to MCI s board of directors regarding Qwest s proposal and responded to questions from MCI s board of directors regarding Qwest s proposal. At this meeting, Mr. Notebaert presented a further revised proposal from Qwest to acquire MCI. The revised proposal was substantially the same as Qwest s February 24, 2005 stock and cash proposal, except that it provided for a cash payment at closing by Qwest to MCI stockholders of $4.50 per share of MCI common stock (as opposed to $3.10 per share under Qwest s February 24, 2005 proposal). The proposal requested a response by March 25, 2005, which Mr. Notebaert subsequently agreed to extend until March 28, 2005. The total stated amount of Qwest s proposal was $25.60 per share of MCI common stock (excluding the $0.40 per share dividend declared by MCI s board of directors on February 11, 2005), based on Qwest s closing market price of $3.86 on the previous business day, which was within the range of the collar mechanism under that proposal. The closing market price of MCI shares of common stock on the previous business day was $24.03.

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On March 17, 2005, MCI s board of directors held a meeting, which was attended by MCI s management and MCI s financial and legal advisors. Management and MCI s financial and legal advisors reviewed with MCI s board of directors the discussions and information exchanges that had taken place over the prior two weeks between Qwest and MCI and the terms of Qwest s revised proposal.

Following the March 17, 2005 MCI board of directors meeting, MCI s senior management, together with MCI s financial and legal advisors, continued their evaluation of Qwest s revised proposal. On March 21, 2005, MCI s board of directors held a meeting, which was attended by MCI s management and MCI s financial and legal advisors to discuss Qwest s revised proposal.

At a meeting of Verizon s board of directors on March 22, 2005, Verizon s management discussed developments related to MCI. Verizon s management discussed their assessment of the transaction valuation and representatives of Bear Stearns also discussed the valuation. Verizon s board of directors authorized its management to present a revised proposal to MCI when Verizon s management deemed advisable. The terms of the revised proposal were communicated to MCI on March 28, 2005.

On March 23, 2005, MCI s board of directors held a meeting, which was attended by MCI s senior management and MCI s financial and legal advisors, in which MCI s board of directors conducted a review and evaluation of Qwest s revised proposal. At this meeting, MCI s board of directors determined to continue discussions with Qwest. MCI announced its intent to engage in discussions and information exchanges with Qwest through March 28, 2005 after receiving a waiver of certain terms of the merger agreement between Verizon and MCI to permit these discussions and information exchanges. Subsequently, MCI and Qwest and their respective advisors engaged in continuing discussions regarding Qwest s revised proposal, including further discussions regarding the terms and conditions of the draft merger agreement and commitment letters, and engaged in additional information exchanges. During these discussions, MCI sought, through its advisors, an improvement in the financial terms of Qwest s revised proposal and reiterated the need to receive Qwest s best and final offer prior to MCI s board of directors meeting scheduled for March 28, 2005.

Beginning on March 24, 2005, and continuing into the weekend of March 25, 2005, further discussions and information exchanges took place between Qwest and MCI, including numerous discussions among the parties and their respective advisors regarding a potential transaction, and visits by MCI representatives to the Qwest data room. The parties and their advisors also engaged in further discussion regarding the terms and conditions of Qwest s draft merger agreement. Additionally, the parties, the proposed lenders under the commitment letters, and their respective advisors engaged in subsequent discussions regarding the terms of the commitment letters.

On March 27, 2005, representatives of Verizon informed representatives of MCI that Verizon planned to make a revised proposal which would include an increase in merger consideration, a price protection mechanism, and enhanced deal protection terms, including an increase in the termination fee, an expansion of the circumstances triggering the provision allowing Verizon to cause MCI to hold a stockholder meeting to consider approval of the merger in the event MCI s board of directors changes, withdraws, modifies or qualifies its recommendation of the merger to MCI stockholders and the removal of MCI s right to terminate the merger agreement in order to accept a superior proposal. Later that day, MCI s board of directors held a meeting, which was attended by MCI s management and MCI s financial and legal advisors. Management and MCI s financial and legal advisors reviewed with MCI s board of directors the status of the continuing discussions with Qwest and the anticipated revised proposal from Verizon. MCI s legal advisor described the proposed enhanced deal protection terms and their potential operation and consequences.

On March 28, 2005, Qwest delivered to MCI revised signed commitment letters relating to the proposed financing in connection with its March 16, 2005 proposal, which provided for an additional $500 million in financing. Also on March 28, 2005, Mr. Notebaert delivered a letter to MCI s board of directors reiterating the terms of Qwest s March 16, 2005 proposal without any of the requested improvements in financial terms other than the increase in financing commitments. The letter also stated that Qwest s proposal would be withdrawn if

an agreement was not executed between MCI and Qwest with respect to a potential transaction on or before midnight, April 5, 2005. The total stated amount of Qwest s proposal was $25.60 per share of MCI common stock (excluding the $0.40 per share dividend declared by MCI s board of directors on February 11, 2005), based on Qwest s closing market price of $3.78 on the previous business day, which was within the range of the collar mechanism under that proposal. The closing price of shares of MCI common stock on the previous business day was $23.26.

In the afternoon of March 28, 2005, following Qwest s public reiteration of its March 16, 2005 proposal, MCI received a formal revised proposal from Verizon for a merger with MCI. The proposal contemplated (i) an increase in the per share amount of cash consideration to be paid by Verizon to the stockholders of MCI at the closing of the merger from $1.50 to $4.25 (making the total cash consideration, including the special cash dividend contemplated by the merger agreement but excluding the $0.40 per share dividend declared by MCI s board of directors on February 11, 2005, equal to $8.35), and (ii) in lieu of receiving a fixed exchange ratio of 0.4062 shares of Verizon common stock, MCI stockholders would receive instead the greater of 0.4062 shares of Verizon common stock or a number of shares of Verizon common stock that has a value of $14.75 at the effective time, with Verizon being able to elect to pay additional cash instead of issuing additional shares over the 0.4062 exchange ratio. In addition, pursuant to the terms of the revised proposal, the termination fee that MCI would be required to pay to Verizon upon termination of the merger agreement under specified circumstances would be increased from $200 to $300 million, and MCI would be subject to an obligation to reimburse Verizon for its expenses upon termination of the merger agreement under specified circumstances. In addition, in the event that MCI s board of directors made a change in its recommendation of the merger to MCI stockholders, under the terms of the revised proposal, MCI would not have the right to terminate the merger agreement and Verizon would have the option to require MCI to hold its stockholder meeting to consider approval of the merger and the other transactions contemplated by the merger agreement, notwithstanding MCI s board of directors change in recommendation. The revised proposal was expressly stated to be subject to the confidentiality agreement executed by Verizon and MCI.

Following receipt of Verizon s proposal, MCI s board of directors held a meeting, which was attended by MCI s management and MCI s financial and legal advisors. Management and MCI s financial and legal advisors reviewed with MCI s board of directors the terms of the proposal from Qwest and the terms of the revised proposal from Verizon. Following MCI s board of directors meeting, members of Verizon s and MCI s senior management, along with their respective legal and financial advisors, commenced negotiations regarding the terms of Verizon s proposed amendment to the original merger agreement reflecting Verizon s revised proposal. Later that evening, MCI s board of directors held a further meeting, which was attended by MCI s management and MCI s financial and legal advisors. Management and MCI s financial and legal advisors reviewed with MCI s board of directors the status of the continuing discussions with Verizon and the terms of Verizon s revised offer. MCI s financial advisors made a presentation regarding certain aspects of Verizon s revised proposal and Qwest s latest proposal. Davis Polk advised MCI s board of directors on its legal duties and responsibilities and made a presentation regarding the key terms and conditions of the revised proposal from Verizon and amendment to the original merger agreement. MCI s board of directors proceeded to discuss Verizon s revised proposal and the proposed amendment to the original Verizon merger agreement and compared Verizon s revised proposal with Qwest s latest proposal. Following these discussions, MCI s board of directors directed management to continue discussions with Verizon regarding the terms of the revised proposal and amendment to the original merger agreement with a view to finalizing an amendment to the original merger agreement before the open of trading markets the following morning.

During subsequent discussions, in addition to negotiating the modifications to the original merger agreement proposed by Verizon in its revised proposal, MCI sought additional modifications to the terms of the original merger agreement, including (i) modifications to the downward purchase price adjustment mechanism in the original merger agreement, (ii) an increase in the amount of the cash portion of the consideration payable as part of the special cash dividend after the special meeting of MCI stockholders instead of as part of the merger consideration payable later at the time of the closing of the merger and (iii) improved deal certainty. As a result of these negotiations, Verizon s revised proposal was modified so that (i) the proposed increase in the size of the termination fee was reduced from $300 million to $240 million, (ii) MCI s proposed expense reimbursement obligation was limited to $10 million, (iii) the threshold at which the downward purchase price adjustment in the merger agreement would be triggered was increased from $1.725 billion to $1.775 billion, and (iv) the amount of the proposed increase in the cash consideration payable at the closing of the merger was reduced by $1.50 and instead the amount of the special cash dividend payable after the special meeting of MCI stockholders was increased by $1.50 to up to $5.60.

On the morning of March 29, 2005, the final form of an amendment to the original merger agreement was presented to MCI s board of directors. Under the terms of the amendment to the original merger agreement, each share of MCI common stock will be converted into the right to receive (i) a number of shares of Verizon common stock equal to the greater of (a) 0.4062 and (b) the quotient obtained by dividing $14.75 by the volume weighted average of the closing prices of Verizon common stock, as these prices are reported on the NYSE Composite Transactions Tape, for each of the 20 trading days ending on the third trading day immediately preceding the closing of the merger and (ii) $2.75 in cash. The merger consideration is subject to a potential downward purchase price adjustment for certain MCI bankruptcy claims, including state tax claims, and certain international tax liabilities. The terms of the amendment also provide that MCI s board of directors will, except to the extent prohibited by applicable law or covenants in certain existing indentures, declare and pay a special cash dividend in an amount up to $5.60 per share minus the per share amount of any dividend declared by MCI between February 14, 2005 and the closing of the merger. Under the terms of the amendment, MCI agreed to increase the termination fee payable under certain circumstances from $200 million to $240 million, and also agreed to reimburse Verizon for up to $10 million in expenses under certain circumstances. Under the terms of the amendment to the original merger agreement, in the event that MCI s board of directors changes, withdraws, modifies or qualifies its recommendation to the MCI stockholders to vote for the adoption of the merger agreement and the approval of the merger to stockholders, MCI does not have the right to terminate the merger agreement and Verizon has the option to require MCI to cause a stockholder meeting to be held to consider approval of the merger. The total stated amount of Verizon s proposal was $23.10 per share of MCI common stock (excluding the $0.40 per share dividend declared by MCI s board of directors on February 11, 2005). The closing market price of MCI shares of common stock on the previous business day was $22.94.

MCI s board of directors, together with MCI management and its legal and financial advisors, then discussed the terms and conditions of the proposed amendment. After this discussion, representatives of each of Greenhill, J.P. Morgan and Lazard rendered to MCI s board of directors its oral opinion with respect to the Verizon transaction, which opinion was subsequently confirmed in writing, that as of March 29, 2005, and based upon and subject to the factors, assumptions, procedures, limitations and qualifications set forth in the opinion, the merger consideration to be issued and paid to MCI s stockholders in connection with the merger agreement, is fair from a financial point of view to the MCI stockholders. The directors proceeded to discuss Verizon s revised proposal and compare it to Qwest s latest proposal. Mr. Breeden stated that the process of MCI s board of directors that he had observed in considering the competing proposals from Verizon and Qwest had been a careful and detailed one in which MCI s board of directors had sought to evaluate both the potential value and the relative risks of those alternatives, including the risks associated with an extended period prior to closing.

Following these discussions, MCI s board of directors unanimously determined that the Verizon merger agreement, and the transactions contemplated by the Verizon merger agreement, were advisable, fair and in the best interests of MCI s stockholders, and more favorable to MCI s stockholders than Qwest s March 28, 2005 proposal, and voted unanimously to approve the Verizon merger agreement and to recommend that MCI s stockholders approve and adopt the merger agreement with Verizon. After MCI s board of directors meeting, Verizon and MCI executed the amendment to the merger agreement and issued press releases announcing the terms of the proposed amendment.

On March 31, 2005, MCI received a revised proposal from Qwest to acquire MCI. The revised proposal provided for total consideration per share of MCI common stock equal to: (i) up to $5.60 in cash in quarterly and special dividends (excluding the $0.40 per share dividend declared by MCI s board of directors on February 11, 2005); (ii) $7.90 in cash at closing; and (iii) 3.373 shares of Qwest common stock for each share of MCI common stock. The revised proposal included a potential downward purchase price adjustment based on certain MCI bankruptcy claims, including state tax claims, and certain international tax liabilities on substantially the same terms as provided in Verizon s March 29, 2005 amendment to the original merger agreement (*i.e.*, an adjustment threshold of $1.775 billion). The revised proposal included a revised collar mechanism with respect to the stock component of the consideration which provided that if the average trading price for Qwest common stock during a period of 20 days prior to the closing of the transaction does not equal $4.15, then the exchange ratio would be adjusted as follows: (i) if the Qwest share price is between and inclusive of $3.32 and $4.14, then the exchange ratio would be adjusted upward to deliver value of $14.00 in stock consideration (although Qwest may at its option deliver all or a portion of the additional stock consideration in cash instead); (ii) if the Qwest share price is below $3.32, then the exchange ratio would be 4.217 (although Qwest may at its option deliver all or a portion of the additional stock consideration in cash, provided that the exchange ratio will under no circumstances be less than 3.373); and (iii) if the Qwest share price is above $4.15, then the exchange ratio would be 3.373. In addition, under certain circumstances, Qwest could substitute up to $2.0 billion in cash for up to $2.0 billion of the aggregate stock consideration, by raising up to $2.0 billion in third party equity financing. Qwest indicated that its revised proposal would be withdrawn if MCI s board of directors did not determine the revised proposal to be superior to the Verizon merger agreement on or before midnight April 5, 2005. The total stated amount of Qwest s proposal was $27.50 per share of MCI common stock (excluding the $0.40 per share dividend declared on February 11, 2005), based on Qwest s closing market price of $3.77 on the previous business day, which was within the range of the collar mechanism under that proposal. The closing market price of MCI shares of common stock on the previous business day was $24.45.

Also on March 31, 2005, Verizon granted MCI a waiver of certain terms of the merger agreement between Verizon and MCI to permit continuing discussions and information exchanges between Qwest and MCI until the date of the special meeting of MCI stockholders.

On April 1, 2005, MCI s board of directors, together with MCI s senior management and MCI s financial and legal advisors (which included Cravath, Swaine & Moore LLP, recently retained as special counsel to MCI s board of directors), met to discuss the terms of Qwest s revised proposal. Subsequently, MCI s and Qwest s respective advisors engaged in discussions regarding Qwest s revised proposal, during which Qwest s advisors informed MCI s advisors that MCI should not assume that Qwest s revised proposal was Qwest s best and final proposal until a non-executive member of MCI s board of directors contacted Qwest s Chairman to confirm whether that was the case.

During the weekend of April 2, 2005 and April 3, 2005, MCI s advisors sought additional clarifications from Qwest s advisors regarding Qwest s revised proposal. On the evening of April 3, 2005, MCI s board of directors held a meeting, which was attended by MCI s management and MCI s financial and legal advisors. Management and MCI s financial and legal advisors advised MCI s board of directors on the status of the discussions with Qwest. MCI s financial advisors reviewed their financial analyses with respect to Qwest s revised proposal and the Verizon merger agreement. MCI s legal advisors advised MCI s board of directors on its legal duties and responsibilities and the provisions of the Verizon merger agreement relevant to any decision by MCI s board of directors to change its recommendation. MCI s board of directors conducted a comprehensive review and evaluation of Qwest s revised proposal and compared it with the Verizon merger agreement.

