VERIZON COMMUNICATIONS INC
Form 424B3
September 02, 2005
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Filed Pursuant to Rule 424(b)(3)

Registration No. 333-124008

SPECIAL MEETING OF STOCKHOLDERS OF MCI, INC.

Dear MCI Stockholder: August 31, 2005

After careful consideration, MCI s board of directors has unanimously approved the Agreement and Plan of Merger, dated as of February 14, 2005, among Verizon, Eli Acquisition LLC and MCI, Inc., as amended as of March 4, 2005, March 29, 2005 and May 1, 2005, and as may be amended from time to time, sometimes referred to collectively as the merger agreement, and declared that the merger and the other transactions contemplated by the merger agreement, including the special cash dividend, are advisable.

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 adjournments or postponements of the special meeting to permit further solicitation of proxies for the merger at the special meeting of stockholders to be held on October 6, 2005, beginning at 10:00 a.m. local time.

The merger agreement provides that when the merger closes, you will receive consideration that will be worth $20.40 per share if there are no upward or downward adjustments. The merger consideration may be increased by up to $5.60 per share to the extent MCI has not paid MCI stockholders a special cash dividend of $5.60 per share prior to the closing of the merger. More particularly:

> The merger agreement provides that after MCI s stockholders approve the merger, MCI will declare and pay a special cash dividend of up to $5.60 per share (reduced by the amount of any other dividends declared by MCI from the date of this proxy statement and prospectus until the payment of the special cash dividend). If MCI pays less than the full amount, the remainder will be paid out by Verizon as cash merger consideration, without interest, at the closing of the merger. If Verizon pays any shortfall in the special cash dividend, stockholders will receive that amount later than if MCI paid the special cash dividend in full.

> In addition, at the closing of the merger, each share of MCI common stock that you hold will be converted into the right to receive 0.5743 shares of Verizon common stock. If the average trading price for Verizon s common stock is less than $35.52 over the 20 trading days ending on the third trading day prior to closing, you will have the right to receive additional Verizon common stock or cash (at Verizon s option) in an amount sufficient to assure that, prior to any reduction under the potential downward purchase price adjustment, the merger consideration is at least $20.40 per share.

The merger consideration you will receive may be decreased since it is subject to a potential downward purchase price adjustment based upon the amount of certain specified liabilities of MCI, which include MCI bankruptcy claims, including tax claims, as well as certain international tax liabilities. MCI currently estimates that the amount of specified liabilities at closing could range between an amount that would not result in any adjustment to the purchase price and an amount that would result in an adjustment to the purchase price of $0.21 per MCI share. This estimate was prepared by MCI and not by Verizon. Verizon does not intend to prepare its estimate until closer to the closing of the merger. It is possible that assumptions made by MCI could prove incorrect, circumstances could change, intervening events could affect the amount of specified liabilities, or Verizon and MCI could have substantially different views as to how the downward purchase price adjustment should be calculated. Accordingly, under certain circumstances, there could be a materially greater purchase price adjustment. Under the purchase price adjustment mechanism, the full amount of the merger consideration is at risk. You should only vote in favor of the merger if you are prepared to accept the risk that the merger consideration may be reduced as a result of this purchase price adjustment mechanism and that any reduction could be material. For more information, see The Merger Potential Downward Purchase Price Adjustment on page 95.

If there is no downward purchase price adjustment and Verizon chooses not to issue additional shares in the event that Verizon s average stock price during the measurement period is less than $35.52 per share, then Verizon will issue approximately 164.4 million shares of common stock in connection with the merger for a total value to MCI s stockholders (not including shares beneficially owned by Verizon), including the special cash dividend, of approximately $7.4 billion and, after the merger, MCI s former stockholders (not including shares beneficially owned by Verizon) will own approximately 5.6% of Verizon s outstanding common stock.

We cannot determine now, and, at the time of the MCI stockholders meeting, we will not be able to determine, the value of the aggregate merger consideration, the number of Verizon shares you will receive in the merger and the ratio of stock to cash you will receive in the merger, because:

The special cash dividend will not be paid until after the MCI stockholders approve the merger at the MCI stockholders meeting;

The average of the trading prices for Verizon s common stock over the measurement period cannot be determined until the third business day before the closing of the merger; and

The estimated amount of the liabilities which will determine whether there will be a downward purchase price adjustment will not finally be determined until the closing of the merger.

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 28 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.

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 contrary representation is a criminal offense.

This proxy statement and prospectus is dated August 31, 2005, and is expected to be first mailed to MCI stockholders on or about September 2, 2005.

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MCI, INC.

22001 Loudoun County Parkway

Ashburn, Virginia 20147

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

To Be Held On October 6, 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 MCI, Inc. Corporate Headquarters, 22001 Loudoun County Parkway, Ashburn, Virginia 20147 on October 6, 2005, at 10:00 a.m., 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, March 29, 2005 and May 1, 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 adjournments or postponements of the special meeting to permit further solicitation of proxies for the merger.

We have fixed the close of business on August 30, 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 adjournments or postponements 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

August 31, 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.	**MCI, Inc.**
1095 Avenue of the Americas	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 SEPTEMBER 29, 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 188.

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 of MCI 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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Annex A Agreement and Plan of Merger, dated as of February 14, 2005 as amended as of March 4, 2005, March 29, 2005 and May 1, 2005, among Verizon, Eli Acquisition and MCI (composite copy incorporating the Agreement and Plan of Merger, dated as of February 14, 2005, the Letter Agreement, dated as of March 4, 2005, the Amendment to the Agreement and Plan of Merger, dated as of March 29, 2005, and the Amendment to the Agreement and Plan of Merger, dated as of May 1, 2005)

Annex B Opinion of Greenhill & Co., LLC

Annex C Opinion of J.P. Morgan Securities Inc.

Annex D Opinion of Lazard Frères & Co. LLC

Annex E Delaware General Corporation Law, Section 262, Appraisal Rights

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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 Internet protocol, sometimes referred to as 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 62 of this proxy statement and prospectus and The Merger MCI s Reasons for the Merger beginning on page 67 of this proxy statement and prospectus. For a discussion of risk factors relating to the merger, we urge you to read the information under Risk Factors Relating to the Merger beginning on page 28.

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: The merger agreement provides that after MCI s stockholders approve the merger, MCI will declare and pay a special cash dividend of up to $5.60 per share which will be reduced by the amount of any other dividends declared by MCI from the date of this proxy statement and prospectus until the payment of the special cash dividend. This special cash dividend will be paid to MCI s stockholders of record as of the special cash dividend record date. If MCI pays less than the full amount of this special cash dividend, Verizon will pay the remainder as cash merger consideration, without interest, at the closing of the merger. If Verizon pays any shortfall in the special cash dividend, stockholders will receive that amount later than if MCI paid the special cash dividend in full.

In addition, at the closing of the merger, each share of MCI common stock that you hold will be converted into the right to receive 0.5743 shares of Verizon common stock, plus, if the average trading price for Verizon s common stock is less than $35.52 over the 20 trading days ending on the third trading day prior to closing, sometimes referred to as the measurement period, additional Verizon common stock or cash (at Verizon s option) in an amount sufficient to assure that, prior to any reduction under the potential downward purchase price adjustment, the merger consideration is at least $20.40 per share. You will also receive, as noted in the preceding paragraph, any amount of the special cash dividend not previously paid.

The consideration you will receive is subject to a potential downward purchase price adjustment based upon the amount of certain liabilities, which include MCI bankruptcy claims as described under The Merger Potential Downward Purchase Price Adjustment on page 95, including tax claims, as well as certain international tax liabilities. MCI currently estimates that the amount of specified liabilities at closing could range between an amount that would not result in any adjustment to the purchase price and an amount that would result in an adjustment to the purchase price of $0.21 per MCI share. The merger agreement provides that the amount of a purchase price adjustment, if any, will not be determined until shortly before the closing of the merger. MCI s estimate was prepared to provide MCI stockholders with an indication of its current view as to whether there will be a downward purchase price adjustment and the potential magnitude of any adjustment, in light of the complexity and uncertainty regarding determination of the specified liabilities for which adjustment may be made. Under certain circumstances, a materially greater purchase price adjustment could occur. Verizon did not participate in the preparation of this estimate and is not required to prepare an independent estimate of the specified liabilities. The merger agreement includes a procedure for the determination of the amount of the specified liabilities that commences when either Verizon or MCI reasonably believes that closing will occur within 120 days. Under the purchase price adjustment mechanism, the full amount of the merger consideration is at risk. You should only vote in favor of the merger if you are prepared to accept the risk that the merger consideration may be reduced as a result of this purchase price

adjustment mechanism and that any reduction could be material. Any downward purchase price adjustment would be applied first to any cash merger consideration that would otherwise be payable at the closing. For more information on the procedure for determining the purchase price adjustment, MCI s current estimate of the potential downward purchase price adjustment and the factors that MCI believes are most likely to affect whether the actual purchase price adjustment exceeds the top of MCI s estimate, see The Merger Potential Downward Purchase Price Adjustment on page 95.

If Verizon s average stock price during the measurement period is $35.52 or less, the aggregate value of Verizon common stock and cash, if any, you will receive when the merger is completed, taken together with the special cash dividend, will represent a total value, prior to any reduction under the potential downward purchase price adjustment, of at least $26.00 per share. The total value of the consideration you will receive may be greater than $26.00 per share if Verizon s stock price exceeds $35.52 at the closing of the merger. The total value of the consideration you will receive may be less than $26.00 per share if there is a downward purchase price adjustment. 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 of Verizon and MCI to close?

Q: When is the special meeting of MCI stockholders?

A: The special meeting of MCI stockholders will take place on October 6, 2005, at the time and location specified on the cover page of this proxy statement and prospectus.

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 its discretion with respect to any adjournments or postponements of the special meeting to permit further solicitation of proxies for the merger.

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 vote is required to adopt the merger agreement and approve the merger?

A: 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.

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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: 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 August 30, 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 174.

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 Verizon common stock and cash, if any, 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.

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

A: Our target is to close the merger of Verizon and MCI in late 2005 or early 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 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 188. 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 28 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. Verizon employs approximately 214,000 people. For the six months ended June 30, 2005, Verizon reported $36.7 billion in operating revenues and net income of $3.9 billion. For the year ended December 31, 2004, Verizon reported $71.3 billion in operating revenues and net income of $7.8 billion.

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 June 30, 2005, MCI had approximately 40,000 full and part-time employees.

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MCI is the successor to Worldcom, Inc. following Worldcom s emergence from bankruptcy on April 20, 2004. For the six months ended June 30, 2005, MCI had revenue of $9.5 billion and net income of $62 million. For the year ended December 31, 2004, MCI had revenue of $20.7 billion and net loss of $4.0 billion (including an impairment charge of $3.5 billion).

The Special Meeting of MCI Stockholders **(See page 173)**

Meeting. The special meeting of MCI stockholders will be held on October 6, 2005, at 10:00 a.m., Eastern Daylight Time, at MCI, Inc. Corporate Headquarters, 22001 Loudoun County Parkway, Ashburn, Virginia 20147. 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.

Record Date. MCI has fixed the close of business on August 30, 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 2,643,384 shares of MCI common stock, or approximately 0.8 percent of the outstanding shares of MCI common stock entitled to vote at the special meeting of MCI stockholders. MCI s directors and executive officers have informed the company 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. At that date, directors and executive officers of Verizon and their affiliates, including Verizon, beneficially owned 43.4 million shares of MCI common stock, or approximately 13.3 percent of the outstanding shares of MCI common stock entitled to vote at the special meeting of MCI stockholders. Verizon acquired 43.4 million shares of MCI common stock on May 17, 2005 pursuant to a stock purchase agreement with certain of MCI s stockholders. These shares were transferred to a trustee under agreements with the United States Department of Justice and a trust agreement with Dick Thornburgh as trustee. Under the terms of the trust agreement, Verizon is entitled to instruct the trustee to vote these shares in favor of the adoption of the merger agreement and the approval of the merger. Under the terms of the merger agreement, Verizon is required to vote these shares (and any other shares of MCI common stock that Verizon acquires) in favor of adoption of the merger agreement and the approval of the merger so long as adoption and approval is then recommended by MCI s board of directors.

Recommendation of MCI s Board of Directors **(See page 76)**

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 adjournments or postponements of the special meeting to permit further solicitation of proxies for the merger.

The Merger **(See page 38)**

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.

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Structure of the Merger (See page 120)

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. This structure is sometimes referred to as the original structure. 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 Verizon determines in its reasonable judgment that effecting the merger under the original structure would result in a material risk of materially adverse regulatory or other materially adverse consequences, 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. For example, in certain situations under the original structure, because MCI will not be the surviving corporation in the merger, certain state public service or public utility commissions or similar state regulatory bodies, from whom we must obtain approvals before the merger can be consummated, could take the view that a change in control would require each MCI subsidiary currently holding a certificate of public convenience and necessity in the state to obtain a new certificate or transfer the existing certificate. If a state public service or public utility commission or similar state regulatory body were to take this view, we might be required to file an amendment to our application to request a transfer of the existing certificate, which may delay the merger. Additionally, the state public service or public utility commission or similar state regulatory body may deny MCI permission to transfer its existing certificate. In either event, Verizon may choose to use the alternative merger structure if it determines in its reasonable judgment that effecting the merger under the original structure will result in materially adverse regulatory or other materially adverse conditions. To date, no state public service or public utility commission or similar state regulatory body has required us to obtain a new certificate or transfer the existing certificate.

The original structure and the alternative merger will have different tax consequences to MCI stockholders. See Material United States Federal Income Tax Considerations on pages 12-14 and beginning on page 114. By voting in favor of the merger, you are authorizing Verizon and MCI to complete the merger using either the original structure (a reorganization for tax purposes) or the alternative merger (which would be fully taxable to MCI stockholders), and, consequently, you accept the risk that the transaction may be fully taxable.

Merger Consideration and Conversion of MCI Common Stock (See page 120)

At the closing of the merger, each share of MCI common stock that you hold will be converted into the right to receive 0.5743 shares of Verizon common stock, plus, if the average trading price for Verizon s common stock is less than $35.52 over a measurement period prior to closing, additional Verizon common stock or cash (at Verizon s option) in an amount sufficient to assure that, prior to any reduction under the potential downward purchase price adjustment, the merger consideration is at least $20.40 per share. In addition, if MCI does not pay the special cash dividend in full, Verizon will pay the unpaid balance per share at closing as merger consideration. The amount of cash payable in the merger as described above is sometimes referred to as the per share cash amount. At this time, we are unable to determine the U.S. federal income tax treatment of the special cash dividend or the cash payable in the merger, and we will not be able to make that determination at the time of the MCI stockholders meeting, as this tax treatment will depend, among other things, on whether the cash is paid by MCI or Verizon. Any per share cash amount that is paid to you by Verizon will be taxable to you to the extent of the gain you realize in the transaction. The tax treatment of any cash dividend paid to you by MCI is uncertain. This cash dividend may be treated as additional merger consideration, taxable in the same manner as cash paid by Verizon, or it may be treated as a dividend for U.S. federal income tax purposes. For more information, see Material United States Federal Income Tax Considerations on pages 12-14 and beginning on page 114. If Verizon pays a per share cash amount as part of the merger consideration, MCI stockholders will be entitled to appraisal rights. See Appraisal Rights beginning on page 110.