On April 4, 2005, Verizon issued a press release in which it stated that if MCI s board of directors declared Qwest s proposal to be superior, it would seem to Verizon that the decision-making process was being driven by the interests of short-term investors rather than MCI s long-term strength and viability, and that should this occur, Verizon would no longer be interested in participating in such a process. Also on April 4, 2005, MCI s board of directors held a meeting, which was attended by MCI s senior management and MCI s financial and legal advisors. In addition, Mr. Seidenberg participated by telephone at MCI s board of directors meeting where he made a presentation regarding the Verizon transaction and responded to questions from MCI s board of directors. After Mr. Seidenberg terminated his call into the meeting, MCI s senior management and MCI s financial and legal advisors continued to advise MCI s board of directors on the status of the discussions with Qwest and the terms of the merger agreement with Verizon, and MCI s board of directors continued its review and evaluation of Qwest s revised proposal and comparison with the Verizon merger agreement. MCI s board of directors determined that, because of the statement by Qwest s advisors that Qwest s current proposal may not be its best and final proposal, before making a final determination on Qwest s revised proposal, MCI should request that Qwest submit its best and final proposal. Mr. Katzenbach subsequently sent a letter to Mr. Notebaert asking for Qwest s best and final proposal. Mr. Notebaert responded in a letter dated April 4, 2005 that Qwest s revised proposal was its current best offer, and in a subsequent letter dated April 5, 2005, again confirmed that Qwest s revised proposal was its current best offer.

On April 5, 2005, Qwest delivered to MCI revised financing commitment letters providing for an additional $500 million in financing, increasing the total commitments to a total of $6.25 billion. Also that day, Qwest delivered to MCI a revised form of merger agreement, sometimes referred to as the Qwest proposed merger agreement, executed by Qwest together with related documentation. The Qwest proposed merger agreement was tendered on the basis that it would be revocable, of no legal effect and null and void if certain events occurred, including if MCI did not inform Qwest by midnight on April 5, 2005, and publicly declare by noon on April 6, 2005, that Qwest s revised proposal constitutes a superior proposal and give notice of this determination to Verizon.

However, if MCI were to pursue this course of action within the timeframe specified by Qwest, and Verizon elected to cause MCI to hold a stockholder meeting to consider adoption of the merger agreement and approval of the merger, then the Qwest proposed merger agreement would not be revocable by Qwest, unless MCI does not execute and deliver the Qwest proposed merger agreement by June 19, 2005, and subject to certain other conditions.

During the evening of April 5, 2005, MCI s board of directors held a meeting, which was attended by MCI s management and MCI s financial and legal advisors. Management and MCI s financial and legal advisors reviewed the terms of Qwest s revised proposal and the terms of the merger agreement with Verizon, and MCI s legal advisors advised MCI s board of directors on its legal duties and responsibilities. MCI s board of directors proceeded to discuss Qwest s revised proposal and the terms of the Verizon merger agreement, and compared Qwest s revised proposal with the terms of the Verizon merger agreement, including, among others, financial terms, merger-related conditions, market risks and customer reactions. MCI s board of directors then determined to seek improvements from Qwest on financial terms including an increase in stock consideration to bring the total stated amount of the consideration to $30 a share, irrevocability, closing certainty, and other merger terms, and informed Qwest that it would be willing to declare Qwest s proposal superior to the Verizon merger agreement if Qwest were willing to revise its proposal accordingly. Subsequently, pursuant to Qwest s request for MCI to respond prior to expiration of its offer at midnight, a non-executive member of MCI s board of directors and Mr. Breeden, together with MCI s advisors, had a conversation with Mr. Notebaert and Qwest s advisors. Qwest rejected virtually all of MCI s requests and reaffirmed that its March 31, 2005 proposal was its current best proposal. MCI s board of directors reconvened its meeting and continued its review and evaluation of Qwest s revised proposal and comparison with the Verizon merger agreement, as amended, including, among other considerations, a consideration of financial terms, the uncertainties associated with Qwest s revised proposal in terms of value and likelihood of closing, Qwest s synergy assessments, and the risks associated with Qwest s contingent liabilities. MCI s board of directors then concluded that the terms of Qwest s revised proposal in its current form, taken as a whole, were not superior to its merger agreement with Verizon. Following this determination, Qwest gave notice revoking its revised proposal.

On April 5, 2005, Verizon s board of directors met to discuss developments relating to the MCI merger. Management reviewed their assessment of the valuation of the transaction and discussed other potential scenarios. Verizon s board of directors then authorized Verizon s management to pursue opportunities within the parameters established by Verizon s board of directors.

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On April 9, 2005, Verizon entered into a stock purchase agreement sometimes referred to as the stock purchase agreement, to purchase approximately 43.4 million shares of MCI common stock from eight entities affiliated with Carlos Slim Helu, sometimes referred to as the selling group, for $25.72 per share in cash, plus an additional cash amount of three percent per annum from April 9, 2005 until the closing date, plus an adjustment amount payable at the end of one year equal to the amount per share of MCI common stock equal to 0.7241 times the amount by which the price of Verizon s common stock exceeds $35.52 per share (measured over a 20-day period). Under the stock purchase agreement, the selling group has agreed not to knowingly take actions which would reasonably be expected to delay or prevent the transactions contemplated by the merger agreement. The purchase is subject to termination of the waiting period under the HSR Act.

On April 9, 2005, Qwest s financial advisors contacted one of MCI s financial advisors to request clarification on certain of the improvements to Qwest s March 31, 2005 revised proposal sought by MCI on the evening of April 5, 2005. On the evening of April 9, 2005, MCI s board of directors held a meeting, which was attended by MCI s financial and legal advisors, at which MCI s board of directors discussed the transaction between Verizon and the selling group which had been publicly announced that morning and the status of discussions with Qwest.

On April 10, 2005, there were additional discussions between Qwest s advisors and MCI s advisors.

Verizon s Reasons for the Merger

Verizon s board of directors (with one potentially interested director abstaining because the firm to which he is an advisor had performed professional services for MCI unrelated to the merger) approved the merger and the merger agreement. In reaching its conclusion, Verizon s board of directors consulted with Verizon s management, as well as with Verizon s legal and financial advisors, and considered a variety of factors weighing favorably towards the merger, including the material factors listed below.

Expected Benefits of the Merger. Verizon believes that the merger will make it a more efficient competitor in providing a broad range of communications services and will result in several significant strategic benefits to Verizon, including the following:

Strategic Position. Following the merger, it is expected that Verizon s core strengths in communication services will be enhanced by MCI s strong business customer base, portfolio of advanced data and IP services and extensive network assets.

Growth Platform. MCI s presence in the U.S. and international enterprise sector and its long haul fiber network infrastructure are expected to provide Verizon with a stronger platform from which it can market its products and services.

Financial Benefits. Verizon believes that the potential annual pre-tax benefits and revenue enhancements following the closing of the merger will reach $500 million in year one, $750 million in year two, and will ramp up to $1 billion in year three and beyond. Verizon believes that these financial benefits and revenue enhancements can be achieved based upon its track record of combining the businesses of NYNEX Corporation and Bell Atlantic Corporation in 1997 and the businesses of GTE Corporation and Bell Atlantic Corporation in 2000. The financial benefits are expected to come from, among other things:

- eliminating duplicative staff and information and operation systems and to a lesser extent overlapping network facilities;

- reducing procurement costs;

rationalizing the companies   real estate assets;

- using the existing networks more efficiently;
- reducing line support functions;
- reducing general and administrative expenses;
- improving information systems;
- optimizing traffic flow;
- eliminating Verizon capital expenditures for new long-haul network capability; and
- offering wireless capabilities to MCI s customers.

The merger should help maintain or increase MCI s revenue and provide an opportunity for sales of additional advanced services to Verizon s customer base. The merger enhances the ability of Verizon, following the closing of the merger, to offer services to large, medium and small businesses. Verizon believes that there will be opportunities for Verizon in the market for Internet protocol virtual private networks, sometimes referred to as IP VPN, and opportunities to provide value-added services, such as security and storage. Following the closing of the merger, Verizon will also have enhanced capabilities to offer MCI s existing and planned hosting services through applications delivery to large, medium and small businesses. The product portfolio available to all business customers will be broadened across every dimension premise, access, transport, applications and managed services because of MCI s IP backbone and Verizon s ability following the closing of the merger to bundle more solutions. Verizon also expects that its industry-leading wireless capabilities will be offered to the existing customer bases of Verizon and MCI and new prospective customers.

Other Material Factors Considered. During the course of its deliberations relating to the merger agreement and the merger, Verizon s board of directors considered the following factors in addition to the benefits described above:

- *Operating and Financial Market Condition.* The business operations and prospects of each of Verizon, MCI and Verizon following the merger, and the then-current financial market conditions and historical market prices, volatility and trading information with respect to shares of Verizon common stock and MCI common stock.
- *Consideration of Uncertainty in Revenue Forecasts/Changing Telecommunications Environment.* The risk that the forecasts relating to Verizon s businesses, as well as the businesses of Verizon on a pro forma basis following the merger, that were prepared by management and shared with Verizon s board of directors, may not be achieved, particularly given the changing telecommunications environment and the ongoing consolidation within this environment.
- *Expected Impact of the Announcement of the Merger in the Market and on Business Operations.* The possible stock market reaction to the merger, and the expected impact of the announcement of the merger on MCI s business operations and on its stockholders, suppliers, creditors, customers and employees.

Financial Terms of the Merger. The merger consideration of a number of shares of Verizon common stock equal to the exchange ratio and $2.75 in cash, plus any amount of the special cash dividend that remains unpaid, without interest, subject to Verizon s right to increase the cash portion of the consideration if the exchange ratio is greater than 0.4062 and subject to the potential downward purchase price adjustment, payable upon conversion of a share of MCI common stock, the fact that the exchange ratio will be no less than 0.4062, the resulting percentage ownership interests and voting power that current Verizon stockholders would have in Verizon following the closing and the other financial terms of the merger, including the special cash dividend of up to $5.60 in cash per share of MCI common stock to be paid by MCI following the approval of the merger by MCI s stockholders.

Provisions of the Merger Agreement. The structure of the merger and terms and conditions of the merger agreement, including the potential downward purchase price adjustment (relating to certain of MCI s bankruptcy claims, including state tax claims, and certain international tax liabilities), the payment of the special cash dividend, the no solicitation provisions and the $240 million termination fee and up to $10 million in expenses payable to Verizon by MCI in specified circumstances.

Strategic Alternatives. The strategic alternatives available to Verizon in light of the evolving competitive landscape and ongoing consolidation within the telecommunications sector, including alternative acquisition candidates and the costs and benefits of continuing to develop the enterprise business and build a long-haul network independently (rather than through acquisitions).

Regulatory Approvals. The regulatory approvals required to consummate the merger and the belief of Verizon s management that the merger would be approved by the requisite authorities, without the imposition of conditions sufficiently material to preclude the merger, and would otherwise be consummated in accordance with the terms of the merger agreement.

Due Diligence. The results of due diligence investigations of MCI by Verizon s management and financial and legal advisors.

Verizon s board of directors weighed these factors against a number of other material factors identified in its deliberations weighing negatively against the merger, including:

the challenges inherent in the operation of the businesses of MCI in conjunction with those of Verizon following the merger and the possible diversion of management attention for an extended period of time;

the risk of not realizing all the anticipated savings following the merger;

the risk that nationally accredited ratings agencies might downgrade Verizon s long-term and/or short-term credit ratings;

additional potential problems and costs, including transaction costs associated with the merger and costs relating to the operation of the businesses of MCI in conjunction with those of Verizon following the merger;

the risk of liabilities associated with the business of MCI, including certain actual or contingent bankruptcy claims, including state tax claims, certain international tax liabilities, litigation and other contingent liabilities;

the covenants to the merger agreement requiring Verizon and MCI to take any lawful steps as are necessary and appropriate to obtain certain regulatory approvals and clearances (provided that these steps do not cause a material adverse effect on Verizon (which for these purposes will be deemed to be a consolidated group of entities of the size and scale of MCI and its subsidiaries taken as a whole) or a material adverse effect on MCI) and the conditions to the merger agreement requiring receipt of certain regulatory approvals and clearances, which approvals and clearances might not be obtained.

the risk that the merger may not be consummated despite the parties efforts or that the closing of the merger may be unduly delayed, even if the requisite approval is obtained from MCI s stockholders;

the risk that, because the exchange ratio under the merger agreement would not be adjusted for increases in the market price of Verizon common stock, the per share value of the consideration to be paid to MCI stockholders on closing of the merger could be significantly more than the per share value of the consideration immediately prior to the announcement of the proposed merger;

the terms of the merger agreement regarding MCI s right to consider and negotiate acquisition proposals in certain circumstances; and

the other risks described in the Risk Factors Relating to the Merger beginning on page 20.

After consideration of these material factors, Verizon s board of directors determined that these risks could be mitigated or managed by Verizon or MCI or by Verizon following the merger, were reasonably acceptable under the circumstances or, in light of the anticipated benefits, the risks were unlikely to have a material impact on the merger or on Verizon following the merger, and that, overall, these risks were significantly outweighed by the potential benefits of the merger.

This discussion of the information and factors considered by Verizon s board of directors includes all of the material positive and negative factors considered by Verizon s board of directors, but it is not intended to be exhaustive and may not include all the factors considered by Verizon s board of directors. Verizon s board of directors did not quantify or assign any relative or specific weights to the various factors that it considered in reaching its determination to approve the merger agreement and the merger. Rather, Verizon s board of directors viewed its position and recommendation as being based on the totality of the information presented to and factors considered by it. In addition, individual members of Verizon s board of directors may have given differing weights to different factors. It should be noted that this explanation of the reasoning of Verizon s board of directors and certain information presented in this section is forward-looking in nature and, therefore, that information should be read in light of the factors discussed in the Cautionary Statement Regarding Forward-Looking Statements in this proxy statement and prospectus, beginning on page 25.

MCI s Reasons for the Merger

On February 13, 2005, MCI s board of directors unanimously determined that the original merger agreement with Verizon and the merger were fair to, and in the best interests of, MCI and its stockholders. On March 29, 2005, MCI s board of directors unanimously determined that the merger agreement with Verizon and the merger were fair to, and in the best interests of, MCI and its stockholders, and more favorable to MCI s stockholders than Qwest s March 28, 2005 proposal. MCI s board of directors also voted unanimously to recommend that MCI s stockholders vote for the adoption of the merger agreement and approval of the merger with Verizon. In meetings and reviews held by MCI s board of directors, MCI s board of directors received the views and opinions of Mr. Breeden and consulted with him.

Prior to making these determinations, MCI s board of directors and Mr. Breeden met on numerous occasions, consulted with MCI s senior management and its financial and legal advisors and gave careful consideration to not only the proposed transaction with Verizon but also to other strategic alternatives, including Qwest s proposals and the alternative of remaining as a stand-alone company. In assessing MCI s strategic alternatives, MCI s board of directors considered the values that might be realized by MCI s stockholders, the certainty and timing for realizing those values and the risks associated with each of the various alternatives.

Throughout its reviews, MCI s board of directors has taken into account the significant technological and market changes occurring within the telecommunications industry. These changes have included the ongoing growth in Internet usage, the development by telecommunication companies of advanced networking services primarily based on IP, the increasing customer demand for these value-added services and the expected further convergence of voice and data services onto IP-based networks. Also in recent years, changes in the telecommunications markets have included increasingly severe price competition, substitution of email, instant messaging and wireless telephone service for traditional wireline voice communications, the entry of RBOCs into the long-distance market, the entry of cable television and other companies into the consumer telephony business and regulatory changes increasing the difficulty for companies, such as MCI, to provide traditional telephone service, particularly to consumer customers. Furthermore, significant competitors have announced plans to merge, including AT&T and SBC on January 31, 2005, and Sprint and Nextel on December 15, 2004.

In developing MCI s strategy for operating within an industry undergoing these significant changes, MCI s board of directors and senior management have considered MCI s position as one of the world s leading telecommunication companies, providing a broad range of Internet, data and voice communication services for

thousands of businesses and government entities throughout the world and millions of consumer customers in the United States. Consideration also has been given to MCI s ownership of one of the most extensive telecommunications networks in the world, comprising approximately 100,000 route miles of network connections linking metropolitan centers and various regions across North America, Europe, Asia, Latin America, the Middle East, Africa and Australia. Also, MCI s board of directors and senior management have considered that MCI owns and operates one of the world s largest, fastest and most interconnected IP networks and has extensive knowledge and experience that has been developed through handling IP communications.

After assessing its strategic alternatives, including the alternative of remaining a stand-alone company, MCI s board of directors concluded that the merger with Verizon was in the best interests of MCI and its stockholders. In making this determination, MCI s board of directors considered the following, among other factors:

Consideration for MCI Stockholders. Pursuant to the merger agreement, MCI s stockholders will receive a total consideration of at least $23.10 (excluding the $0.40 per share dividend declared by MCI s board of directors on February 11, 2005) per share of MCI common stock comprising (i) $2.75 in cash, (ii) the number of shares of Verizon common stock equal to the greater of (a) 0.4062 and (b) the quotient obtained by dividing $14.75 by the Verizon average stock price and (iii) the special cash dividend of up to $5.60 per share (less the per share amount of any dividend declared by MCI between February 14, 2005 and the closing of the merger). The largest portion of this consideration will consist of shares of Verizon common stock, enabling MCI s stockholders to participate in the company resulting from the merger, including the strategic, financial and other benefits of the transaction. For the cash portion of the consideration, MCI s stockholders will receive payments either from MCI, which had cash and marketable securities in excess of $5 billion at December 31, 2004, or from Verizon, which has substantial financial resources and investment grade credit ratings.