The aggregate value of the cash, if any, and the shares of Verizon stock you will receive at the closing will decrease if there is a downward purchase price adjustment based on the then outstanding amount of certain MCI liabilities.

We cannot determine now, and, at the time of the MCI stockholders meeting, we will not be able to determine the definitive value of the aggregate merger consideration, the number of Verizon shares you will receive and the ratio of stock to cash you will receive in the merger because:

The special cash dividend will not be paid until after the MCI stockholders approve the merger at the MCI stockholders meeting.

The measurement period for the average of the trading prices for Verizon s common stock is the 20 trading day period immediately prior to the third business day before the closing of the merger; and

The estimated aggregate amount of specified liabilities, which will determine whether there will be a downward purchase price adjustment, cannot be determined until the closing of the merger. See The Merger Potential Downward Purchase Price Adjustment beginning on page 95. Under the purchase price adjustment mechanism, the full amount of the merger consideration is at risk.

You should only vote in favor of the merger if you are prepared to accept the risk that the merger consideration may be reduced as a result of this purchase price adjustment mechanism and that any reduction could be material.

Special Cash Dividend (See page 130)

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, to the extent not prohibited by applicable law (including Delaware General Corporation Law, sometimes referred to as the DGCL, and applicable fraudulent transfer statutes) or covenants in certain existing indentures, declare and pay a special cash dividend. This special cash dividend will be equal to $5.60 per share, less the per share amount of any dividend declared by MCI from the date of this proxy statement and prospectus until the payment of the special cash dividend. If less than the full amount of the special cash dividend is paid, the remainder will be paid by Verizon, without interest, as a per share cash amount at the closing of the merger. If Verizon pays any shortfall in the special cash dividend, stockholders will receive that amount later than if MCI paid the special cash dividend in full. MCI currently expects to be able to pay the special cash dividend in an amount equal to $5.60 per share. Under the merger agreement, MCI has agreed not to declare, set aside, make or pay any dividend or other distribution (whether in cash, stock or property) after the date the special cash dividend is paid. See The Merger Senior Notes beginning on page 108 for a more detailed discussion of the restrictions under the Senior Notes affecting the ability of MCI to pay dividends. See The Merger Restrictions on Payments of Dividends under Applicable Law beginning on page 108 for a more detailed discussion of the restrictions under the DGCL and applicable fraudulent transfer statutes that could affect the ability of MCI to pay dividends.

Potential Downward Purchase Price Adjustment (See page 95)

The merger agreement provides that if the estimated amount of cash that will be required after the closing of the merger to fully satisfy specified MCI bankruptcy claims and international tax liabilities, together with the amount of cash actually spent by MCI from and after January 1, 2005 through closing of the merger to satisfy these specified liabilities, exceeds $1,775 million, the consideration that MCI stockholders will receive in connection with the merger will be reduced by an amount equal to the per share equivalent of the amount by which the sum of the previously-paid specified liabilities and the remaining specified liabilities exceeds $1,775 million. MCI currently estimates that the sum of the

amount of previously-paid specified liabilities and

remaining specified liabilities could range between an amount that would not result in any adjustment to the purchase price and an amount that would result in a downward adjustment to the purchase price of $0.21 per MCI share. MCI prepared its estimate in order to provide MCI stockholders with an indication of its current view as to whether there will be a downward purchase price adjustment and the potential magnitude of any adjustment. Verizon does not have the information necessary to prepare and has not prepared an estimate of the final amount of the specified liabilities. In order for Verizon to prepare an estimate, it will need to perform detailed analyses and evaluation of the facts and circumstances related to numerous complex bankruptcy claims and domestic and international tax matters. This process is likely to be highly fact intensive. Verizon has not reviewed or concurred with the interpretation or methodology MCI used in preparing its estimated range and has not verified MCI s estimate.

For a description of the circumstances under which there may be a per share cash amount payable at the time of closing, see Merger Consideration and Conversion of MCI Common Stock on page 120. For example, if the specified liabilities amount is $2,029 million, then the aggregate cash amount would be reduced by $0.77 per share, assuming that there are 329,700,000 shares of MCI stock issued and outstanding and reserved for issuance under MCI s plan of reorganization immediately prior to the closing of the merger.

If the amount by which the per share equivalent of the specified liabilities amount is greater than $1,775 million exceeds any per share cash amount, the cash payment will be eliminated and the number of shares of Verizon common stock you will receive in the merger will be adjusted downward proportionately in accordance with a formula specified in the merger agreement. Using the example from the preceding paragraph, if the downward purchase price adjustment is $0.77 per share and the per share cash amount is $0.37 per share, then the cash payment would be eliminated, the exchange ratio would be reduced to 0.5631 and you would receive approximately 1.9% fewer shares of Verizon common stock. If there is no per share cash amount payable in connection with the merger, any downward purchase price adjustment will be effected solely through an adjustment of the number of shares of Verizon common stock you will receive in the merger. Again using the example from the preceding paragraph, if the downward purchase price adjustment is $0.77 per share and there is no per share cash amount, the exchange ratio would be reduced to 0.5526 and you would receive approximately 3.8% fewer shares of Verizon common stock. Under the purchase price adjustment mechanism, the full amount of the merger consideration is at risk. However, in order for an MCI stockholder to receive no merger consideration, other than the special cash dividend, the specified liabilities would have to exceed approximately $8.5 billion, as compared to MCI s current estimate of between $1.615 billion and $1.845 billion. See The Merger Potential Downward Adjustment beginning on page 95 for a description of the potential downward purchase price adjustment.

Before the closing of the merger, Verizon and MCI will prepare an estimate of the amount of cash in U.S. dollars that will be required to satisfy in full all of the remaining specified liabilities. Verizon and MCI have agreed in the merger agreement that at any time either Verizon or MCI reasonably believes that 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 in full all remaining specified liabilities following the closing of the merger. MCI will deliver to Verizon a schedule listing and describing the status of all remaining specified liabilities, and MCI will give Verizon access to relevant information about the remaining specified liabilities. From the delivery of the written notice until the closing of the merger, Verizon and MCI will use their best efforts to agree on the amount of the remaining specified liabilities. If MCI and Verizon are unable to agree, they will then submit their respective estimates to arbitrators. For more information on the procedure for determining the purchase price adjustment, MCI s estimate of the potential downward purchase price adjustment and the factors that MCI believes could cause the actual purchase price adjustment to exceed the top of MCI s estimate, see The Merger Potential Downward Purchase Price Adjustment on page 95.

The merger agreement requires that (i) the remaining specified liabilities amount be the best estimate of the amount of cash required from the closing of the merger to satisfy in full all remaining specified liabilities and (ii) Verizon and MCI use their best efforts to agree on the final amount of any remaining specified liabilities. Verizon and MCI have not agreed to any other standards or assumptions, in the merger agreement or elsewhere, governing the determination of the specified liabilities. Accordingly, it is possible that Verizon may disagree with some of the standards that MCI used and some of the assumptions that MCI made in calculating its estimate of the amount of cash that will be required to satisfy in full all remaining specified liabilities. Any disagreement would then be resolved though the arbitration process provided for in the merger agreement. Verizon does not intend to prepare its estimate until closer to the closing of the merger. If Verizon has a materially different view on how to calculate the downward purchase price adjustment, then the adjustment could be materially greater than the top of MCI s estimated range.

No Solicitation by MCI (See page 127)

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 by 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 129)

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.