Valuation. MCI s board of directors believes that a merger with Verizon provides MCI stockholders with an attractive valuation for their interests in MCI. Among the numerous valuation measures it considered, MCI s board of directors noted that the total Verizon merger consideration of $23.50 per share, which includes the special cash dividend of up to $5.60 per share and the $0.40 per share dividend paid by MCI on March 15, 2005, is:

- a 25.9% premium over the closing price of MCI s common stock on January 26, 2005, the last trading day prior to widespread circulation of rumors of a possible merger between SBC and AT&T;
- a 19.4% premium over the closing price of MCI s common stock on February 2, 2005, the last trading day prior to widespread circulation of rumors of a possible transaction between MCI and Qwest;
- a 13.3% premium over the closing price of MCI s common stock on February 11, 2005, the last trading day prior to the February 14, 2005 public announcement by MCI and Verizon of the execution of the merger agreement and the proposed transaction; and
- a 2.4% premium over the closing price of MCI s common stock on March 28, 2005, the last trading day prior to MCI and Verizon announcing the amendment to the merger agreement on March 29, 2005 (equivalent to a 0.7% premium if the merger consideration excludes the $0.40 per share dividend paid by MCI on March 15, 2005).

Price Protection. In addition, the merger agreement includes a price protection mechanism to ensure that the value of the Verizon shares to be received per share of MCI common stock at the closing of the merger will be at least $14.75. In view of the volatility of the equity markets and the likely time period before obtaining regulatory approvals, MCI s board of directors believes that this mechanism has important value for MCI s stockholders.

Timing of the Special Cash Dividend. The merger agreement provides that, after MCI s stockholders approve the merger, MCI s board of directors may declare and pay a special cash dividend from its excess cash

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under the MCI bankruptcy plan of reorganization of up to $5.60 per share, subject to the specific terms and conditions set forth in the merger agreement. This special cash dividend allows MCI s stockholders to receive a portion of the total merger consideration prior to the closing of the transaction and also sooner than they would have if, instead, MCI continued to pay quarterly dividends of $0.40 per share from its excess cash under the MCI bankruptcy plan of reorganization.

Presentations and Opinions of Financial Advisors. MCI s board of directors considered the presentations by and analyses of Greenhill, J.P. Morgan and Lazard, financial advisors to MCI, and the opinions of Greenhill, J.P. Morgan and Lazard that, as of March 29, 2005 and based upon and subject to the factors, assumptions, procedures, limitations and qualifications set forth in these opinions, the merger consideration to be issued and paid in connection with the merger agreement is fair, from a financial point of view, to the holders of MCI s common stock.

Possible Upside Value. MCI s stockholders may receive additional value at closing since the merger agreement does not provide a maximum for the value of the shares of Verizon common stock to be received at the closing of the merger by MCI stockholders. For each share of MCI stock, the value of the Verizon common stock per share of MCI common stock will be the greater of (a) $14.75 or (b) the value of 0.4062 shares of Verizon common stock. For example, if Verizon s stock price is above $36.31, then at the closing of the merger, the value of the Verizon common stock exchanged in the merger for MCI common stock will be above $14.75 per share. MCI s board of directors believes that these terms of the merger agreement have important benefits for MCI s stockholders since the value of the Verizon common stock is protected from falling below $14.75, but is not prevented from appreciating above $14.75.

In evaluating the potential value of the Verizon common stock to be received by MCI stockholders at the closing of the merger, among other considerations, MCI s board of directors considered the potential strategic benefits of the transaction with Verizon resulting from: the complementary assets of the two companies; the opportunities for increased revenues resulting from the ability of the company resulting from the merger to better serve the communication needs of existing and potential customers because of the complementary nature of the companies network facilities, the broad range of professional expertise among the companies employees and the expanded products and services that will be offered to customers; the opportunities for cost reductions resulting from the substantial scale of the company resulting from the merger and the similar nature of many activities currently conducted by the companies; and the potential for the greater financial strength and stability for MCI s businesses resulting from the merger with Verizon to enhance the value of MCI as a service provider to its customers, in particular those that enter into long-term relationships with MCI and depend upon MCI to handle critical communication and information processing functions and expect that MCI will be able to maintain and expand its network.

Tax-Free Transaction. MCI s board of directors also considered the additional value that its stockholders would realize since the merger is expected to be (although is not assured of being) a tax-free reorganization for U.S. federal income tax purposes. Accordingly, only to the extent of the cash received as part of the merger consideration will an MCI stockholder be expected to recognize gain (but not loss) for U.S. federal income tax purposes as a result of the merger.

Other Terms of the Merger Agreement with Verizon. MCI s board of directors considered the terms and conditions of the merger agreement, including: the conditions related to the closing of the transaction; the fact that MCI could in certain circumstances enter into discussions with third parties regarding alternative transaction proposals and MCI s board of directors could in certain circumstances change its recommendation that MCI s stockholders vote to adopt the Verizon merger agreement and approve the merger (subject to MCI s complying with procedures under the merger agreement requiring MCI to give five business days prior notice to Verizon to allow Verizon time to respond before MCI s board of directors recommendation is changed); and the restrictions imposed on the conduct of business by MCI and Verizon in the period prior to the closing of the transaction. In addition, in making its determinations on March 29, 2005, MCI s board of directors considered the additional provisions required by Verizon as a condition to increasing the merger consideration and agreeing to the price protection mechanism. These additional provisions were an increase from $200 million to $240 million in the termination fee that MCI may be required to pay to Verizon under specified circumstances; MCI s agreement to reimburse Verizon for up to $10 million of its expenses upon termination of the merger agreement under specified circumstances; and, in the event MCI s board of directors changes its recommendation that MCI s stockholders adopt the merger agreement and approve the merger, MCI s inability to terminate the merger agreement and Verizon s right to require MCI to hold a stockholder meeting to consider approval of the merger between MCI and Verizon.

Due Diligence Reviews. MCI s board of directors considered the results of the due diligence review conducted by members of MCI s management and MCI s advisors relating to Verizon s businesses and operations, which were consistent with the expectations of MCI s board of directors with respect to the strategic and financial benefits of the merger.

Alternative Proposals from Qwest. Before making its determinations and recommendations, MCI s board of directors also considered the alternative proposals from Qwest as described under Background of the Merger beginning on page 27. In evaluating the value of the consideration being offered in the Qwest proposals and the certainty of closing under the Qwest proposals, MCI s board of directors considered numerous factors including the following:

- the expected competitive position of a combination of Qwest and MCI, in terms of the range of products and services, the cost structure, the future revenue opportunities and the growth prospects for such a combined company, and the extent of the similarity of their respective businesses;

- the level of potential synergies associated with a possible merger of MCI with Qwest, including the estimates prepared by Qwest and those separately prepared by MCI s management, in both cases, with careful consideration given to the certainty, timing and costs by which the synergies might be achieved, and the participation by MCI stockholders in these potential synergies due to the contemplated pro forma ownership by MCI stockholders at closing in the combined company;

- the expected reaction by large corporate and government enterprise customers to the merger of MCI with Qwest;

- Qwest s lack of organic wireless capabilities;

- the size of Qwest s contingent liabilities and the uncertainty associated with these liabilities;

- the range of possible values for the tax savings that could result from Qwest s net operating losses;

- the expected financial condition of Qwest after acquiring MCI, including the combined entity s projected cash flows, its levels of debt and requirements for debt service payments, as well as its possible future needs for additional financings, the potential risks and uncertainties of these financings, and the potential benefits of de-levering by the combined company;

- the mix of considerations that would be paid to MCI stockholders pursuant to the Qwest proposals;

- the amount of financing required by Qwest in order to complete its proposed merger with MCI, including the terms and conditions for the availability of debt financings for which Qwest obtained commitment letters;

the regulatory approvals that a transaction between MCI and Qwest would require, as well as the timing and risks associated with these approvals;

the presentation made by Mr. Notebaert to MCI s board of directors on March 16, 2005 regarding Qwest s proposal to acquire MCI and the responses given by Mr. Notebaert to questions from MCI s board of directors, and other communications from Qwest regarding Qwest s view of the benefits of a combination between the two companies;

the financial terms of Qwest s proposals, as well as the historical trading levels and volatility of Qwest s common stock, and the risk that the Qwest common stock would decline in the extended period prior to closing, and the potential upside associated with the Qwest common stock in the proposed transaction;

the other terms and conditions of Qwest s proposal, including, by comparison to the terms and conditions of the Verizon merger agreement, the proposed transaction structure, the price protection mechanism, the purchase price adjustment, and the terms relating to certainty of closing of the transaction, and the improvements in the terms that Qwest was willing to make; and

the results of the due diligence review conducted by MCI s management and advisors related to Qwest s business, operations and financial position.

MCI s board of directors also considered potential risks associated with the merger with Verizon in connection with its deliberations of the proposed transaction, including:

Risk Factors. MCI s board of directors considered the risk factors described under Risk Factors Relating to the Merger beginning on page 20.

Regulatory Approval. MCI s board of directors considered the risk that the governmental agencies from which MCI and Verizon will seek approval might seek to impose conditions on or enjoin or otherwise prevent or delay the merger. MCI s board of directors also considered the level of MCI and Verizon s commitments under the merger agreement to secure regulatory approvals and to remove impediments to the transaction under regulatory laws.

Purchase Price Adjustment. MCI s board of directors considered the risks associated with the purchase price adjustment in the merger agreement pursuant to which the amount of consideration the MCI stockholders receive at closing may be reduced based on MCI s bankruptcy claims, including state tax claims, and certain international tax liabilities, on the terms specified in the merger agreement, and that the purchase price adjustment is a downward adjustment (in that its operation is to potentially reduce, and not increase, the consideration that MCI stockholders may receive) and that there is no limit on the potential reduction in the consideration that MCI stockholders may receive. See also Risk Factors Relating to the Merger beginning on page 20.

Transaction Risk. MCI s board of directors considered the risk that the merger would not be closed, whether as a result of regulatory actions or otherwise.

Interests of Directors and Officers. In addition, MCI s board of directors was aware of the interests of one of its directors and certain of its executive officers described under Interests of MCI Directors and Executive Officers in the Merger beginning on page 61.

This discussion of the information and factors considered by MCI s board of directors includes the material positive and negative factors considered by MCI s board of directors, but it is not intended to be exhaustive and may not include all the factors considered by MCI s board of directors.

Due to the variety of factors and the quality and amount of information considered, the MCI board of directors did not find it practicable to quantify or assign relative weights to, and did not make separate and distinct assessments of, each of the individual factors considered in reaching its determination to approve the merger agreement and the merger. Instead, MCI s board of directors made its determination after consideration of all factors taken together. In addition, individual members of MCI s board of directors may have given different weight to different factors.

Recommendation of MCI s Board of Directors

MCI s board of directors has unanimously determined that the merger agreement and the merger are fair to, and in the best interests of, MCI and its stockholders. MCI s board of directors unanimously recommends that MCI s stockholders vote **FOR** the adoption of the merger agreement and approval of the merger.

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Opinions of MCI s Financial Advisors Greenhill & Co., LLC,

J.P. Morgan Securities Inc. and Lazard Frères & Co. LLC

Each of Greenhill, J.P. Morgan, and Lazard delivered its opinion to MCI s board of directors that, as of March 29, 2005 and based upon and subject to the factors, assumptions, procedures, limitations and qualifications set forth in its respective opinion, the consideration to be issued and paid in connection with the merger agreement, consisting of (A) the number of shares of Verizon common stock for each share of MCI common stock equal to the greater of: (i) 0.4062 of a share and (ii) a number of shares equal to the quotient obtained by dividing $14.75 by the volume weighted average of the closing prices of Verizon common stock, as these prices are reported on the NYSE Composite Transactions Tape, for each of the 20 trading days ending on the third trading day immediately preceding the closing of the merger of MCI and Verizon, and (B) $8.35 in cash, reduced by the amount of the special cash dividend to be paid by MCI prior to the closing of the merger, without interest, per share of MCI common stock, is fair from a financial point of view to the MCI stockholders. Pursuant to the merger agreement, if the exchange ratio described above is greater than 0.4062, then Verizon has the right to reduce the exchange ratio to an amount no less than 0.4062 and, in such case, the per share cash amount (as described above) will be increased by an amount (rounded to the nearest hundredth of a cent) equal to the product of (x) the amount by which Verizon has reduced the exchange ratio and (y) the Verizon average stock price. For purposes of the description of the fairness opinion of MCI s financial advisors, the exchange ratio, as it may be reduced pursuant to the preceding sentence, together with the special cash dividend and the per share cash amount (described above), as it may be increased pursuant to the preceding sentence, are collectively referred to as the merger consideration. The merger consideration will be subject to adjustment as provided in the merger agreement based on the amount of certain specified liabilities of MCI, sometimes referred to as the specified included liabilities, as set forth in the merger agreement. The respective opinions of Greenhill, J.P. Morgan and Lazard were necessarily based on economic, market, tax, legal and other conditions as in effect on, and the information made available to them as of, March 29, 2005.

The full text of the written opinions of Greenhill, J.P. Morgan and Lazard, dated March 29, 2005, which contain assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinions, are attached as Annexes B, C and D to this proxy statement and prospectus. The opinions should be read in their entirety. Each of Greenhill, J.P. Morgan and Lazard provided its advisory services and opinion for the information and assistance of MCI s board of directors in connection with its consideration of the proposed merger. Greenhill, J.P. Morgan and Lazard have not expressed any opinion as to any transaction other than those contemplated by the merger agreement (other than their opinion as to the original merger agreement dated as of February 14, 2005), nor have they expressed any opinion as to the relative merits of or consideration offered in any other transaction as compared to the transactions contemplated by the merger agreement. The opinions of Greenhill, J.P. Morgan and Lazard do not constitute a recommendation as to how any MCI stockholders should vote with respect to the proposed merger.

In connection with rendering the opinions described above Greenhill, J.P. Morgan and Lazard reviewed, among other things:

- the original merger agreement;
- the amendment to the original merger agreement, dated March 29, 2005;
- certain publicly available business and financial information concerning MCI and Verizon and the industries in which they operate;
- certain internal financial analyses, estimates and forecasts relating to business and assets and liabilities prepared by the management of MCI, including an estimate of the amount of certain MCI bankruptcy claims including state tax claims, and certain international tax liabilities, provided to each of the financial advisors of MCI by the management of MCI as of March 29, 2005, sometimes referred to as estimated specified included liabilities, and assumptions as to tax rates applicable to MCI (referred to

collectively as the MCI forecasts), and the estimated amount and timing of certain cost savings and operating improvements projected by the managements of MCI and Verizon to result from the merger, sometimes referred to as the cost savings and operating improvements;

- certain internal financial information and other data relating to Verizon s business provided to Greenhill, J.P. Morgan and Lazard by the managements of MCI and Verizon;

- certain publicly available financial forecasts relating to the business and financial prospects of MCI prepared by certain research analysts, sometimes referred to as the MCI street forecasts, and;

- certain publicly available financial forecasts relating to the business and financial prospects of Verizon prepared by certain research analysts, sometimes referred to as the Verizon street forecasts.

Greenhill, J.P. Morgan and Lazard also had discussions with members of the senior managements of MCI and Verizon regarding their assessment of the strategic rationale for, and the potential benefits of, the merger, the special cash dividend contemplated by the merger agreement and the other transactions contemplated by the merger agreement, and the past and current business operations, financial condition and future prospects of MCI and Verizon. In addition, Greenhill, J.P. Morgan and Lazard reviewed the reported price and trading activity for the MCI common stock and the Verizon common stock, compared certain financial and stock market information for MCI and Verizon with similar financial and stock market information for certain other companies the securities of which are publicly traded, reviewed the financial terms of certain recent business combinations and proposed business combinations Greenhill, J.P. Morgan and Lazard deemed relevant and performed such other studies and analyses, and considered such other factors, as Greenhill, J.P. Morgan, and Lazard considered appropriate.