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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 a $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 134 for a more detailed discussion of the termination of the merger agreement.

Conditions to the Closing of the Merger (See page 132)

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;

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 plan of reorganization;

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 original 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 original structure (a merger of MCI with and into Eli Acquisition) 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 original structure as a reorganization for tax purposes or if certain other conditions are not satisfied, the transaction will be 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. Verizon and MCI expect that this would be a fully taxable transaction.

On or before the closing of the merger, MCI or Verizon may each waive any of the conditions to the closing of the other party and complete the merger even though one of these conditions has not been met. However, under Delaware law, MCI stockholder approval is required to close the merger.

Verizon has determined that it will not waive the condition that it receive the opinion of its counsel that the original structure will qualify as a reorganization under Section 368(a) of the Code and that each of MCI and Verizon will be a party to this reorganization for U.S. federal income tax purposes. Accordingly, the merger will not be effected under the original structure unless Verizon receives this opinion of counsel.

Termination of the Merger Agreement (See page 134)

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 and international tax liabilities, including tax claims, as well as certain international tax liabilities. For a description of these bankruptcy claims, see The Merger Potential Downward Purchase Price Adjustment on page 95. This February 14, 2006 date, as it may be extended, is sometimes referred to as the outside date. The merger agreement provides that MCI will pay Verizon a $240 million termination fee, and reimburse Verizon for up to $10 million in expenses, if the merger agreement is terminated under the following circumstances:

- Verizon terminates because MCI or its representatives breach the no solicitation provisions of the merger agreement;

- Verizon terminates because MCI s board of directors fails to recommend the merger or changes its recommendation, or fails to recommend that the stockholders reject a competing tender offer;

- MCI terminates because it decides to enter into an agreement with respect to a superior proposal as described under The Merger Agreement No Solicitation by MCI on page 127 or as a result of an intervening event as described under The Merger Agreement Changes in MCI s Recommendation on page 129 (MCI is not permitted to terminate if Verizon has exercised its option to require MCI to cause a special meeting of the MCI stockholders to be held to consider approval of the merger notwithstanding a change in the MCI recommendation);

- If the MCI stockholders fail to approve the merger, and, with respect to the termination fee (but not with respect to the expense reimbursement which MCI is required to pay after the MCI stockholders fail to vote to approve the merger), within 12 months after the termination of the merger agreement, MCI enters into a definitive agreement to consummate the transactions contemplated by any takeover proposal; or

- Verizon terminates because MCI breaches its obligations (i) to call a stockholders meeting as soon as reasonably practicable after the proxy statement and prospectus becomes effective and (ii) to solicit proxies in favor of the adoption of the merger agreement and approval of the merger, subject to MCI s board of directors right to change its recommendation to MCI s stockholders. See The Merger Agreement Changes in MCI s Recommendation beginning on page 129.

While payment of the termination fee and expense reimbursement would reduce MCI s cash and cash equivalents and marketable securities, which were $5.3 billion as of June 30, 2005, the impact on MCI of paying the termination fee is not expected to be significant to MCI in the near term as that amount is not material in relation to MCI s current or expected cash position. However, see Risk Factors Relating to the Merger beginning on page 28 for more information regarding the risks related to the merger not occurring.

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Reasons for the Merger (See pages 62 and 67)

Verizon s Reasons for the Merger. Verizon s board of directors considered a wide variety of factors when determining whether to enter into the merger agreement. Verizon believed that its strategic position would be enhanced by MCI s strong business customer base, portfolio of advanced data and IP services and extensive network assets, its growth platform would be strengthened by MCI s presence in the U.S. and international markets and MCI s long haul fiber network infrastructure and it would achieve operational benefits, operating savings and revenue enhancements following the closing of the merger. Verizon also considered other material factors relating to the merger, including operating and financial markets conditions, the uncertainty of Verizon s forecasts relating to its businesses due to the changing and competitive telecommunications environment, the financial terms of the merger and the strategic alternatives available to Verizon in light of the evolving competitive landscape and ongoing consolidation within the telecommunications industry.

Verizon also considered the potential risks associated with the merger, including, among other things, the challenges inherent in operating the businesses of MCI in conjunction with those of Verizon, the potential liabilities associated with the business of MCI and the possibility that Verizon might not realize all anticipated savings following the merger.

See The Merger Verizon s Reasons for the Merger beginning on page 62 for a description of the factors considered by Verizon s board of directors in reaching a decision to adopt the merger agreement and approve the merger.

MCI s Reasons for the Merger. MCI also considered a wide variety of factors weighing favorably towards the merger. MCI s board of directors determined that the proposed merger with Verizon was in the best interests of MCI and its stockholders. Due to the significant technological and market changes occurring within the telecommunications industry, including (i) increasingly severe price competition, (ii) the entry of regional Bell operating companies, sometimes referred to as RBOCs, into the long-distance market, (iii) regulatory changes increasing the difficulty for companies such as MCI to provide traditional telephone service, particularly to consumer customers without owning substantial facilities, and (iv) the merging of significant competitors, including AT&T Corp. with SBC Communications Inc. and Sprint Corporation with Nextel Communications Inc., MCI s board of directors noted, among other things, that the total consideration to be received by MCI stockholders includes an equity stake in a larger and more diverse company, as compared to MCI as a stand-alone company, and that the merger agreement includes a potentially beneficial pricing mechanism that would guarantee, subject to the potential downward purchase price adjustment, the minimum value of the consideration to be received by MCI stockholders at closing against declines in Verizon s common stock price. MCI s board of directors also determined that the proposed merger with Verizon was more favorable to MCI s stockholders than the then-most recent competing proposal from Qwest (which has since been withdrawn by Qwest) in light of the range of potential values for MCI s stockholders under that proposal and the risks to achieving those values.

MCI s board of directors also considered the potential risks associated with the merger, including, among other things, a potential downward purchase price adjustment to the merger consideration based on certain liabilities and the other risks noted below.

See The Merger MCI s Reasons for the Merger beginning on page 67 for a description of the factors considered by MCI s board of directors in reaching its decision to adopt the merger agreement and approve the merger agreement.

Risks Associated with the Merger (See page 28)

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 purchase price adjustment for certain MCI bankruptcy claims, including tax claims, as well as certain international tax liabilities. For a description of these bankruptcy claims and international tax liabilities, see The Merger Potential Downward Purchase Price Adjustment on page 95. Under the purchase price adjustment mechanism, the full amount of the merger consideration is at risk.

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 determination of the downward purchase price adjustment may also delay the closing of the merger. Any delay in the closing will result in MCI stockholders receiving the merger consideration later than they otherwise would have. In addition, a delay will change the measurement period over which the average trading price of Verizon s common stock is measured for purposes of determining the merger consideration. See Merger Consideration and Conversion of MCI Common Stock on page 120. Also, the closing will remain subject to the satisfaction or waiver of closing conditions as of the delayed closing date. The value of the aggregate merger consideration cannot be determined now or at the time of the MCI stockholders meeting.

The merger may not be effected as a reorganization for tax purposes, in which case the transaction will be fully taxable 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 instituted by MCI s stockholders 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 28.

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.

Opinions of MCI s Financial Advisors (See page 76)

Greenhill & Co., LLC, sometimes referred to as Greenhill, J.P. Morgan Securities Inc., sometimes referred to as JPMorgan, and Lazard Frères & Co. LLC, sometimes referred to as Lazard, each delivered its opinion to MCI s board of directors that, as of May 1, 2005 and based upon and subject to the factors, assumptions, procedures, limitations and qualifications set forth in its respective opinion, the merger consideration and the special cash dividend to be issued and paid in connection with the merger agreement is fair from a financial point of view to MCI s stockholders.

The full text of the written opinions of Greenhill, JPMorgan and Lazard, dated May 1, 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, JPMorgan 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, JPMorgan and Lazard have not 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, JPMorgan and Lazard opinions do not constitute recommendations as to how MCI stockholders should vote with respect to the proposed merger.

MCI does not intend to obtain updated opinions from its financial advisors in the event the merger consideration is adjusted downward pursuant to the terms of the merger agreement. See Potential Downward Purchase Price Adjustment for Specified Liabilities on page 95.

Regulatory Approvals Required for the Merger (See page 106)

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. 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. Verizon certified substantial compliance with the DOJ s second request for additional information on May 27, 2005, and MCI certified substantial compliance with the DOJ s second request for additional information on June 17, 2005.

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 of the Merger (See page 107)

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 114)

Form of Transaction. At this time, we are unable to determine the U.S. federal income tax consequences of the transaction to MCI stockholders, and we will not be able to make that determination at the time of the MCI stockholders meeting, because the determination depends on whether the transaction is effected in the form of the original structure or the alternative merger. We will not be able to determine whether the transaction will be effected in the form of the original structure or the alternative merger until the closing of the merger. Under the merger agreement, the

form of the transaction will depend on whether the original structure will qualify as a reorganization within the meaning of Section 368(a) of the Code. Whether the original structure will so qualify cannot be determined until closing because in order for the original structure to qualify as a reorganization it must, among other things, satisfy a judicial continuity of interest requirement that is based on the ratio of the total value of the Verizon common stock issued at closing to MCI stockholders to the total amount of cash paid to MCI stockholders in connection with the merger. For this purpose, the cash paid to MCI stockholders in connection with the merger will include any cash paid by Verizon pursuant to its right to pay cash to the extent

the exchange ratio is greater than 0.5743 and any cash paid by Verizon in respect of any portion of the special cash dividend not paid by MCI. This cash also potentially includes the special cash dividend paid by MCI and the maximum amount of cash paid or payable by Verizon under the stock purchase agreement with eight entities affiliated with Mr. Carlos Slim Helu. We will not be able to determine whether or not the continuity of interest requirement will be met until closing of the merger. For example, the occurrence of any of the following, either individually or collectively, could cause a material decrease in the relative total value of Verizon s common stock issued at closing and prevent the transaction from being effected using the original structure:

- Verizon common stock could suffer a material decline in value prior to closing and Verizon could exercise its right to pay cash to compensate for the exchange ratio exceeding 0.5743;
- the additional cash amount paid or payable to the eight entities affiliated with Mr. Slim may be significant; and
- the purchase price adjustment for specified liabilities could significantly reduce the ratio of the total value of the Verizon common stock issued at closing to MCI stockholders to the total amount of cash paid to MCI stockholders in connection with the merger.

By voting in favor of the merger, you are authorizing Verizon and MCI to complete the merger using either the original structure (a reorganization for tax purposes) or the alternative merger (which would be fully taxable to MCI stockholders), and, consequently, you accept the risk that the transaction may be fully taxable.

Tax Consequences of Original Structure. If the transaction is effected pursuant to the original structure, for U.S. federal income tax purposes:

- an MCI stockholder who realizes a gain as a result of the transaction will be required to recognize that gain only to the extent of cash, if any, received in the transaction from Verizon (and from MCI if the special cash dividend were treated as additional merger consideration rather than as a distribution with respect to MCI common stock), and
- an MCI stockholder who realizes a loss as a result of the transaction will not be permitted to recognize that loss.

The amount of gain or loss realized by an MCI stockholder will be equal to the difference between the amount realized and the stockholder s tax basis in the MCI common stock surrendered. The amount realized will be determined as described below under Tax Consequences of Alternative Merger.

The obligations of Verizon and MCI to effect the transaction pursuant to the original structure are subject to the condition that Verizon and MCI each receive a legal opinion at closing from its respective counsel that the original structure will qualify as a reorganization within the meaning of Section 368(a) of the Code. The transaction will be effected pursuant to the original structure only if in the opinion of counsel to Verizon and in the opinion of counsel to MCI at the time of closing, the original structure will qualify as a reorganization within the meaning of Section 368(a) of the Code.

Tax Consequences of Alternative Merger. If the transaction is effected pursuant to the alternative merger, the alternative merger will be a fully taxable transaction and each MCI stockholder will be treated as having exchanged MCI common stock for Verizon common stock and cash, if any, received from Verizon (and from MCI if the special cash dividend were treated as additional merger consideration rather than as a distribution with respect to MCI common stock). An MCI stockholder will recognize capital gain or loss in an amount equal to the difference

between the amount realized and the stockholder s 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, if any, received from Verizon (and from MCI if the special cash dividend were treated as additional merger consideration rather than as a distribution with respect to MCI common stock) in connection

with the alternative merger. The transaction will be effected pursuant to the alternative merger if either Verizon or MCI fails to receive the tax opinion of its respective counsel described above, or if Verizon determines that closing the merger of MCI with and into Eli Acquisition under the original structure would result in a material risk of materially adverse regulatory or other consequences.

Tax Consequences of Special Cash Dividend. At this time, we are unable to determine the U.S. federal income tax treatment of the special cash dividend, and we will not be able to make that determination at the time of the MCI stockholders meeting, because there is a conflict among legal authorities as to whether and under what circumstances a pre-merger distribution will be treated as a dividend or treated as additional merger consideration. Because of this conflict and the absence of any other authority that addresses a pre-merger distribution under the facts and circumstances similar to those present in the merger, counsel to Verizon and MCI are each unable to provide a legal opinion regarding the tax treatment that will apply in this case.

If the special cash dividend is paid by MCI and is treated as a dividend for tax purposes, the actual amount of the special cash dividend paid to you will be characterized as dividend income to the extent paid out of MCI s current or accumulated earnings and profits.

If the special cash dividend is paid by MCI or Verizon and is treated for tax purposes as consideration in connection with the merger, the amount of cash that you receive will be taxable to you to the extent of the gain you realize in the merger. MCI expects to report the entire amount of the special cash dividend it pays as a taxable dividend for U.S. federal income tax purposes.

See Material United States Federal Income Tax Considerations beginning on page 114.

Senior Notes (See page 108)

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 103)

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 greater than, and in addition to, the interests of MCI stockholders generally. If MCI s executive officers were entitled to terminate employment for good reason following the closing of the merger and they exercised this right, or if they were terminated without cause following the closing of the merger (and, for certain executive officers, if their employment were terminated within six months prior to and in anticipation of a change in control), the additional payments or benefits to which they would be entitled include, as applicable:

a lump-sum severance payment in cash that is a multiple of their respective salaries;

accelerated vesting of restricted stock;

an additional payment in respect of certain taxes; and

continued health coverage for a specified period of time.

Based on their additional payments or benefits, if the employment of MCI s executive officers were terminated under the circumstances specified above, they could be entitled to an estimated aggregate amount of $107,483,923. This estimated aggregate amount excludes certain items and is explained in further detail in Interests of MCI Directors and Executive Officers in the Merger Estimated Value of Interests of MCI Directors and Executive Officers beginning on page 104.

MCI s directors, other than Mr. Capellas, do not have any financial interests in the merger that are greater than, or in addition to, the interests of MCI stockholders generally.

Treatment of Restricted Shares and Other Equity-Based Awards (See page 122)

Restricted Shares. At the completion of the merger, subject to the potential downward purchase price adjustment (see Potential Downward Purchase Price Adjustment above), 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 equal to any per share cash amount payable in the merger, 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 (see Potential Downward Purchase Price Adjustment above), 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 any per share cash amount payable in the merger, 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.