In giving their opinions, Greenhill, J.P. Morgan and Lazard relied upon and assumed, without assuming responsibility or liability for independent verification, the accuracy and completeness of all of the financial, accounting, legal, tax and other information discussed with or reviewed by or for them, and their opinions state that they have further relied upon the assurances of MCI and Verizon that they are not aware of any facts or circumstances that would make this information inaccurate or misleading. None of Greenhill, J.P. Morgan nor Lazard has made any independent valuation or appraisal of any assets or liabilities (including any contingent, derivative or off-balance sheet assets and liabilities or the specified included liabilities) of MCI, Verizon or any of their respective subsidiaries or affiliates, nor were any of these valuations or appraisals provided to them. Greenhill, J.P. Morgan and Lazard have not independently evaluated the solvency of MCI or Verizon or any of their respective subsidiaries or affiliates under any state or federal laws relating to bankruptcy, insolvency or similar matters. Greenhill, J.P. Morgan and Lazard have assumed for purposes of their opinions that MCI stockholders who acquire their shares of MCI common stock after any part or all of the special cash dividend contemplated by the merger agreement is made, will have paid a price for these shares which has the same economic effect as if they had held these shares before this part or all of the special cash dividend payment was made, and will have received this payment. In relying on the financial analyses, estimates and forecasts provided to Greenhill, J.P. Morgan and Lazard, including the cost savings and operating improvements and MCI forecasts, with MCI s consent, Greenhill, J.P. Morgan and Lazard have assumed that they have been reasonably prepared based on assumptions reflecting the best currently available estimates and judgments by management as to the expected future results of the operations and financial condition of MCI and Verizon (in the case of the cost savings and operating improvements) to which these analyses, estimates and forecasts relate, and have assumed that the specified included liabilities will not exceed the estimated specified included liabilities. Verizon has not provided internally prepared forecasts, analyses or estimates and has not commented on the Verizon street forecasts or any other publicly available forecasts relating to the business and financial prospects of Verizon. With MCI s consent, Greenhill, J.P. Morgan and Lazard have assumed that the Verizon street forecasts are a reasonable basis upon which to evaluate the business and financial prospects of Verizon and used the Verizon street forecasts for purposes of their analyses and their opinions. Greenhill, J.P. Morgan and Lazard express no view as to any of these analyses, estimates or forecasts, including the cost savings and operating improvements, MCI forecasts, MCI street forecasts and the Verizon street forecasts and the estimated specified included liabilities, or the assumptions on which they were based. MCI advised Greenhill, J.P. Morgan and Lazard, and

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Greenhill, J.P. Morgan and Lazard have assumed, that the transactions contemplated by the merger agreement will close in compliance with all applicable laws. Greenhill, J.P. Morgan and Lazard have relied as to all legal, including regulatory, bankruptcy and tax, matters relevant to rendering their opinions upon advice of counsel for MCI s Greenhill, J.P. Morgan and Lazard have also assumed that the merger and the other transactions contemplated by the merger agreement will be closed without waiver of any material terms or conditions set forth in the merger agreement. Greenhill, J.P. Morgan and Lazard have further assumed that all material governmental, regulatory or other consents and approvals necessary for the closing of the merger, and the other transactions contemplated by the merger agreement, will be obtained without any effect on MCI or Verizon or on the contemplated benefits of the merger contemplated by the merger agreement in any way materially adverse to their analysis. MCI has also advised Greenhill, J.P. Morgan and Lazard, and Greenhill, J.P. Morgan and Lazard have assumed, that any third party contractual rights will not have any effect on Verizon pro forma or on the contemplated benefits of the transactions contemplated by the merger agreement in any way materially adverse to Greenhill, J.P. Morgan and Lazard s analysis. Greenhill, J.P. Morgan and Lazard have also assumed, with MCI s consent, that the purchase price adjustment terms of the merger agreement will not result in any adjustment to the merger consideration in an amount greater than that described to Greenhill, J.P. Morgan and Lazard by management of MCI based on the estimated specified included liabilities provided to them by MCI.

Greenhill, J.P. Morgan and Lazard s opinions are necessarily based on economic, market, tax, legal and other conditions as in effect on, and the information made available to Greenhill, J.P. Morgan and Lazard as of, March 29, 2005. It should be understood that subsequent developments (including changes to the merger consideration due to the purchase price adjustment contained in the merger agreement) may affect their opinions and that Greenhill, J.P. Morgan and Lazard do not have any obligation to update, revise, or reaffirm their opinions.

Greenhill, J.P. Morgan and Lazard s opinions are directed only to the fairness from a financial point of view, as of March 29, 2005, to MCI s stockholders of the merger consideration to be issued and paid to these stockholders in connection with the merger agreement, and does not address the underlying decision by MCI to engage in the merger or any of the transactions related thereto. In addition, MCI has not asked Greenhill, J.P. Morgan and Lazard to address, and their opinions do not address, the fairness to, or any other consideration of, the holders of any class of securities, creditors or other constituencies of MCI, other than MCI common stockholders. Greenhill, J.P. Morgan and Lazard have not expressed any opinion as to the prices at which the shares of MCI common stock or Verizon common stock will trade at any future time. Greenhill, J.P. Morgan and Lazard understand that MCI has engaged in strategic discussions with, and has received proposals for strategic transactions from, third parties. Greenhill, J.P. Morgan and Lazard have not expressed any opinion as to any transaction other than those contemplated by the merger agreement, nor have they expressed any opinion as to the relative merits of or consideration offered in any other transaction as compared to the transactions contemplated by the merger agreement. Greenhill, J.P. Morgan and Lazard s advisory services and the opinions described in this proxy statement and prospectus and attached as Annexes B, C and D were provided for the information and assistance of MCI s board of directors in connection with its consideration of the transactions contemplated by the merger agreement and these opinions do not constitute a recommendation as to how any MCI stockholder should vote with respect to the transactions contemplated by the merger agreement.

The following is a summary of the material financial analyses jointly performed by Greenhill, J.P. Morgan and Lazard in connection with rendering their opinions described above. Certain of these analyses were performed and presented to MCI s board of directors in connection with MCI s board of directors approval of the original merger agreement on February 13, 2005 or at other times prior to March 29, 2005. Certain of the analyses performed were updated during this time period and the summary set forth below reflects the results of these updates. In delivering their opinions, Greenhill, J.P. Morgan and Lazard also considered that the consideration offered in connection with the merger agreement is greater than the consideration offered in connection with the original merger agreement with Verizon. The following summary does not purport to be a complete description of the financial analyses performed by Greenhill, J.P. Morgan and Lazard. The order of analyses described does not represent the relative importance or weight given to those analyses by Greenhill, J.P. Morgan and Lazard. Greenhill, J.P. Morgan and Lazard all worked on developing these analyses, and these

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analyses represent the joint work product of Greenhill, J.P. Morgan and Lazard. Unless otherwise indicated, the valuation analyses described below do not take into account the $0.40 per share dividend declared by MCI s board of directors on February 11, 2005 and paid by MCI on March 15, 2005. Some of the summaries of the financial analyses include information presented in tabular format. In order to fully understand the financial analyses performed by Greenhill, J.P. Morgan and Lazard the tables must be read together with the accompanying text of each summary. The tables alone do not constitute a complete description of the financial analyses performed by the financial advisors, including the methodologies and assumptions underlying the analyses, and if viewed in isolation could create a misleading or incomplete view of these financial analyses. None of Greenhill, J.P. Morgan or Lazard has rendered any opinion with respect to any of the Qwest offers, nor did any of them express any opinion as to the relative merits of or consideration offered in any transaction proposed by Qwest as compared to the transactions contemplated by the merger agreement.

MCI Comparable Company Analysis. Greenhill, J.P. Morgan and Lazard reviewed and compared certain financial information for MCI to the corresponding financial information for AT&T. Although AT&T is not directly comparable to MCI, AT&T was chosen because it is a publicly traded company with operations that for purposes of this analysis may be considered similar to certain operations of MCI. The calculations for AT&T are based on AT&T s SEC filings and Wall Street equity research estimates and AT&T s stock price as of January 26, 2005, the day prior to the first news reports on the acquisition of AT&T by SBC.

Greenhill, J.P. Morgan and Lazard calculated the firm values (adjusted to exclude unconsolidated investments) of MCI and AT&T as multiples of:

- 2004 actual earning before interest, taxes, depreciation and amortization, sometimes referred to as EBITDA; and

- 2005 estimated EBITDA.

Based on AT&T s firm value multiples of 2.9x 2004 actual EBITDA and 3.6x 2005 estimated EBITDA, this analysis resulted in a range of implied equity values per share of $12.80 to $13.95 for MCI.

MCI Comparable Transaction Analysis. Greenhill, J.P. Morgan and Lazard reviewed publicly available information, including Wall Street equity research estimates, relating to the acquisition of AT&T by SBC announced January 31, 2005. Greenhill, J.P. Morgan and Lazard used this financial information to determine the firm value of AT&T implied by this transaction as a multiple of 2004 actual EBITDA and 2005 estimated EBITDA, which resulted in transaction multiples of 3.1x and 3.8x, respectively. This analysis resulted in a range of implied equity values per share of $14.10 to $15.10 for MCI.

MCI Management Case Discounted Cash Flow Analyses. Greenhill, J.P. Morgan and Lazard calculated a range of discounted cash flow values for MCI using three-year and five-year estimates provided by MCI management. The three-year discounted cash flow analysis was based on the sum of (a) the present value of projected stand-alone, after tax, unlevered free cash flows of MCI for the years 2005 through 2007 and (b) the present value of the terminal value based on MCI s 2007 estimated EBITDA. The five-year discounted cash flow analysis was based on the sum of (a) the present value of projected stand-alone, after tax, unlevered free cash flows of MCI for the years 2005 through 2009 and (b) the present value of the terminal value based on MCI s 2009 estimated EBITDA. Greenhill, J.P. Morgan and Lazard calculated a range of values for MCI by utilizing a weighted average cost of capital from 9.0% to 10.0% and terminal value multiples of MCI s 2007 and 2009 estimated EBITDA ranging from 3.0x to 4.0x.

The various ranges for the discount rates used in these analyses were chosen to reflect the theoretical analyses of the weighted average cost of capital for MCI. The enterprise value of MCI assumes 325 million shares outstanding and $0.4 billion of net debt (total debt and capital leases of $5.9 billion less $5.5 billion of cash). The net debt calculation excludes bankruptcy claims and liabilities, federal and state taxes, non-recurring working capital, net asset sales and cash collateralization (which are included in the free cash flow calculation). Perpetual growth rates were calculated by normalizing free cash flows in the terminal year. Cash flows were discounted to January 2005 using a mid-year convention. Based on the foregoing calculations, Greenhill, J.P. Morgan and Lazard derived a range of implied equity values per share of $15.15 to $20.85 for MCI using the three-year discounted cash flow analysis and $18.40 to $24.25 for MCI using the five-year discounted cash flow analysis.

At the direction of MCI s management, Greenhill, J.P. Morgan and Lazard performed a sensitivity analysis on the management case three and five-year discounted cash flow analyses to assess the potential impact of uncertainties related to MCI s business by assuming revenue is 5% and 15% lower in each year of the forecast. Based on the foregoing calculations, Greenhill, J.P. Morgan and Lazard derived a range of implied equity values per share of $13.63 to $19.03, in the case of a 5% revenue reduction, and $10.63 to $15.45, in the case of a 15% revenue reduction, for MCI using the three-year discounted cash flow analysis and $16.52 to $22.06, in the case of a 5% revenue reduction, and $12.77 to $17.70, in the case of a 15% revenue reduction, for MCI using the five-year discounted cash flow analysis.

MCI Street Case Discounted Cash Flow Analyses. Greenhill, J.P. Morgan and Lazard calculated a range of discounted cash flow values for MCI using three-year and five-year estimates by Wall Street equity research analysts. The three-year discounted cash flow analysis was based on the sum of (a) the present value of projected stand-alone, after tax, unlevered free cash flows of MCI for the years 2005 through 2007 and (b) the present value of the terminal value based on MCI s 2007 estimated EBITDA. The five-year discounted cash flow analysis was based on the sum of (a) the present value of projected stand-alone, after tax, unlevered free cash flows of MCI for the years 2005 through 2009 and (b) the present value of the terminal value based on MCI s 2009 estimated EBITDA. Greenhill, J.P. Morgan and Lazard calculated a range of values for MCI by utilizing a weighted average cost of capital from 9.0% to 10.0% and terminal value multiples of MCI 2007 and 2009 estimated EBITDA ranging from 2.0x to 3.0x. Greenhill, J.P. Morgan and Lazard selected a lower range of terminal value multiples for this analysis than the range as described above in The Merger Opinions of MCI s Financial Advisors MCI Management Case Discounted Cash Flow Analyses due to the stronger projected financial performance of MCI reflected by the estimates provided by MCI management versus the estimates by Wall Street research analysts. The methodology used in these calculations was otherwise the same as described above under The Merger Opinions of MCI s Financial Advisors MCI Management Case Discounted Cash Flow Analyses. Based on the foregoing calculations, Greenhill, J.P. Morgan and Lazard derived a range of implied equity values per share of $10.80 to $15.75 for MCI using a three-year discounted cash flow analysis and $11.55 to $15.55 using a five-year discounted cash flow analysis.

At the direction of MCI s management, Greenhill, J.P. Morgan and Lazard performed a sensitivity analysis on the three-year Wall Street equity research analysts case discounted cash flow analysis to assess the potential impact of uncertainties related to MCI s business by assuming revenue is 5% and 15% lower in each year of the forecast. Based on the foregoing calculations, Greenhill, J.P. Morgan and Lazard derived a range of implied equity values per share for MCI of $9.57 to $14.27, in the case of a 5% revenue reduction, of $7.13 to $11.32, in the case of a 15% revenue reduction.

Verizon Comparable Company Analysis. Greenhill, J.P. Morgan and Lazard reviewed and compared certain financial information for Verizon to the corresponding financial information for BellSouth Corporation, sometimes referred to as BellSouth, and SBC, two major US telecommunications carriers with significant local exchange carrier and wireless telecommunications operations. The calculations for the selected companies were based on company SEC filings and Wall Street equity research estimates and on stock prices as of January 26, 2005, the day prior to the first news reports on the acquisition of AT&T by SBC. Financial information for each of BellSouth and SBC were adjusted to reflect each company s proportionate joint venture interest in Cingular Wireless, sometimes referred to as Cingular, including Cingular s acquisition of AT&T Wireless Services Inc. and related divestitures.

Greenhill, J.P. Morgan and Lazard calculated firm values for Verizon (adjusted to exclude other unconsolidated investments and to include minority interest, including Vodafone Group Plc s 45% stake in Verizon Wireless) and the selected companies (adjusted as described above) as multiples of 2004 actual EBITDA and 2005 estimated EBITDA.

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The following table presents certain mean multiples derived from this analysis for the selected companies:

	Mean
Adjusted firm value / 2004 EBITDA	6.1x
Adjusted firm value / 2005 estimated EBITDA	5.8x

This analysis resulted in a range of implied equity values per share of $37.95 and $38.55 for Verizon.

Verizon Street Case Discounted Cash Flow Analysis. Greenhill, J.P. Morgan and Lazard calculated a range of discounted cash flow values for Verizon using three-year and five-year estimates by Wall Street equity research analysts. The three-year discounted cash flow analysis was based on the sum of (a) the present value of projected stand-alone, after tax, unlevered free cash flows of Verizon for the years 2005 through 2007 and (b) the present value of the terminal value based on Verizon s 2007 estimated EBITDA. The five-year discounted cash flow analysis was based on the sum of (a) the present value of projected stand-alone, after tax, unlevered free cash flows of Verizon for the years 2005 through 2009 and (b) the present value of the terminal value based on Verizon s 2009 estimated EBITDA. Greenhill, J.P. Morgan and Lazard calculated a range of values for Verizon by utilizing a weighted average cost of capital from 7.0% to 8.0% and terminal value multiples of Verizon 2007 and 2009 estimated EBITDA ranging from 5.0x to 6.0x.

The various ranges for the discount rates used in these analyses were chosen to reflect the theoretical analyses of the weighted average cost of capital for Verizon. The enterprise value of Verizon assumes 2.8 billion shares outstanding and $63.0 billion of net debt (calculated as total debt plus minority interest, including an adjustment for Vodafone Group Plc s 45% stake in Verizon Wireless, less cash and unconsolidated investments). Perpetual growth rates were calculated by normalizing free cash flows in the terminal year. Cash flows were discounted to January 2005 using a mid-year convention. Based on the foregoing calculations, Greenhill, J.P. Morgan and Lazard derived a range of implied equity values per share of $30.95 to $41.35 for Verizon using the three-year discounted cash flow analysis and $32.10 to $42.50 for Verizon using the five-year discounted cash flow analysis.

Implied Exchange Ratio Analysis. Greenhill, J.P. Morgan and Lazard calculated the range of the implied exchange ratios of MCI common stock for Verizon common stock based on (i) the historical high and low trading prices for each of MCI and Verizon, (ii) the range of price targets for each of MCI and Verizon from selected Wall Street equity research analysts, (iii) the implied equity values per share based on based on the comparable companies analyses for MCI and Verizon described above, (iv) the range of implied equity values per share based upon the MCI five-year management case discounted cash flow analysis and the Verizon five-year street case discounted cash flow analysis described above, (v) the range of implied equity values per share based upon the MCI five-year street case discounted cash flow analysis and the Verizon five-year street case discounted cash flow analysis described above, and (vi) the range of implied equity values per share based upon the MCI three-year management case discounted cash flow analysis and the Verizon three-year street case discounted cash flow analysis described above. The range of historical trading prices was determined from the period commencing April 20, 2004 (the date MCI emerged from bankruptcy) and ending January 26, 2005 (the day prior to the first news report on the acquisition of AT&T by SBC). The range of Wall Street equity research analyst price targets was derived from six Wall Street equity research analyst price targets for MCI and nineteen Wall Street equity research analyst price targets for Verizon. The results of this analysis are as follows:

	Range of Implied Exchange Ratio	
Historical Trading Range	0.38090x	0.47939x
Wall Street Price Targets	0.37143x	0.50000x
Comparable Companies Analysis	0.33171x	0.36780x

Five-Year DCF Analysis (MCI Management / Verizon Street)	0.57102x	0.57305x
Five-Year DCF Analysis (MCI Street / Verizon Street)	0.35929x	0.36625x
Three-Year DCF Analysis (MCI Management / Verizon Street)	0.48934x	0.50403x

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Stockholders Value Creation Analyses

Sum-of-the-Parts Analysis. Greenhill, J.P. Morgan and Lazard performed a sum-of-the-parts analysis on Verizon and MCI s businesses using financial forecasts provided by MCI management and financial forecasts of Wall Street equity research analysts for Verizon to value each of the primary businesses of Verizon after the acquisition of MCI s businesses pursuant to the merger, including expected cost savings and operating improvements. Greenhill, J.P. Morgan and Lazard then derived an implied value of the Verizon equity to be received per MCI share by summing the resulting values, subtracting aggregate net debt (after adjusting for the cash portion of the transaction consideration), multiplying by an estimate of the proportion of the shares of Verizon that would be owned by MCI stockholders after the merger (estimated at 4.5% of Verizon after the merger), and dividing the sum by the number of outstanding MCI shares. Greenhill, J.P. Morgan and Lazard then calculated an implied total value to be received per share MCI by adding in the per share cash portion of the merger consideration.

Greenhill, J.P. Morgan and Lazard calculated the implied value of Verizon s local exchange carrier business after the acquisition of MCI s businesses pursuant to the merger, using 2005 EBITDA for this business forecasted by Wall Street equity research analysts and a range of multiples from 5.0 to 5.5. This analysis resulted in an implied valuation for this business ranging from $75.0 billion to $82.5 billion (before subtracting net debt).

Greenhill, J.P. Morgan and Lazard calculated the implied value of Verizon s inter-exchange carrier business after the acquisition of MCI s businesses pursuant to the merger, using 2005 EBITDA for this business forecasted by MCI management, expected cost savings and operating improvements as estimated by MCI management and a range of multiples from 3.0 to 4.0. This analysis resulted in an implied valuation for this business ranging from $8.6 billion to $11.4 billion (before subtracting net debt).

Greenhill, J.P. Morgan and Lazard calculated the implied value of Verizon s wireless business after the acquisition of MCI s businesses pursuant to the merger, using 2005 EBITDA for this business and a range of multiples from 6.0 to 8.0. This analysis resulted in an implied valuation for this business ranging from $73.1 billion to $97.4 billion (before subtracting net debt).

Greenhill, J.P. Morgan and Lazard calculated the implied value of Verizon s directories business after the acquisition of MCI s businesses pursuant to the merger, using 2005 EBITDA for this business forecasted by Wall Street equity research analysts and a range of multiples from 8.0 to 10.0. This analysis resulted in an implied valuation for this business ranging from $13.5 billion to $16.8 billion (before subtracting net debt).

Greenhill, J.P. Morgan and Lazard then subtracted from the sum of these valuation ranges a range of net debt for Verizon after the merger from $61.6 billion to $72.5 billion, consisting of total debt (including capital leases), minority interest stake in Verizon Wireless and other minority interests and consolidated investments, plus the present value of estimated future non-recurring liabilities, less cash.

Based upon the implied valuations of each of these businesses, total net debt and the per share cash consideration in connection with the merger, Greenhill, J.P. Morgan and Lazard calculated a range of implied equity values per share of $23.80 to $27.60 for MCI.

Trading Value Analysis. Greenhill, J.P. Morgan and Lazard calculated a range of trading values for Verizon after the merger, using MCI management 2006 EBITDA estimates for MCI, Wall Street equity research 2006 EBITDA estimates for Verizon, and MCI s estimate of 2006 cost savings and operating improvements. Greenhill, J.P. Morgan and Lazard applied multiples ranging from 2.9 to 3.6 for estimated MCI 2006

EBITDA, 5.8 to 6.1 for estimated Verizon 2006 EBITDA and 2.9 to 5.9 for the estimated cost savings and operating improvements. MCI s multiples are based on AT&T s 2004 actual and 2005 estimated EBITDA multiples as of January 26, 2005 (the day prior to the first news report on the acquisition of AT&T by SBC). Verizon s multiples are based on average public market multiples for BellSouth and SBC of 6.1x actual 2004 EBITDA and 5.8x estimated 2005 EBITDA as of January 26, 2005. The low-end cost savings and operating improvements multiple is based on the MCI estimated 2006 EBITDA low-end multiple, and the high-end cost savings and operating improvements multiple is based on the blended average of the stand-alone MCI and Verizon estimated 2006 EBITDA high-end multiples. Based on these numbers, Greenhill, J.P. Morgan and Lazard calculated the implied enterprise value and subtracted net debt to arrive at an implied equity value per MCI share ranging from $24.60 to $26.25 (with an average value per share of $25.42).

Discounted Cash Flow Analyses. Using the equity values for MCI and Verizon implied by the three-year and five-year MCI management case discounted cash flow analyses described above, and the three-year and five-year Verizon street case discounted cash flow analyses described above, and the $7.0 billion net present value of MCI s estimate of cost savings and operating improvements to be obtained in the merger, Greenhill, J.P. Morgan and Lazard calculated an implied value per share to be received by MCI stockholders in the merger. Using an estimate that MCI stockholders would receive 4.5% of Verizon equity on a pro forma basis after the merger and using the high, low and average values (based on high and low values for the cases examined, excluding downside MCI revenue sensitivity) of the range of values implied by the discounted cash flow analyses described above, Greenhill, J.P. Morgan and Lazard calculated ranges of the equity value of the Verizon common stock to be issued to MCI stockholders. Greenhill, J.P. Morgan and Lazard added to these equity ranges the amount of the cash consideration offered in the merger, the $0.40 per share dividend declared by MCI s board of directors on February 11, 2005 and paid by MCI on March 15, 2005 and a per share amount of 4.5% of the $7.0 billion net present value of MCI s estimated cost savings and operating improvements, representing the portion of the cost savings and operating improvements estimated to be realized by MCI stockholders.

The results obtained by Greenhill, J.P. Morgan and Lazard from the MCI stockholder value creation analyses described above are as follows:

	Three-Year DCF	Five-Year DCF	Trading Value	Sum-of-the-Parts
High	$ 26.30	$ 26.90	$ 26.25	$ 27.60
Low	$ 22.00	$ 22.60	$ 24.60	$ 23.80
Average	$ 24.15	$ 24.75	$ 25.42	$ 25.70

MCI Historical Stock Trading Analysis. Greenhill, J.P. Morgan and Lazard reviewed the historical trading prices for MCI common stock for the period commencing April 20, 2004 (the date of MCI s emergence from bankruptcy) and ending on March 18, 2005. In addition, Greenhill, J.P. Morgan and Lazard analyzed an estimated implied merger price of $20.75 per MCI share (based on the terms proposed by Verizon as of February 11, 2005) in relation to the MCI stock price on Friday, March 18, 2005 and certain prior dates determined to be relevant by Greenhill, J.P. Morgan and Lazard. Greenhill, J.P. Morgan and Lazard also analyzed the estimated implied merger premium based on Verizon s share price as of March 18, 2005.

This analysis indicated that the $20.75 implied merger price per MCI share (based on the terms proposed by Verizon as of February 11, 2005) represented:

- a discount of 13.2% based on the market price of $23.44 per share on March 18, 2005 (after giving effect to the $0.40 dividend declared by MCI s board of directors on February 11, 2005 and paid by MCI on March 15, 2005);

- a premium of 6.2% to the average thirty-day trading price measured prior to January 26, 2005 of $19.54;

a premium of 8.8% to the average sixty-day trading price measured prior to January 26, 2005 of $19.07;

a premium of 13.4% to the average ninety-day trading price measured prior to January 26, 2005 of $18.30;

a premium of 11.2% based on the market price of $18.66 per share on the last trading day prior to the January 27, 2005 first news report on the acquisition of AT&T by SBC;

a premium of 2.5% to the high market price of $20.24 per share for the period from April 20, 2004 to January 26, 2005;

a premium of 59.6% to the low market price of $13.00 per share for the period from April 20, 2004 to January 26, 2005; and

a premium of 23.2% to the average market price of $16.84 per share for the period from April 20, 2004 to January 26, 2005.

The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Reviewing or selecting portions of the analyses or of the summary set forth in this proxy statement and prospectus, without considering the analyses as a whole, could create an incomplete view of the processes underlying Greenhill, J.P. Morgan and Lazard s opinions. In arriving at its fairness determinations, each of Greenhill, J.P. Morgan and Lazard considered the results of all of its analyses and did not attribute any particular weight to any factor or analysis considered by it. Rather, each of Greenhill, J.P. Morgan and Lazard made its determination as to fairness on the basis of its experience and professional judgment after considering the results of all of its analyses. No company or transaction used in the above analyses as a comparison is directly comparable to MCI, Verizon or the proposed merger.

Greenhill, J.P. Morgan and Lazard prepared these analyses for purposes of providing their respective opinions to MCI s board of directors, as of March 29, 2005, as to the fairness from a financial point of view of the merger consideration to be issued and paid to the MCI stockholders in connection with the merger. These analyses do not purport to be appraisals or necessarily reflect the prices at which businesses or securities actually may be sold. Analyses based upon forecasts of future results are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by these analyses. Because these analyses are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of the parties or their respective advisors, none of MCI, Verizon, Greenhill, J.P. Morgan and Lazard or any other person assumes responsibility if future results are materially different from those forecasted.

As described above, the fact that MCI s board of directors received these opinions from Greenhill, J.P. Morgan and Lazard was one of many factors taken into consideration by MCI s board of directors in making its determination to approve the merger agreement. The foregoing summary does not purport to be a complete description of the analyses performed by each of Greenhill, J.P. Morgan and Lazard in connection with the fairness opinions and is qualified in its entirety by reference to the written opinions of Greenhill, J.P. Morgan and Lazard attached as Annexes B, C and D to the proxy statement and prospectus.

Greenhill has acted as financial advisor to MCI in connection with the transactions contemplated by the merger agreement and will receive a fee from MCI for its services, a significant portion of which is contingent upon the closing of the merger. In addition, MCI has agreed to indemnify Greenhill for certain liabilities arising out of its engagement.

J.P. Morgan has acted as financial advisor to MCI with respect to the transactions contemplated by the merger agreement and will receive a fee from MCI for its services. J.P. Morgan will also receive an additional fee if the merger is closed. In addition, MCI has agreed to indemnify J.P. Morgan for certain liabilities arising out of its engagement. J.P. Morgan and its affiliates have performed in the past, and may perform in the future, a variety of investment banking and commercial banking services for each of MCI and Verizon for which they have received, and may receive, customary fees. These services for MCI have included providing financial advisory services to MCI and acting as joint lead-arranger for MCI s debtor-in-possession credit facility and as

lead managing underwriter for the offering by MCI s predecessor of preferred shares of News Corp. These services for Verizon have included providing financial advisory services to Verizon, including in connection with its sale of its Canadian directories business, and acting as lead managing underwriter for certain offerings by Verizon and its affiliates of their public debt securities, as agent for the Verizon s refinancing and reduction of credit facilities and as a managing underwriter for the secondary offering by Verizon of its shares in Telus Corp. In addition, J.P. Morgan s commercial bank affiliate is an agent bank and a significant lender under certain credit facilities of each of MCI and Verizon. In addition, in the ordinary course of J.P. Morgan s businesses, it and its affiliates may actively trade the debt and equity securities of MCI or Verizon for their account or for the accounts of customers and, accordingly, may at any time hold long or short positions in the securities of either MCI or Verizon.

Lazard is acting as investment banker to MCI in connection with the transactions contemplated by the merger agreement and will receive a fee for its services, a substantial portion of which is contingent upon the closing of the merger. In addition, MCI has agreed to indemnify Lazard for certain liabilities arising out of its engagement. Lazard has in the past provided, and may in the future provide, investment banking services to MCI and Verizon for which it has received and may receive customary fees. Lazard provides a full range of financial advisory and other services and, in the course of its business, may from time to time effect transactions and hold securities, including derivative securities, of MCI or Verizon for its own account and for the accounts of clients and customers, and, accordingly, may hold a long or short position in these securities and may provide advisory and other services in the future.

Interests of MCI Directors and Executive Officers in the Merger

When considering the unanimous recommendation of MCI s board of directors that MCI stockholders vote in favor of the adoption of the merger agreement and approval of the merger, you should be aware that MCI s executive officers, including Mr. Capellas, who is also one of MCI s directors have financial interests in the merger that are different from the interests of MCI stockholders generally. MCI s board of directors was aware of these interests and considered them, among other matters, in unanimously adopting the merger agreement and approving the merger.

Our executive officers participate in the agreements and arrangements described below, which will provide them certain benefits as a result of the merger. Our directors, other than Mr. Capellas, do not participate in any arrangements that will provide similar benefits and do not own any options or other equity in MCI, other than equity they purchase with a portion of their cash compensation for serving as directors.

Employment Agreement with Michael D. Capellas. Under Mr. Capellas existing employment agreement, if Mr. Capellas employment were terminated without cause or he were to terminate his employment for good reason , Mr. Capellas would be entitled to a lump sum payment equal to three times the sum of his then-current base salary and then-current target bonus and continued health coverage for 18 months following the date of termination. In addition, all equity awards then held by him would immediately fully vest. As defined in the employment agreement, cause means (i) the commission of a felony or a misdemeanor involving dishonesty, fraud, financial impropriety or moral turpitude; or (ii) a knowing or deliberate violation of a requirement of the Sarbanes-Oxley Act or other material provision of the federal securities laws; or (iii) neglect or misconduct in the discharge of the executive s duties after receiving a written warning; or (iv) any conduct that would result in a violation by MCI of the permanent injunction dated November 26, 2002 or other orders binding on MCI issued by the Hon. Jed S. Rakoff of the U.S. District Court for the Southern District of New York; or (v) a breach of the employment agreement by the executive. Good reason means the occurrence of one of the following events to Mr. Capellas: (i) a demotion or removal from any of his positions; or (ii) a material adverse change by the employer in his duties or responsibilities; or (iii) a decrease in base pay or MCI s failure to provide performance bonuses as provided in the agreement; or (iv) any other material breach of the employment agreement by MCI. Following the proposed merger, it is anticipated that Mr. Capellas would be entitled to terminate his employment for good reason. If Section 4999 of the Code were to impose an excise tax on Mr. Capellas for any payments or benefits made or provided under his agreement or otherwise, he would be entitled to an additional payment, sufficient to put him in the same after-tax position as if the excise tax were not due.