Verizon s Purchase of 13.3% of MCI s Outstanding Shares (See page 109)

On April 9, 2005, Verizon entered into a stock purchase agreement, sometimes referred to as the stock purchase agreement, with eight entities associated with Mr. Carlos Slim Helu, sometimes referred to as the selling group, to acquire approximately 43.4 million shares of MCI common stock from the selling group. Verizon entered into the stock purchase agreement after March 29, 2005, the date that MCI s board of directors received initial fairness opinions from its financial advisors regarding the consideration that all other MCI stockholders would receive under Verizon s March 28, 2005 merger proposal. Verizon entered into the stock purchase agreement because it represented the opportunity to purchase, in a single transaction, the largest block of MCI common stock owned by a single stockholder group and demonstrated Verizon s commitment to completing the transaction. Under MCI s stockholder rights agreement and applicable law, Verizon was able to enter into this agreement without MCI s consent and without triggering certain consequences under the stockholder rights agreement. On May 17, 2005, Verizon closed the transaction contemplated by the stock purchase agreement and acquired approximately 43.4 million shares of MCI common stock from the selling group for $25.72 per share in cash, plus an additional cash amount equal to three percent per annum from April 9, 2005 until May 13, 2005, for a total of $25.79 per share. Under the stock purchase agreement, Verizon will pay the selling group an additional cash amount per share of MCI common stock immediately prior to April 9, 2006, if, at that time, the price of Verizon s common stock exceeds $35.52 per share (measured over a 20-day period).

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The additional amount payable per share of MCI common stock will be calculated by multiplying (i) 0.7241 by (ii) the amount, if any, by which the price of Verizon s common stock exceeds $35.52 per share (measured over a 20-day period). If the closing of the merger occurs before April 9, 2006, the additional amount payable per share of MCI common stock is subject to a maximum of $19.54. After the closing of the stock purchase agreement, Verizon transferred the shares of MCI common stock it had purchased to a trust established pursuant to an agreement between Verizon and the DOJ, sometimes referred to as the DOJ Agreement, and a trust agreement between Verizon and Dick Thornburgh as trustee, sometimes referred to as the trust agreement.

Appraisal Rights (See page 110)

Under Delaware law, MCI stockholders will be entitled to appraisal rights with respect to the merger if they are required under the terms of the merger agreement to accept cash (other than cash in lieu of fractional shares) for their shares and if they perfect their appraisal rights. 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 DGCL.

MCI stockholders will need to take steps to obtain their appraisal rights prior to knowing whether a per share cash payment will be payable in connection with the merger.

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.**

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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. Interim Verizon historical information is derived from the unaudited condensed consolidated financial statements of Verizon as of and for the six months ended June 30, 2005 and for the six months ended June 30, 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. Interim MCI historical information is derived from the unaudited condensed consolidated financial statements of MCI as of and for the six months ended June 30, 2005 and for the six months ended June 30, 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 plan of reorganization. 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 and its unaudited condensed consolidated balance sheet as of June 30, 2005 included in its Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2005, which are 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 and Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2005, or MCI s Annual Report on Form 10-K and its updated consolidated financial statements filed on Form 8-K for the year ended December 31, 2004 and Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2005, all of which have 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 188 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

	Six months ended June 30,		Years ended December 31,				
	2005	2004	2004	2003	2002	2001	2000
	(unaudited)		(dollars in millions, except per share amounts)				
Results of Operations:							
Operating revenues	$ 36,748	$ 34,814	$ 71,283	$ 67,468	$ 67,056	$ 66,513	$ 64,093
Operating income	7,474	6,167	13,117	7,407	14,877	11,402	16,725
Income before discontinued operations, extraordinary items and cumulative effect of accounting change	3,870	2,965	7,261	3,460	4,591	545	10,844
Per share of common stock basic	1.40	1.07	2.62	1.26	1.68	.20	4.00
Per share of common stock diluted	1.38	1.06	2.59	1.25	1.67	.20	3.96
Net income	3,870	2,996	7,831	3,077	4,079	389	11,797
Net income available to common shareowners	3,870	2,996	7,831	3,077	4,079	389	11,787
Per share of common stock basic	1.40	1.08	2.83	1.12	1.49	.14	4.34
Per share of common stock diluted	1.38	1.07	2.79	1.12	1.49	.14	4.31
Cash dividends declared per share of common stock	.81	.77	1.54	1.54	1.54	1.54	1.54

	As of June 30, 2005	As of December 31,				
		2004	2003	2002	2001	2000
	(unaudited)	(dollars in millions)				
Financial Position:						
Total assets	$ 169,377	$ 165,958	$ 165,968	$ 167,468	$ 170,795	$ 164,735
Long-term debt	33,070	35,674	39,413	44,003	44,873	41,858
Employee benefit obligations	18,110	17,941	16,754	15,392	11,895	12,541
Minority interest	25,353	25,053	24,348	24,057	21,915	21,698
Shareowners investment	38,554	37,560	33,466	32,616	32,539	34,578

Significant events affecting historical earnings trends in 2002 through June 30, 2005 are described in Verizon s Annual Report on Form 10-K for the year ended December 31, 2004 and Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2005, which are 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 a Bell Atlantic Corporation subsidiary merged with 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 six months ended June 30,		As of or for the year ended December 31,				
	2005	2004	2004	2003	2002	2001	2000
	(unaudited)		(dollars in millions, except per share amount)				
Results of Operations[1]:							
Revenues	$ 9,472	$ 10,640	$ 20,690	$ 24,266	$ 28,493	$ 32,913	$ 34,417
Other operating expenses	9,296	10,873	20,368	23,606	27,818	31,544	36,530
Impairment charges			3,513		4,999	9,855	47,180
Operating income (loss)	176	(233)	(3,191)	660	(4,324)	(8,486)	(49,293)
(Loss) income from continuing operations	(24)	(456)	(4,028)	22,469[2]	(8,939)	(11,902)	(47,228)[5]
Net income (loss) from discontinued operations	86	(3)	26	(43)	(202)	(3,696)	(574)
Net (loss) income attributable to common shareholders	62	(459)	(4,002)	22,211	(9,192)	(15,616)	(47,802)[5]
Loss from continuing operations per common share:							
Basic	(.07)	(1.41)	(12.56)				
Diluted	(.07)	(1.41)	(12.56)				
Other Data:							
Cash dividends declared per common share	$ .40	$	$ .80	$	$	$ 1.80	$
End of period stock price per share[3]	25.71	14.43	20.16	23.55	N/A	N/A	N/A

	Successor Company		Predecessor Company			
	As of June 30,	As of December 31,				
	2005	2004	2003[4]	2002	2001	2000
	(unaudited)	(dollars in millions)				
Financial Position:						
Cash and cash equivalents	$ 4,089	$ 4,449	$ 6,178	$ 2,820	$ 1,290	$ 382
Marketable securities	1,244	1,055	15	40	18	2
Property, plant and equipment, net	6,119	6,259	11,538	14,190	21,486	24,477
Total assets	16,337	17,060	27,470	26,762	33,706	44,188
Long-term debt, excluding current portion	5,893	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)	4,207	4,230	8,472	(22,295)	(12,941)	1,792

(1) Reflects the reclassification of Embratel, Proceda and OzEmail to discontinued operations in 2001, 2002 and 2003. In 2000, the results of Embratel and Proceda were reclassified to discontinued operations, however, the results of OzEmail were not reclassified as MCI determined that it was impracticable to do so.

(2) Income from continuing operations for 2003 includes a $22.3 billion reorganization gain due to the effects of MCI s plan of reorganization 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.