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Employment Agreements with Other Named Executive Officers. Several of MCI s executive officers, including named executive officers Robert T. Blakely, Jonathan Crane, Wayne Huyard and Anastasia Kelly, have previously entered into employment agreements with MCI that contain provisions that entitle the executive to termination benefits, some of which arise upon a termination of employment for cause or for good reason following a change in control . As defined in the employment agreements, cause means (i) the commission of a felony or a misdemeanor involving dishonesty, fraud, financial impropriety or moral turpitude; or (ii) a knowing or deliberate violation of a requirement of the Sarbanes-Oxley Act or other material provision of the federal securities laws; or (iii) willful neglect or willful misconduct in the discharge of the executive s duties after receiving a written warning; or (iv) any conduct that would result in a violation by MCI of the permanent injunction dated November 26, 2002 or other orders binding on MCI issued by the Hon. Jed S. Rakoff of the U.S. District Court for the Southern District of New York; or (v) a material breach of the employment agreement by the executive. Good reason is defined in these employment agreements to mean the occurrence of one of the following events to the executive: (i) a demotion or removal from any of the executive s positions; or (ii) a material adverse change by MCI in the executive s duties or responsibilities; or (iii) a decrease in base pay or MCI s failure to provide performance bonuses as provided in the agreement; or (iv) any other material breach of the employment agreement by MCI. The definition of a change in control includes the merger of MCI with or into another company with the effect that the existing MCI stockholders immediately after that merger hold less than 50% of the total voting power of the company surviving the merger. If closed, the merger will be a change in control for purposes of each of these agreements.

Pursuant to the terms of these employment agreements, following a change in control, all equity awards granted to the executive will immediately fully vest, and any restrictions on the disposition of vested stock or the payment of any deferred stock units will lapse. If the executive s employment were terminated by MCI without cause (other than due to death or disability) or by the executive for good reason within the two-year period immediately following a change in control, or if the executive s employment were terminated within six months prior to and in anticipation of a change in control, the executive would, in lieu of any other severance benefits, be entitled to a lump sum payment equal to two times the executive s then-current base salary and then-current target bonus, a bonus for the year in which the executive s termination occurs, prorated for the number of days worked, all unvested equity awards would immediately vest and any restrictions on the disposition of vested stock or on the payment of any deferred stock units would lapse, any deferred compensation would become payable, any amounts earned under other incentive plans that have not vested would vest and become payable and the executive would receive two years of service and age credit for vesting and eligibility purposes under company retirement or welfare programs and other benefit programs. Following the proposed merger, it is anticipated that each executive would be entitled to terminate his or her employment for good reason. In order to receive severance benefits, the executive would be required to release any and all claims he or she may have against MCI. If Section 4999 of the Code were to impose an excise tax on the executive for any payments or benefits made or provided under his or her agreement or otherwise, he or she would be entitled to an additional payment, sufficient to put him or her in the same after-tax position as if the excise tax were not due.

MCI Severance Plan for Vice Presidents and Above. Under the MCI Severance Plan for Vice Presidents and Above, eligible employees who are terminated by MCI without cause or terminate their employment for good reason within 24 months of a change in control are entitled to a severance payment in the amount of 12 months of base salary (for vice presidents) or 12 months of base salary plus target bonus (for senior vice presidents and above). As defined in the MCI Severance Plan for Vice Presidents and Above, cause means (i) the commission of a felony or a misdemeanor involving dishonesty, fraud, financial impropriety or moral turpitude by a participant; or (ii) a knowing or deliberate violation of a requirement of the Sarbanes-Oxley Act or other material provision of the federal securities laws; or (iii) willful neglect or willful misconduct in the discharge of the participant s duties after receiving a written warning, Good reason means the occurrence of one of the following events to a participant: (i) a demotion; (ii) removal from or elimination of a position; (iii) a material adverse change by the employer in the participant s duties or responsibilities; or (iv) a decrease in base pay. The definition of a change in control includes the merger of MCI with or into another company with the effect that the existing MCI stockholders immediately after that merger hold less than 50% of the total voting power of the company surviving the merger. The proposed merger will be a change in control for purposes of the plan. In order to receive severance benefits under the plan, eligible employees are required to release any and all claims they may have against MCI. Individuals who have employment agreements with MCI are not eligible for severance under this plan. Two of MCI s executive officers, one who is an acting president of an operating unit and the other who is a senior vice president, participate in this plan.

MCI Management Restricted Stock Plan. MCI s management restricted stock plan provides for immediate vesting of and lapse of all restrictions on all outstanding stock awards if a participant is terminated without cause within two years after a change in control (as these terms are defined in the plan). The proposed merger will be a change in control for purposes of the plan. Thereafter, all awards will be subject to the terms of the merger agreement. For the treatment of MCI restricted stock awards under the merger agreement see The Merger Effect of the Merger on MCI Stock Plans beginning on page 63.

MCI Retention Program. MCI intends to adopt a broad-based retention program to help ensure the retention of key employees. An aggregate amount of approximately $118.5 million will be made available for awards under the retention program. This amount will be funded in part by reallocating approximately $53 million that was previously earmarked for other incentive programs.

Effect of the Merger on MCI Stock Plans

See The Merger Agreement Treatment of Restricted Shares and Other Equity-Based Awards beginning on page 76 and The Merger Agreement Treatment of MCI s Employee Stock Purchase Plan beginning on page 76.

Closing of the Merger

The merger will become effective when Eli Acquisition files a certificate of merger with the Secretary of State of the State of Delaware, or at any later time as Verizon and MCI agree and specify in the certificate of merger.

Board of Directors Following the Merger

The merger agreement does not provide for any changes in Verizon s board of directors at the closing of the merger.

The directors of Eli Acquisition will be the initial directors of MCI, LLC following the merger of MCI with and into Eli Acquisition.

Consideration to be Received in Connection with the Merger

For a description of the consideration to be received in connection with the merger, see The Merger Agreement Merger Consideration and Conversion of MCI Common Stock beginning on page 74.

Procedures for Exchange of Certificates

For a summary of the procedures for the exchange of MCI common stock certificates, see The Merger Agreement Exchange of Share Certificates beginning on page 77, Treatment of Restricted Shares and Other Equity-Based Awards beginning on page 76 and No Issuance of Fractional Shares beginning on page 74.

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Listing of Verizon Common Stock

Verizon will use all reasonable efforts to cause the shares of Verizon common stock issued in connection with the merger to be authorized for listing on the NYSE before the closing of the merger, subject to official notice of issuance. It is a condition to the closing of the merger that Verizon receive authorization for listing on the NYSE the shares of Verizon common stock issued in connection with the merger.

Delisting and Deregistration of MCI Common Stock

MCI common stock is currently listed on NASDAQ under the symbol MCIP. Following the closing of the merger, MCI common stock will be delisted from NASDAQ and deregistered under the Exchange Act.

Regulatory Approvals Required for the Merger

Under the HSR Act and its associated rules, we cannot complete the merger until notifications have been given and information and materials have been furnished to and reviewed by the Antitrust Division of the DOJ and the FTC and the required waiting period has expired or been terminated. Verizon and MCI filed the required notification and report forms under the HSR Act with the FTC and the DOJ in February 2005. On March 24, 2005, a request for additional information was issued. Therefore, the waiting period has been extended. Under the HSR Act and its associated rules, the parties will not be able to complete the merger until the earlier of (i) 30 days after both parties substantially comply with the DOJ s request for additional information or on the next regular business day if the 30th day falls on a Saturday, Sunday or legal public holiday or (ii) when the DOJ terminates its review of the merger.

As with any acquisition, merger or similar type of transaction, the DOJ has the authority to challenge the merger on antitrust grounds before or after the closing of the merger. Some of the states where we provide telephone service may also seek to review the merger under federal or state antitrust law. We believe that the merger complies with federal and state antitrust laws.

On March 11, 2005, Verizon and MCI filed applications with the FCC for approval to transfer control of specified licenses and authorizations. Approval depends on the FCC s evaluation as to whether Verizon is qualified to control the licenses and authorizations and whether the transfer is consistent with the public interest, convenience and necessity. We believe that the merger complies with this FCC public interest standard. However, we cannot complete the merger until we receive the appropriate FCC approvals or waivers, and we cannot be certain whether the FCC will grant any approval or waiver.

We have begun to make and will shortly complete regulatory filings providing notice to, and in some instances seeking approval from, state public utilities commissions in those jurisdictions in which these approvals or notices are required. Those commissions that have authority to approve the merger will generally consider whether the merger will be in the public interest and may look at the impact of the merger on competition and on the customers and employees of the local telephone companies and the MCI subsidiaries operating in those jurisdictions.

We will make foreign regulatory filings seeking approval for the change of control of MCI, primarily in those foreign jurisdictions where MCI is authorized to transact business. Assuming no material changes in MCI s or Verizon s current business, these include the approvals of the competition commissions and/or foreign investment commissions in jurisdictions including the European Commission, Australia, Russia, South Africa and Mexico, and the approvals of the telecommunications regulatory authorities in jurisdictions including Singapore (Infocomm Development Authority, or IDA), Brazil (Agencia Nacional de Telecomunicacoes, or Anatel) and Venezuela (Comission Nacional de Telecomunicaciones, or Conatel). We will also need to provide notification of the closing of the merger to the foreign investment commissions, telecommunications regulatory authorities and other governmental agencies in Austria, Italy, France, Greece, Portugal, the United Kingdom, Hungary, Poland, South Africa, Canada, Chile and Peru.

Material United States Federal Income Tax Considerations

See Material United States Federal Income Tax Considerations beginning on page 69.

Accounting Treatment of the Merger

Verizon prepares its financial statements in accordance with applicable SEC rules and U.S. GAAP. The merger will be accounted for using the purchase method of accounting with Verizon being considered the acquirer of MCI for accounting purposes. This means that Verizon will allocate the purchase price to the fair value of assets acquired (including identifiable intangible assets) and liabilities assumed from MCI on the closing of the merger, with any excess purchase price being recorded as goodwill. Under the purchase method of accounting, goodwill is not amortized but is tested for impairment at least annually.

Senior Notes

The closing of the merger will constitute a change of control under MCI s outstanding 2007 Senior Notes, 2009 Senior Notes and 2014 Senior Notes. Unless these Senior Notes are redeemed by MCI in accordance with their terms prior to the closing of the merger, MCI, LLC will be obligated to make an offer to purchase these notes within 30 days following the closing of the merger at a purchase price equal to 101% of the principal amount plus accrued interest. The initial interest rates of the 2007, 2009 and 2014 Senior Notes were 5.908%, 6.688% and 7.735%, respectively, and the coupon interest rate of each series of the Senior Notes was increased by 1% on December 15, 2004, in accordance with the terms of the Senior Notes as a result of the credit ratings assigned to the Senior Notes by Standard & Poor s and Moody s Investor Services, Inc. The indentures relating to the Senior Notes impose restrictions on MCI s operations and financial transactions, including restrictions that affect MCI s ability to incur additional indebtedness, make investments, sell assets, declare or pay dividends, and repurchase equity interests.

Restrictions on Sales of Shares of Verizon Common Stock Received in Connection with the Merger

The shares of Verizon common stock to be issued in connection with the merger will be registered under the Securities Act and will be freely transferable, except for shares of Verizon common stock issued to any person who is deemed to be an affiliate of MCI prior to the merger. Persons who may be deemed to be affiliates of MCI prior to the merger include individuals or entities that control, are controlled by, or are under common control of MCI, prior to the merger, and may include officers and directors, as well as principal stockholders of MCI, prior to the closing of the merger. Affiliates of MCI will be notified separately of their affiliate status.

Persons who may be deemed to be affiliates of MCI prior to the closing of the merger may not sell any of the shares of Verizon common stock received by them in connection with the merger except pursuant to:

- an effective registration statement under the Securities Act covering the resale of those shares of Verizon common stock;

an exemption under paragraph (d) of Rule 145 under the Securities Act;

a written opinion of counsel reasonably acceptable to Verizon that the sale, transfer or other disposition of the Verizon common stock received in connection with the merger is otherwise exempt from registration under the Securities Act;

a no-action letter from the staff of the SEC that the sale, transfer or other disposition of the Verizon common stock received in connection with the merger is otherwise exempt from registration under the Securities Act; or

any other applicable exemption under the Securities Act.

Verizon s registration statement on Form S-4, of which this proxy statement and prospectus forms a part, does not cover the resale of shares of Verizon common stock to be received in connection with the merger by persons who may be deemed to be affiliates of MCI prior to the closing of the merger.

Certificate of Formation and Limited Liability Company Agreement of Eli Acquisition

Upon completion of the merger of MCI with and into Eli Acquisition, the certificate of formation of Eli Acquisition in effect immediately prior to the completion of the merger, will be the certificate of formation of the surviving entity, except that the surviving entity will be renamed MCI, LLC and the limited liability company agreement of Eli Acquisition immediately prior to the completion of the merger will be the limited liability company agreement of MCI, LLC.

Appraisal Rights

Under the DGCL, MCI stockholders may demand in writing that the company surviving the merger pay the fair value of their shares of MCI common stock. Determination of fair value is based on all relevant factors, but excludes any appreciation or depreciation resulting from the anticipation or accomplishment of the merger. MCI stockholders who elect to exercise appraisal rights must comply with all of the procedures to preserve those rights. A copy of Section 262 of the DGCL, which sets forth the appraisal rights, is attached as Annex E to this proxy statement and prospectus. See also The Special Meeting of MCI Stockholders beginning on page 99.

Section 262 of the DGCL sets forth the procedures a stockholder requesting appraisal must follow. These procedures are complicated and must be followed completely. If you fail to comply with these procedures, you may lose your appraisal rights. The following summary of the required procedures is qualified in its entirety by the provisions of Section 262 of the DGCL. Please review Section 262 of the DGCL for the complete procedures. Neither Verizon nor MCI will give you any notice of your appraisal rights other than as described in this proxy statement and prospectus and as required by the DGCL.

General requirements. Section 262 of the DGCL generally requires the following:

Written demand for appraisal. You must deliver a written demand for appraisal to MCI before the vote is taken at the special meeting of MCI stockholders. This written demand for appraisal must be separate from the proxy. In other words, failure to return the proxy or returning the proxy with a notation on it will not alone constitute demand for appraisal. Similarly, a vote against the merger will not satisfy your obligation to make written demand for appraisal. You should read the paragraphs below for more details on making a demand for appraisal.

Refrain from voting for the merger proposal. In connection with exercising your appraisal rights, you must not vote in favor of the adoption of the merger agreement and approval of the merger. If you return a properly executed proxy or otherwise vote in favor of the adoption of the merger agreement and approval of the merger, your right to appraisal will terminate, even if you previously filed a written demand for appraisal. You do not have to vote against the adoption of the merger agreement and approval of the merger in order to preserve your appraisal rights.

Continuous ownership of shares of MCI common stock. You must continuously hold your shares of MCI common stock from the date you make the demand for appraisal through the closing of the merger.

Requirements for written demand for appraisal. A written demand for appraisal of MCI common stock is effective only if it is signed by or for the stockholder of record who owns the shares of MCI common stock at the time the demand is made. The demand must be signed in the same way as the stockholder s name appears on its stock certificate(s). If you are a beneficial owner of MCI common stock but not a stockholder of record, you must have the stockholder of record for your shares of MCI common stock sign a demand for appraisal on your behalf. If you own shares of MCI common stock through a bank or broker, who in turn holds the shares through a central securities depository nominee such as Cede & Co., a demand for appraisal of your shares must be made by or on behalf of the depository nominee and must identify the depository nominee as a record holder.

If you own MCI common stock in a fiduciary capacity, such as a trustee, guardian or custodian, you must disclose the fact that you are signing the demand for appraisal in that capacity.

If you own MCI common stock with one or more other persons, such as in a joint tenancy or tenancy in common, all of the owners must sign, or have signed for them by an authorized agent, the demand for appraisal. An authorized agent, which could include one or more of the owners, may sign the demand for appraisal for a stockholder of record; however, the agent must expressly disclose who the stockholder of record is and that he or she is signing the demand as that stockholder s agent.

If you are a record owner, such as a broker, who holds MCI common stock as a nominee for others, you may exercise a right of appraisal with respect to the shares of MCI common stock held for one or more beneficial owners, while not exercising that right for other beneficial owners. As the record owner, you should specify in the written demand the number of shares of MCI common stock as to which you wish to demand appraisal. If you do not specify the number of shares of MCI common stock, we will assume that your written demand covers all of the shares of MCI common stock that are in your name.

MCI stockholders should address the written demand to MCI, Inc., 22001 Loudoun County Parkway, Ashburn, Virginia 20147, Attention: corporate secretary. It is important that MCI receive all written demands before the vote on the merger is taken. As explained above, this written demand should be signed by, or on behalf of, the stockholder of record. The written demand for appraisal should specify the stockholder s name and mailing address, the number of shares of MCI common stock owned, and that the stockholder is thereby demanding appraisal of the stockholder s shares of MCI common stock.

Written notice. Within 10 days following the closing of the merger, MCI must notify in writing to each stockholder who has fully complied with the conditions of Section 262 of the DGCL that the merger has closed. Except as required by law, MCI will not notify stockholders of any dates by which appraisal rights must be exercised.

Petition with the Chancery Court. Within 120 days following the closing of the merger, either MCI or any stockholder who has complied with the conditions of Section 262 may file a petition in the Delaware Court of Chancery. This petition should request that the Chancery Court determine the value of the shares of MCI common stock held by all of the stockholders who are entitled to appraisal rights. If you intend to exercise your rights of appraisal, you should file a petition in the Chancery Court. MCI has no intention at this time to file a petition. Because MCI has no obligation to file a petition, if you do not file a petition within 120 days following the closing of the merger, you will lose your rights of appraisal.

Withdrawal of demand. If you change your mind and decide you no longer want an appraisal, you may withdraw your demand for appraisal at any time within 60 days following the closing of the merger by sending written notice to the corporate secretary of MCI. You may also withdraw your demand for appraisal after 60 days following the closing of the merger, but only with the written consent of MCI. If you withdraw your demand for appraisal, you will be entitled to receive the merger consideration provided in the merger agreement.

Request for appraisal rights statement. If you have complied with the conditions of Section 262 of the DGCL, you will be entitled to receive a statement from MCI setting forth the number of shares of MCI common stock for which appraisal rights have been exercised and the number of stockholders who own those shares of MCI common stock. In order to receive this statement, you must send a written request to corporate secretary of MCI within 120 days following the closing of the merger. Following the merger, MCI will have 10 days after receiving a request to mail the statement to the stockholder.

Chancery Court procedures. If you properly file a petition for appraisal in the Chancery Court and deliver a copy of the petition to MCI, MCI will then have 20 days to provide the Chancery Court with a list of the names and addresses of all stockholders who have demanded appraisal and have not reached an agreement with MCI as to the value of their shares of MCI common stock. The Chancery Court will then send notice to all of the stockholders who have demanded appraisal. If the Chancery Court decides it is appropriate, it has the power to conduct a hearing to determine whether the stockholders have fully complied with Section 262 of the DGCL and whether they are entitled to appraisal under that section. The Chancery Court may also require you to submit your stock certificates to the Registry in Chancery so that it can note on the certificates that an appraisal proceeding is pending. If you do not follow the Chancery Court s directions, you may be dismissed from the proceeding.

Appraisal of shares of MCI common stock. After the Chancery Court determines which stockholders are entitled to appraisal rights, the Chancery Court will appraise the shares of MCI common stock. To determine the fair value of the shares of MCI common stock, the Chancery Court will consider all relevant factors except for any appreciation or depreciation resulting from the anticipation or accomplishment of the merger. After the Chancery Court determines the fair value of the shares of MCI common stock, it will direct MCI to pay that value to the stockholders who are entitled to appraisal. The Chancery Court can also direct MCI to pay interest, simple or compound, on that value if the Chancery Court determines that interest is appropriate. In order to receive the fair value for your shares of MCI common stock, you must surrender your stock certificates to MCI.

The Chancery Court could determine that the fair value of shares of MCI common stock is more than, the same as, or less than the merger consideration. In other words, if you demand appraisal rights, you could receive more than, the same as, or less than the amount of consideration that you otherwise would have received under the merger agreement. The Delaware Supreme Court has stated that proof of value by any technique or methods that are generally considered acceptable in the financial community and otherwise admissible in court should be considered in the appraisal proceedings.

U.S. federal income tax considerations. Please refer to Material United States Federal Income Tax Considerations on page 65.

Costs of appraisal proceeding. The costs of the appraisal proceeding may be assessed against MCI and the stockholders participating in the appraisal proceeding, as the Chancery Court deems equitable under the circumstances. You can request that the Chancery Court determine the amount of interest, if any, that MCI should pay on the value of stock owned by stockholders entitled to the payment of interest. You may also request that the Chancery Court allocate the expenses of the appraisal action incurred by any stockholder pro rata against the value of all of the shares of MCI common stock entitled to appraisal.

Loss of stockholder rights. If you demand appraisal, following the closing of the merger you will not be entitled to:

- vote your shares of MCI common stock, for any purpose, for which you have demanded appraisal;
- receive payment of dividends or any other distribution with respect to your shares, of MCI common stock except for dividends or distributions, if any, that are payable to holders of record as of a record date before the closing of the merger; or
- receive the payment of the consideration provided for in the merger agreement.

However, you can receive the merger consideration if a petition for an appraisal is not filed within 120 days following the closing of the merger, or if you deliver to MCI a written withdrawal of your demand for an appraisal indicating your acceptance of the merger. Your withdrawal must be delivered to MCI either within 60 days following the closing of the merger or with the written consent of MCI. As explained above, these actions will also terminate your appraisal rights. However, an appraisal proceeding in the Chancery Court cannot be dismissed without the Chancery Court s approval. The Chancery Court may condition its approval upon any terms that it deems just.

If you fail to comply strictly with these procedures, you will lose your appraisal rights. Consequently, if you wish to exercise your appraisal rights, we strongly urge you to consult your legal advisor before attempting to exercise your appraisal rights.

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MATERIAL UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following discussion describes the material U.S. federal income tax considerations associated with the special cash dividend, the merger and the alternative merger under existing law. This discussion assumes that U.S. Holders and Non-U.S. Holders (as such terms are defined below) of MCI common stock hold such shares of MCI common stock as capital assets as of the effective time of the merger or alternative merger. This discussion does not cover all aspects of U.S. federal income taxation that may be relevant to certain U.S. or Non-U.S. Holders in light of their particular circumstances. In particular, this discussion does not address all of the tax considerations that may be relevant to certain stockholders subject to special treatment under U.S. federal income tax laws, such as:

- dealers in securities or currencies,
- financial institutions,
- regulated investment companies,
- real estate investment trusts,
- tax-exempt entities,
- insurance companies,
- persons holding stock as part of a hedging, integrated, conversion or constructive sale transaction or a straddle,
- traders in securities that elect to use a mark-to-market method of accounting for their securities holdings,
- persons liable for the alternative minimum tax,
- investors in pass-through entities,
- U.S. Holders whose functional currency is not the U.S. dollar, or
- Non-U.S. Holders who actually or constructively own or have owned, at any time during the five-year period up to and including the effective time, more than a 5% equity interest in MCI.

Furthermore, the discussion below is based upon the provisions of the Code, the Treasury regulations promulgated thereunder and administrative and judicial interpretations thereof, all as of the date hereof, and such authorities may be repealed, revoked, modified or subject to differing interpretations, possibly on a retroactive basis, so as to result in U.S. federal income tax consequences different from those discussed below. This discussion is based in part on facts described in this proxy statement and prospectus, on representations made by Verizon and MCI to Debevoise

& Plimpton LLP, counsel to Verizon, and to Davis Polk & Wardwell, counsel to MCI, and on various other factual matters. Any alteration or incorrectness of such factual matters could adversely affect such discussion. This discussion does not address any state, local or non-U.S. tax considerations. **We urge you to consult your own tax advisor concerning the particular U.S. federal, state, local and non-U.S. tax consequences to you of the special cash dividend, the merger, the alternative merger and the ownership of Verizon common stock.**

U.S. Holders

A U.S. Holder of MCI common stock means a beneficial owner that is for U.S. federal income tax purposes:

- an individual citizen or resident of the United States,
- a corporation (or other entity taxable as a corporation) created or organized in or under the laws of the United States or any political subdivision thereof,

an estate the income of which is subject to U.S. federal income taxation regardless of its source, or

a trust if it (i) is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (ii) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If a partnership or other entity or arrangement treated as a partnership for U.S. federal income tax purposes holds MCI common stock, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding MCI common stock, we urge you to consult your own tax advisors.

Special Cash Dividend

MCI intends to take the position that the amount paid as the special cash dividend is treated as a distribution with respect to MCI common stock, and not as consideration in the merger or the alternative merger. Although MCI believes its position with respect to the special cash dividend is correct, the IRS may take a contrary position, and to the extent the IRS were to prevail, the amount paid as the special cash dividend would be treated as additional cash received in connection with the merger or alternative merger, and not as a distribution as described in the succeeding paragraph.

Assuming the special cash dividend is treated as a distribution with respect to MCI common stock, the gross amount paid to you will be characterized as dividend income to the extent paid out of MCI s current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). MCI does not expect to be able to determine the amount of its current and accumulated earnings and profits by the time required for supplying Form 1099-DIV to stockholders, and so anticipates that it will be required to report the entire amount of the special cash dividend as a taxable dividend for U.S. federal income tax purposes.

Dividend income will be includible in your gross income on the day received by you. Under current legislation, which is scheduled to expire with respect to taxable years ending after December 31, 2008, this income will generally be taxed to you (if you are a non-corporate taxpayer) at the rates applicable to long-term capital gains, provided that a minimum holding period and other requirements are satisfied. Corporate U.S. Holders may be entitled to a dividends-received deduction with respect to distributions treated as dividend income for U.S. federal income tax purposes, subject to limitations and conditions. In addition, U.S. Holders that are corporations should consult their tax advisors regarding the potential applicability of the extraordinary dividend provisions of the Code.

Distributions to you in excess of earnings and profits will be treated first as a return of capital that reduces your tax basis in the MCI common stock, and then as gain from the sale or exchange of MCI common stock. This gain will be capital gain provided that you hold the MCI common stock as a capital asset as of the time of the special cash dividend.

Merger

The obligation of Verizon to consummate the transaction as a forward subsidiary merger of MCI with and into Eli Acquisition, referred to as the merger, is conditioned upon the receipt by Verizon of an opinion from Debevoise & Plimpton LLP, and the obligation of MCI to consummate the transaction in the form of the merger is conditioned upon the receipt by MCI of an opinion from Davis Polk & Wardwell, in each case substantially to the effect that, on the basis of certain facts, representations by management of the companies and assumptions set forth in such opinions, the merger will be treated for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code and that Verizon and MCI will each be a party to that reorganization within the meaning of Section 368(b) of the Code. Assuming that the merger does qualify for such treatment, the following discussion is a summary of the principal U.S. federal income tax considerations of the merger to the U.S. Holders of MCI common stock under the law in effect as of the date hereof. No ruling has been or will be sought from the IRS as to the U.S. federal income tax consequences of the merger, and the following summary is not binding on the IRS or the courts.

You will recognize gain (if any) in an amount equal to the lesser of (A) the cash you receive in connection with the merger and (B) the excess, if any, of the sum of the amount of cash and the fair market value of Verizon common stock you receive in the merger, over your tax basis in the MCI common stock exchanged. For this purpose, you must calculate gain or loss separately for each identifiable block of MCI common stock exchanged by you in connection with the merger and cannot utilize a loss realized on one block of MCI common stock to offset a gain realized on another block of MCI common stock.

You will not be able to recognize any loss in connection with the merger (except, possibly, in connection with cash received in lieu of a fractional share, as discussed below).

The aggregate tax basis of the Verizon common stock you receive in connection with the merger (before reduction for the basis in any fractional share of Verizon common stock for which cash is received) will be the same as the aggregate tax basis of the MCI common stock for which it is exchanged, decreased by the amount of cash you receive in connection with the merger (excluding any cash you receive in lieu of a fractional share) and increased by the amount of gain recognized (excluding any gain recognized as a result of cash you receive in lieu of a fractional share).

The holding period for the Verizon common stock you receive will include the holding period for the MCI common stock for which it is exchanged.

Any gain recognized will be long-term capital gain if the holding period for the MCI common stock surrendered in the merger is longer than one year as of the effective time of the merger. Long-term capital gain recognized by a non-corporate taxpayer in a taxable year ending on or before December 31, 2008 will be subject to a maximum U.S. federal income tax rate of 15%.

If you receive cash in lieu of a fractional share of Verizon common stock, you will generally recognize capital gain or loss based on the difference between the amount of cash received in lieu of such fractional share and your tax basis in such fractional share.

Alternative Merger

In order for counsel to deliver the tax opinions described above, among other things, MCI stockholders must receive stock consideration that satisfies the judicial continuity of interest requirement. Satisfaction of this requirement will depend on, among other things, (i) whether the special cash dividend is treated as a distribution with respect to MCI common stock rather than as consideration in connection with the merger, and (ii) the relative values of the cash and Verizon common stock received by MCI stockholders in exchange for their MCI shares in connection with the merger (including, potentially cash paid under the stock purchase agreement with eight entities affiliated with Carlos Slim Helu). This requirement may not be met, for example, if Verizon common stock were to suffer a material decline in value prior to closing and Verizon were to exercise its right to pay cash to the extent the exchange ratio were greater than 0.4062.

If either Verizon or MCI fails to receive the respective tax opinion described above, or if certain other conditions are not satisfied, Verizon and MCI will, subject to the fulfillment of certain conditions, effect the alternative merger instead of the merger. It is expected that the alternative merger would be fully taxable, although it is possible, based upon facts that would not be known until the closing of the merger, that the alternative merger might qualify as a reorganization. If the alternative merger qualified as a reorganization, the principal U.S. federal income tax consequences of the alternative merger would be the same as with respect to the merger, as described above under The Merger Material United States Federal Income Tax Considerations U.S. Holders Merger.

If the alternative merger did not qualify as a reorganization, you would be treated as having exchanged MCI common stock for Verizon common stock and cash in a fully taxable transaction. You would recognize capital gain or loss in an amount equal to the difference between the amount realized and your tax basis in the MCI common stock surrendered. Your amount realized would be the fair market value of the Verizon common stock plus the amount of cash received in connection with the alternative merger, and your tax basis in the MCI

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common stock would generally be the purchase price of the shares of MCI common stock less any prior distributions that reduced such basis. Gain would be long-term capital gain if the holding period for the MCI common stock surrendered in the alternative merger were longer than one year as of the effective time of the alternative merger. Long-term capital gain recognized by a non-corporate taxpayer in a taxable year ending on or before December 31, 2008 will be subject to a maximum U.S. federal income tax rate of 15%. The deductibility of capital losses is subject to limitations.

Non-U.S. Holders

A Non-U.S. Holder of MCI common stock is a holder, other than an entity or arrangement classified as a partnership for U.S. federal income tax purposes, that is not a U.S. Holder. Special rules may apply to certain Non-U.S. Holders, such as U.S. expatriates, controlled foreign corporations, passive foreign investment companies, persons who actually or constructively own, or have owned, more than 5% of MCI s equity at any time during the five-year period ending at the effective time, and corporations that accumulate earnings to avoid U.S. federal income tax. Such Non-U.S. Holders are urged to consult their own advisors to determine the U.S. federal, state, local and other tax consequences that may be relevant to them.

Special Cash Dividend

MCI intends to take the position that the amount paid as the special cash dividend is treated as a distribution with respect to MCI common stock, and not as consideration in the merger or the alternative merger. Although MCI believes its position with respect to the special cash dividend is correct, the IRS may take a contrary position, and to the extent the IRS were to prevail, the amount paid as the special cash dividend would be treated as additional cash received in connection with the merger or alternative merger, and not as a distribution as described in the succeeding paragraph.

Assuming the special cash dividend is treated as a distribution with respect to MCI common stock, the gross amount paid to you will be characterized as dividend income to the extent paid out of MCI s current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). MCI does not expect to be able to determine the amount of its current and accumulated earnings and profits by the time the special cash dividend is paid and intends to treat the full amount of the special cash dividend as a distribution out of current or accumulated earnings and profits. Dividend income generally will be subject to withholding at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. However, dividends that are effectively connected with your conduct of a trade or business within the United States or, if certain tax treaties apply, are attributable to your U.S. permanent establishment, are not subject to withholding tax, but instead are subject to U.S. federal income tax on a net income basis at applicable graduated rates. Special certification and disclosure requirements must be satisfied for effectively connected income to be exempt from withholding. If you are a corporation, any such effectively connected dividends received by you may be subject to an additional branch profits tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.

If you wish to claim the benefit of an applicable treaty rate (and avoid backup withholding as discussed below) for dividends, you must provide the withholding agent with a properly executed IRS Form W-8BEN or other applicable form claiming an exemption from, or reduction in the rate of, withholding.

If you are eligible for a reduced rate of U.S. withholding tax pursuant to an income tax treaty, you may obtain a refund of any excess amounts withheld by filing an appropriate claim for refund with the IRS.