(3) Includes only the period end price for new MCI common stock issued on the emergence date based on NASDAQ as of December 31, 2004 and June 30, 2005 and on a when issued basis as of December 31, 2003 and June 30, 2004.

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

(5) In 2004, MCI estimated the effects of amending its federal income tax returns for 1999 through 2003 to reflect the impact of the restatement of its previously issued consolidated financial statements. In connection with this work, an adjustment of $1.1 billion was identified that increased income tax expense and income tax benefit for the years ended December 31, 1999 and December 31 2000, respectively. The additional tax benefit for the year ended December 31, 2000 has been reflected in the table above. Shareholders equity at December 31, 2000 was not impacted.

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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 merger agreement provides that when the merger closes, MCI s stockholders will receive consideration that will be worth $20.40 per MCI share if there are no upward or downward adjustments. The merger consideration may be increased by up to $5.60 per share to the extent MCI does not pay MCI stockholders a special cash dividend of $5.60 per share prior to the closing of the merger. However, the merger consideration may be decreased since it is subject to a potential downward purchase price adjustment based upon the amount of certain specified liabilities of MCI. These liabilities include MCI bankruptcy claims, including tax claims, as well as certain international tax liabilities. For a description of these bankruptcy claims and international tax liabilities, see The Merger Potential Downward Purchase Price Adjustment on page 95.

Verizon has not prepared its own estimate of the specified liabilities because it is not required to do so under the merger agreement. When either Verizon or MCI notifies the other party that it reasonably believes that closing of the merger will occur within 120 days, MCI is required to provide Verizon with a schedule describing all remaining specified liabilities and the status of those specified liabilities. The merger agreement provides that Verizon and MCI will use their best efforts to agree on an estimate of the amount of cash that will be required to satisfy in full all of the remaining specified liabilities following the closing of the merger. At that time, Verizon and MCI will review the then current information regarding the facts and circumstances relating to each unsettled claim expected to be outstanding at the closing of the merger. Verizon and MCI will need to reach agreement as to (i) whether there are classes of liabilities not clearly included or excluded from the definitions in the merger agreement, (ii) the extent to which any potentially offsetting claims or correlative adjustments should be taken into account, (iii) the extent to which any potential unasserted claims should be taken into account, (iv) the extent, if any, to which net operating loss carrybacks and accelerated research and development deductions reduce estimated liabilities for taxes for the purpose of the purchase price adjustment, (v) the best estimate of the likely amount required to settle each claim taken into account, (vi) the appropriate method for pro-ration of taxes in 2004 between pre- and post-emergence periods and (vii) the allocation of payments in settlements among claims and contingencies that are not claims. All of these issues are likely to be highly fact intensive. Verizon has not reviewed or concurred with the interpretation or methodology MCI used in preparing its range.

In order for Verizon to prepare an estimate of the amount of cash required to satisfy in full all remaining specified liabilities, it will need to perform detailed analyses of numerous complex bankruptcy claims and domestic and international tax matters. Verizon is not required to engage in this process until before the closing of the merger. During the process of negotiating or seeking arbitration of the purchase price adjustment, Verizon may disagree with MCI s determination or interpretation of factual issues, its estimates of likely future events or amounts due, its resolution of interpretive issues, including those described above, and the process used by MCI in preparing the estimates included in this proxy statement and prospectus. As a result of the numerous judgments and assumptions used to estimate any downward purchase price adjustment, the resulting estimate is subject to considerable variability. Verizon has not prepared an estimate of these adjustments but has prepared two separate unaudited condensed consolidated pro forma financial information presentations presenting the minimum purchase price adjustment of zero and the maximum purchase price adjustment of $20.40 per MCI share, assuming that MCI has paid the full amount of the special cash dividend prior to the closing of the merger. The first presentation does not reflect any potential downward purchase price adjustment and assumes merger consideration of $20.40 per MCI share. However, because under the terms of the merger agreement, the full amount of the merger consideration may be at risk due to the potential downward purchase price adjustment, Verizon s second presentation reflects a downward adjustment to the purchase price equal to the assumed full merger consideration of $20.40 per MCI share. However, in order for an MCI stockholder to receive no merger consideration, other than the special cash dividend, the sum of the previously-paid specified and the remaining specified liabilities would have to exceed approximately $8.5 billion, as compared to MCI s current estimate of between $1.615 billion and $1.845 billion.

In addition, the footnotes to the pro forma financial information presentation that reflects no downward purchase price adjustment also include summarized impacts on the pro forma financial information of MCI s current estimate of the range of a potential downward purchase price adjustment. MCI has estimated that the sum of the amount of previously-paid specified liabilities and remaining specified liabilities could range between an amount that would not result in any downward adjustment to the purchase price and an amount that would result in a downward adjustment to the purchase price of $0.21 per MCI share. A separate presentation of pro forma financial information was not prepared for the maximum adjustment of $0.21 per MCI share in MCI s estimated range of downward purchase price adjustments because MCI s range and that maximum are only estimates and have not been verified by Verizon, and because the final determination of any downward purchase price adjustment is subject to many uncertainties. However, this additional information has been provided to give MCI stockholders an indication of MCI s current estimate of the range of a potential downward purchase price adjustment. MCI has also indicated that the actual downward purchase price adjustment could be materially greater than the top of the estimated range. If, for example, the actual amount of specified liabilities were determined to be 10% or 20% greater than the maximum adjustment of MCI s current estimated range, the downward purchase price adjustment would be approximately $0.77 or $1.33 per MCI share respectively. Consequently, sensitivity analyses have been provided to illustrate the potential effect on Verizon s pro forma financial position and results of operations as of June 30, 2005, and for the six months then ended, if there were downward purchase price adjustments of either $0.77 or $1.33 per MCI share. See page 155 for a discussion of the factors that may cause the actual downward purchase price adjustment to exceed MCI s estimated range and page 147 for additional discussion of MCI s estimated downward purchase price adjustment range and the sensitivity analyses.

The following selected unaudited condensed consolidated pro forma statement of income data for the six months ended June 30, 2005 and the twelve months ended December 31, 2004 are extracted from the historical financial statements of Verizon and MCI included in their respective Quarterly Reports on Form 10-Q for the quarter ended June 30, 2005 and 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 Quarterly Reports on Form 10-Q for the quarterly period ended June 30, 2005, which are incorporated by reference into this proxy statement and prospectus, and consolidated giving effect to the merger as if it had occurred on June 30, 2005.

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.

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No Downward Purchase Price Adjustment Presentation

Selected Unaudited Condensed Consolidated Pro Forma Financial Information

	Six months ended June 30, 2005	Year ended December 31, 2004
Results of Operations:		
Operating revenues	$ 45,192	$ 89,709
Operating income	7,445	9,572
Income before discontinued operations	3,711	2,996
Per share of common stock basic	1.27	1.02
Per share of common stock diluted	1.25	1.02

	As of June 30, 2005
Financial Position:	
Total assets	$ 187,579
Long-term debt	33,298
Minority interest	25,353
Shareowners investment	44,393

Downward Purchase Price Adjustment No Merger Consideration Presentation

Selected Unaudited Condensed Consolidated Pro Forma Financial Information

	Six months ended June 30, 2005	Year ended December 31, 2004
Results of Operations:		
Operating revenues	$ 45,192	$ 89,709
Operating income	7,401	2,758
Income (loss) before discontinued operations	3,685	(3,783)
Per share of common stock basic	1.33	(1.37)
Per share of common stock diluted	1.32	(1.37)

	As of June 30, 2005
Financial Position:	
Total assets	$ 188,644
Long-term debt	33,298
Minority interest	25,353
Shareowners investment	38,554

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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 0.5743 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 June 30, 2005 for balance sheet purposes and that the special cash dividend of $5.60 per MCI share was paid prior to the closing of the merger. 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 pro forma consolidated per share information are derived from, and should be read in conjunction with, the corresponding presentations of the Unaudited Condensed Consolidated Pro Forma Financial Statements and related notes included on page 138 of this proxy statement and prospectus. The historical per share information is derived from the financial statements of both Verizon and MCI as of and for the six months ended June 30, 2005 and 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 for the presentation that reflects no downward purchase price adjustment are calculated by multiplying the unaudited Verizon pro forma consolidated per share amounts by an assumed exchange ratio of 0.5743. There is no corresponding calculation for the presentation that reflects a downward purchase price adjustment of the assumed full merger consideration of $20.40 because MCI stockholders would receive no consideration for their shares and no Verizon shares would be issued to MCI stockholders.