Distributions to you in excess of current and accumulated earnings and profits will be treated first as a return of capital that reduces your tax basis in the MCI common stock, and then as gain from the sale or exchange of MCI common stock. Such gain will be capital gain provided that you hold the MCI common stock as a capital asset as of the time of the special cash dividend. Any such capital gain will generally not be subject to U.S. federal income tax unless:

- you are an individual, you are present in the United States for 183 days or more in the taxable year of the exchange, and certain other requirements are met, or such gain is effectively connected with your conduct of a trade or business in the United States, or, if certain tax treaties apply, is attributable to your U.S. permanent establishment.

If you are described in the first bullet above, you will be subject to a flat 30% tax on any gain recognized, which may be offset by U.S. source capital losses. If you are described in the second bullet above, you will be subject to tax on your gain at applicable U.S. federal income tax rates and, in addition, may be subject to a branch profits tax (if you are a corporation) equal to 30% (or lesser rate under an applicable income tax treaty) on your effectively connected earnings and profits for the taxable year, which would include such gain.

Merger and Alternative Merger

Under either the merger or the alternative merger, you will recognize gain to the same extent that a U.S. Holder will recognize gain as described above under the headings Merger Material United States Federal Income Tax Considerations U.S. Holders Merger and Alternative Merger. However, any gain you recognize will generally not be subject to U.S. federal income tax, subject to the exceptions described above under the heading Material United States Federal Income Tax Considerations Non-U.S. Holders Special Cash Dividend.

Ownership of Verizon Common Stock

As a result of the merger or the alternative merger, you will hold Verizon common stock. Dividends paid to you (to the extent paid out of Verizon s current or accumulated earnings and profits, as determined for U.S. federal income tax purposes) with respect to such shares of Verizon common stock will be subject to withholding at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. However, dividends that are effectively connected with your conduct of a trade or business within the United States or, if certain tax treaties apply, are attributable to your U.S. permanent establishment, are not subject to withholding tax, but instead are subject to U.S. federal income tax on a net income basis at applicable graduated rates. Special certification and disclosure requirements must be satisfied for effectively connected income to be exempt from withholding. If you are a corporation, any such effectively connected dividend received by you may be subject to an additional branch profits tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.

If you wish to claim the benefit of an applicable treaty rate (and avoid backup withholding as discussed below) for dividends, you must provide withholding agent with a properly executed IRS Form W8-BEN or other applicable form claiming exemption from, or reduction in the rate of, withholding.

If you are eligible for a reduced rate of U.S. withholding tax pursuant to an income tax treaty, you may obtain a refund of any excess amount withheld by filing an appropriate claim for refund with the IRS.

You generally will not be subject to U.S. federal income tax with respect to gain recognized on a sale or other disposition of shares of Verizon common stock, subject to the exceptions described under the heading Material United States Federal Income Tax Considerations Non-U.S. Holders Special Cash Dividend.

Information Reporting and Backup Withholding

In general, information reporting requirements may apply to the amounts paid to U.S. and Non-U.S. Holders in connection with the special cash dividend, dividends with respect to Verizon common stock, proceeds received from the sale or exchange of MCI common stock in connection with the merger or alternative merger, as the case may be, and to proceeds received from the sale or exchange of Verizon common stock, unless an exemption applies. Backup withholding may be imposed (currently at a 28% rate) on the above payments if a U.S. Holder or Non-U.S. Holder (1) fails to provide a taxpayer identification number or certificate of exempt status or (2) fails to report certain types of income in full.

Any amounts withheld under the backup withholding rules will be allowed as a refund or credit against applicable U.S. federal income tax liability provided the required information is furnished to the IRS.

THE MERGER AGREEMENT

The following summary describes the material provisions of the merger agreement, and is qualified in its entirety by reference to the complete text of the merger agreement, a composite copy of which is attached as Annex A to this proxy statement and prospectus. The provisions of the merger agreement are extensive and not easily summarized. Accordingly, this summary may not contain all of the information about the merger agreement that is important to you. The original merger agreement, along with the March 4, 2005 and March 29, 2005 amendments, are incorporated by reference in this proxy statement and prospectus. We encourage you to read the merger agreement carefully in its entirety for a more complete understanding of the merger agreement.

The merger agreement has been included to provide you with information regarding its terms. It is not intended to provide any other factual information about Verizon or MCI. This information may be found elsewhere in this proxy statement and prospectus and in the other public filings that each of Verizon and MCI makes with the SEC. See Where You Can Find More Information beginning on page 114.

Structure of the Merger

Under the merger agreement, MCI will merge with and into Eli Acquisition, a Delaware limited liability company and direct, wholly owned subsidiary of Verizon, with Eli Acquisition continuing as the surviving entity. Following the merger, Eli Acquisition will be renamed MCI, LLC. Verizon and MCI have agreed that if their respective legal advisors are unable to deliver their opinions regarding the treatment of the transaction as a reorganization for tax purposes or if certain other conditions are not satisfied, the transaction will be completed by causing MCI to merge with and into a Delaware corporation wholly owned by Verizon, with MCI continuing as the surviving entity. See The Merger Agreement Conditions to the Closing of the Merger beginning on page 85.

Closing of the Merger

The merger will become effective when Eli Acquisition files a certificate of merger with the Secretary of State of the State of Delaware, or at any later time as Verizon and MCI agree and specify in the certificate of merger.

Merger Consideration and Conversion of MCI Common Stock

Upon the closing of the merger and in connection with the merger, each share of MCI common stock issued and outstanding immediately prior to the closing of the merger will be converted into the right to receive a number of shares of Verizon common stock equal to the exchange ratio and $2.75 in cash plus any amount of the special cash dividend that remains unpaid, without interest, subject to Verizon s right to increase the cash portion of the consideration if the exchange ratio is greater than 0.4062 and subject to a potential downward purchase price adjustment for certain specified liabilities. See The Merger Agreement Potential Downward Purchase Price Adjustment for Specified Liabilities beginning on page 75.

No Issuance of Fractional Shares

Verizon will not issue any fractional shares of common stock in connection with the merger. Instead, each holder of MCI common stock exchanged in connection with the merger who would otherwise be entitled to receive a fraction of a share of common stock of Verizon will receive cash, without interest, in an amount equal to the product of the holder s fractional part of a share of Verizon common stock multiplied by the closing price for a share of Verizon common stock on the NYSE Composite Transaction Tape on the day the merger is completed.

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Potential Downward Purchase Price Adjustment for Specified Liabilities

Verizon and MCI have agreed that at any time either MCI or Verizon believes the closing of the merger will occur within 120 days, either party may request by written notice to the other the commencement of a procedure to determine the best estimate of the amount of cash that will be required to satisfy certain bankruptcy claims, including state tax claims, and certain international tax liabilities, in full following the closing of the merger, including (i) all pre-petition claims filed in the bankruptcy cases against MCI or its predecessor company as of the closing of the merger, (ii) all administrative expense claims filed in the bankruptcy cases as of the closing of the merger, (iii) all tax claims, filed, asserted in writing or of which debtors have actual knowledge as of the closing of the merger that constitute or would constitute administrative expense claims in the bankruptcy cases and (iv) all liabilities in respect of any income tax imposed by any taxing authority of any jurisdiction other than the United States with respect to any period or portion thereof ending on or prior to April 20, 2004. This amount is sometimes referred to as the remaining specified included liabilities amount. Promptly after the delivery of the written notice, MCI will deliver to Verizon a schedule of these claims, and the parties will engage independent valuation firms (a mutually agreeable valuation firm to act with respect to bankruptcy claims, and PricewaterhouseCoopers LLP to act with respect to tax claims) to act as arbitrators to assist the parties on agreeing on the remaining specified included liabilities amount.

From the delivery of the written notice until the closing of the merger, Verizon and MCI will use their best efforts to reach an agreement on the remaining specified included liabilities amount. If the parties agree on the amount, then the remaining specified included liabilities amount will become final and binding on the parties. If the parties are unable to agree on the calculation, the parties will submit their respective final proposals to the independent valuation firms who will select from the submissions the amounts most representative of the remaining specified included liabilities amount. The amounts so selected by the valuation firms will be binding on the parties.

Additionally, five days prior to the anticipated closing of the merger, MCI will provide Verizon with a schedule with the amount of cash actually spent since January 1, 2005 through the closing of the merger to satisfy certain bankruptcy claims, including state tax claims, and certain international tax liabilities, with reasonable supporting documentation. This amount is sometimes referred to as the paid specified included liabilities amount.

When the remaining specified liabilities amount has been determined, the merger consideration will be adjusted as follows: If the sum of the final remaining specified included liabilities amount and the paid specified included liabilities amount is $1.775 billion or less, no adjustment will be made to the merger consideration. If the sum of the final remaining specified included liabilities amount and the paid specified included liabilities amount is greater than $1.775 billion, then the per share cash amount that the merger agreement contemplates MCI stockholders would have received will be reduced by an amount equal to the quotient obtained by dividing (x) the difference between the sum of the final remaining specified included liabilities amount and the paid specified included liabilities amount and $1.775 billion by (y) the sum of (A) the number of shares of MCI common stock issued and outstanding immediately prior to the closing of the merger excluding any shares of MCI common stock held by Verizon, MCI, Eli Acquisition or any of their respective subsidiaries and (B) the number of shares reserved for issuance pursuant to MCI s bankruptcy plan that are unissued immediately prior to the closing of the merger. For example, if the parties agree that the sum of the final remaining specified included liabilities amount and the paid specified included liabilities amount is $1.85 billion, then the aggregate cash amount that the MCI stockholders will receive will be reduced by $75.0 million, or approximately $0.23 per share, and the per share cash payment would be approximately $2.52.

If the resulting downward adjustment exceeds the per share cash amount, the cash payment will be eliminated and assuming the exchange ratio is 0.4062, the exchange ratio will be adjusted downward by multiplying by a fraction, the numerator of which is the aggregate base merger consideration ($14.75 multiplied by the number of shares of MCI common stock outstanding immediately prior to the closing of the merger, including any unissued shares of MCI common stock reserved for issuance under the MCI bankruptcy plan, but excluding any shares of MCI common stock held by Verizon, MCI, Eli Acquisition or any of their respective subsidiaries) *minus* the product of (i) the amount by which the resulting downward adjustment exceeds the per share cash amount and (ii) the number of shares of MCI common stock outstanding immediately prior to the closing of the merger, including any unissued shares of MCI common stock reserved for issuance under the MCI bankruptcy plan, but excluding any shares of MCI common stock held by Verizon, MCI, Eli Acquisition or any of their respective subsidiaries and any shares of MCI common stock as to which the holders has exercised appraisal rights and the denominator of which is the aggregate base merger consideration.

Treatment of Restricted Shares and Other Equity-Based Awards

Restricted Shares. At the completion of the merger, subject to the potential downward purchase price adjustment, each outstanding MCI restricted share will be converted into (i) a number of Verizon restricted shares equal to the exchange ratio plus (ii) a cash payment of $2.75 plus any amount of the special cash dividend that remains unpaid, without interest, to the holder of the MCI restricted share. Each Verizon restricted share issued upon the conversion of MCI restricted shares will have and be subject to the same terms and conditions as in effect immediately prior to the closing with respect to the corresponding MCI restricted shares and shall bear a legend containing the same restrictions on transferability.

Other Equity-Based Awards. At the completion of the merger, subject to the potential downward purchase price adjustment, each outstanding equity-based award (other than MCI restricted shares or rights under the MCI Employee Stock Purchase Plan) providing for a cash or stock payment measured by the value of MCI common stock will be deemed to refer to (or be measured by) (i) the number of shares of Verizon common stock equal to the number of shares of MCI common stock covered by the outstanding equity-based award multiplied by the exchange ratio plus (ii) a cash payment equal to the number of shares of MCI common stock covered by the outstanding equity-based award multiplied by $2.75 plus any amount of the special cash dividend that remains unpaid, without interest. The rights of any person with respect to shares of Verizon common stock under each outstanding equity-based award will have and be subject to the same terms, conditions and restrictions as in effect immediately prior to the closing with respect to the outstanding equity-based award.

Treatment of MCI s Employee Stock Purchase Plan

MCI will establish a date on or before December 31, 2005 as the final purchase date under the terms of its employee stock purchase plan, and will cause all accumulated cash balances on that date to be applied to purchase the number of shares of MCI common stock that could be purchased with these amounts on the final purchase date pursuant to the MCI Employee Stock Purchase Plan. MCI will take all actions necessary or appropriate to cause the MCI Employee Stock Purchase Plan to terminate on the final purchase date, after giving effect to this purchase of MCI common stock. MCI will not thereafter offer any plan, program or arrangement for the purchase of shares of MCI common stock.

Appraisal Rights

Shares of MCI common stock outstanding immediately prior to the closing of the merger that are held by a holder who has not voted in favor of the adoption of the merger agreement and approval of the merger and who has demanded appraisal rights in accordance with the DGCL will not be converted into the right to receive the merger consideration, unless the holder fails to perfect or withdraws his or her right to seek appraisal. If following the closing of the merger the holder fails to perfect, withdraws or loses the right to appraisal, or if it is determined that the holder does not have appraisal rights, then the holder s shares of MCI common stock will be treated as if they had been converted at the closing of the merger into the right to receive the merger consideration paid to non-dissenting stockholders.

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Exchange of Share Certificates

Prior to the closing of the merger, Verizon will engage an exchange agent to handle the exchange of MCI stock certificates for certificates representing shares of Verizon common stock and the payment of the cash consideration, cash for fractional shares and any cash dividends with a record date following the closing of the merger payable with respect to Verizon common stock. Promptly following the closing of the merger, the exchange agent will send a letter of transmittal and instructions to each former MCI stockholder explaining the procedure for surrendering MCI stock certificates for certificates representing shares of Verizon common stock and the applicable cash consideration. All shares of Verizon common stock to be issued in connection with the merger will be deemed issued and outstanding as of the closing of the merger.

Following the closing of the merger, each certificate that previously represented shares of MCI common stock will only represent the right to receive a certificate representing the shares of MCI common stock into which the shares of Verizon common stock have been converted, and a check in the amount of cash that the holder of the certificate shall be entitled to receive pursuant to the merger agreement, consisting of the cash consideration, any cash payments in lieu of fractional shares and any cash dividend payments with a record date following the closing of the merger payable with respect to Verizon common stock. In addition, following the closing of the merger, there will be no further registration of transfers of the shares of MCI common stock. No dividends or distributions declared in respect of the Verizon common stock will be paid to the holder of shares of MCI common stock until the holder s shares are exchanged.

Stockholders no longer in possession of their share certificates because they have been lost, stolen or destroyed may, in exchange for the merger consideration, deliver an affidavit and, if required, place a bond against potential claims with respect to the missing certificates in a reasonable amount as MCI, LLC may direct.

Representations and Warranties

The merger agreement contains representations and warranties made by MCI relating to, among other topics, the following:

- due incorporation, good standing and corporate power, charter documents and ownership of subsidiaries;
- capital structure;
- corporate authority to enter into and perform the merger agreement, enforceability of the merger agreement, approval and recommendation to the stockholders of the merger agreement by MCI s board of directors;
- absence of conflicts with Section 203 of the DGCL;
- MCI s board of directors action to render the stockholder rights agreement inapplicable to the merger pursuant to the merger agreement;
- absence of conflicts of the merger agreement with organizational documents, material contracts, permits or applicable law;

required governmental filings or consents;

filings with the SEC and internal controls;

financial statements;

absence of undisclosed liabilities;

information supplied for the preparation of this proxy statement and prospectus;

absence of certain changes or events since September 30, 2004 until February 14, 2005;

- absence of material litigation;
- compliance with applicable laws, including the Sarbanes-Oxley Act;
- tax matters;
- the MCI Employee Stock Purchase Plan;
- sufficiency of MCI s real property;
- right-of-way agreements and network facilities;
- brokers;
- labor and other employment matters, including benefit plans;
- intellectual property rights;
- material contracts;
- environmental laws and regulations;
- insurance coverage;
- material consent decrees;
- compliance with Foreign Corrupt Practices Act and international trade sanctions;
- compliance with the permanent injunction and related orders against MCI by the United States Federal Court for the Southern District of New York;
- brokers fees due in connection with the merger; and
- receipt of opinions from financial advisors.

The representations and warranties of Verizon and Eli Acquisition are more limited and relate to, among other topics, the following:

organization, good standing and corporate power, charter documents and ownership of subsidiaries;

capital structure;

corporate authority to enter into and perform the merger agreement and enforceability of the merger agreement;

absence of conflicts of the merger agreement with organizational documents, material contracts, permits or applicable law;

required governmental filings or consents;

filings with the SEC and internal controls;

financial s