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, to project Verizon s results of operations that may be achieved following the merger or to predict the final amount of the specified liabilities.

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	Six months ended June 30, 2005	Year ended December 31, 2004
Verizon Historical:		
Income before discontinued operations		
Basic	$ 1.40	$ 2.62
Diluted	1.38	2.59
Dividends per share	.81	1.54
Book value per share	13.94	13.56
MCI Historical:		
Loss before discontinued operations		
Basic	$ (.07)	$ (12.56)
Diluted	(.07)	(12.56)
Dividends per share	.40	.80
Book value per share	12.93	13.24
Verizon Unaudited Pro Forma Consolidated Per Share Information, No Downward Adjustment Presentation:		
Income before discontinued operations		
Basic	$ 1.27	$ 1.02
Diluted	1.25	1.02
Dividends per share	.81	1.54
Book value per share	15.16	N/A
MCI Unaudited Pro Forma Equivalents, No Downward Adjustment Presentation:		
Income before discontinued operations		
Basic	$ .73	$ .59
Diluted	.72	.59
Dividends per share	.47	.88
Book value per share	8.71	N/A
Verizon Unaudited Pro Forma Consolidated Per Share Information, Downward Adjustment No Merger Consideration Presentation:		
Income (loss) before discontinued operations		
Basic	$ 1.33	$ (1.37)
Diluted	1.32	(1.37)
Dividends per share	.81	1.54
Book value per share	13.94	N/A

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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.

On June 8, 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 s 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 plan of reorganization, 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
Quarter ended June 30	36.25	33.71					27.74	24.80

(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.

(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.

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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 April 29, 2005, the last full trading day prior to the announcement of the most recent amendment of the merger agreement; and on August 30, 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 0.5743, 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 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) 0.5743 and (b) the quotient obtained by dividing $20.40 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	$ 20.97	$ 26.57
February 2, 2005	$ 35.88	$ 19.68	$ 20.61	$ 26.21
February 11, 2005	$ 36.31	$ 20.75	$ 20.85	$ 26.45
April 29, 2005	$ 35.80	$ 26.53	$ 20.56	$ 26.16
August 30, 2005	$ 32.35	$ 25.62	$ 20.40	$ 26.00

(1) Where Verizon s common stock price is below $35.52 per share, the MCI common stock per share equivalent and MCI common stock per share equivalent after giving effect to the special cash dividend will be $20.40 per share and $26.00 per share, respectively, since the exchange ratio cannot be less than 0.5743 (assuming that there has been no downward purchase price adjustment).

Dividend Information

From 1997 until February 1, 2005, 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 paid a $0.40 per share quarterly dividend from September 15, 2004 until March 15, 2005 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). The merger agreement provides that MCI will not pay any dividends after the date on which the special cash dividend is paid.

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 36, 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 the business of MCI. These risks can be found in Item 1 Business Risk Factors of MCI s Annual Report on Form 10-K for the year ended December 31, 2004, which has 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 188. 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 a potential downward purchase price adjustment for certain MCI bankruptcy claims, including tax claims, as well as certain international tax liabilities. Substantial uncertainty exists regarding the amount of these bankruptcy claims and tax liabilities. These liabilities cannot be determined at the time when MCI s stockholders vote on the merger and under the purchase price adjustment mechanism, the full amount of the merger consideration is at risk.

The aggregate consideration that MCI stockholders will receive in connection with the merger will be reduced if MCI s amount of estimated remaining liabilities at closing for certain MCI bankruptcy claims, including tax claims, as well as 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, exceeds $1,775 million in the aggregate. For a description of these bankruptcy claims and international tax liabilities, see The Merger Potential Downward Purchase Price Adjustment on page 95. Under the purchase price adjustment mechanism, the full amount of the merger consideration is at risk. 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, Verizon and MCI will each submit its estimate of the remaining disputed liabilities relating to bankruptcy claims, other than those relating to taxes, 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. The final determination of the estimated amount of the remaining unpaid liabilities may delay the closing of the merger. Any delay in the closing will result in MCI stockholders receiving the merger consideration later than they otherwise would have. In addition, a delay will change the measurement period over which the average trading price of Verizon s common stock is measured for purposes of determining the merger consideration. See The Merger Agreement Merger Consideration and Conversion of MCI Common Stock on page 120. Also, the closing will remain subject to the satisfaction or waiver of closing conditions as of the delayed closing date.

If the aggregate specified liabilities amount is $1,775 million or less, no adjustment will be made to the merger consideration. If the aggregate specified liabilities amount is greater than $1,775 million, then any 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 million. If the resulting downward adjustment exceeds any per share cash amount payable at the time of closing (see The Merger Agreement Merger Consideration and Conversion of MCI Common Stock on page 120 for a description of the circumstances under which there may be a per share cash amount

payable at the time of closing), the cash payment will be eliminated and the exchange ratio will be adjusted downward. If there is no per share cash amount payable in connection with the merger, any downward adjustment will occur through an adjustment of the exchange ratio. If there is a downward adjustment to the exchange ratio, MCI s stockholders may lose the potential upside (if the price for Verizon s common stock exceeds $35.52 at the time of the closing) in the stock portion of the consideration that is eliminated.

MCI currently estimates that the sum of the previously-paid specified liabilities and remaining specified liabilities could range between an amount that would not result in any adjustment to the purchase price and an amount that would result in an adjustment to the purchase price of $0.21 per MCI share. MCI prepared its estimate in order to provide MCI stockholders with an indication of its current view as to whether there will be a downward purchase price adjustment and the potential magnitude of any adjustment. Verizon did not participate in the preparation of this estimate. Verizon does not currently have the information necessary to prepare and has not prepared an estimate of the final amount of the specified liabilities. Verizon is only required to prepare before the closing of the merger an estimate of the amount of cash in US dollars that will be required to satisfy in full all of the remaining specified liabilities. In order for Verizon to prepare an estimate, it will need to perform detailed analyses and evaluation of the facts and circumstances related to numerous complex bankruptcy claims and domestic and international tax matters. This process is likely to be highly fact-intensive. Verizon has not reviewed or concurred with the interpretation or methodology MCI used in preparing its estimated range. Verizon and MCI have agreed in the merger agreement, that at the time either Verizon or MCI reasonably believes that 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 in full all remaining specified liabilities following the closing of the merger. MCI will deliver to Verizon a schedule listing and describing the status of all remaining specified liabilities, and MCI will give Verizon access to relevant information about the remaining specified liabilities. From the delivery of the written notice until the closing of the merger, Verizon and MCI will use their best efforts to agree on the amount of remaining specified liabilities. If MCI and Verizon are unable to agree, they will then submit their respective estimates to arbitrators. For more information on the procedure for determining the purchase price adjustment, MCI s estimate of the potential downward purchase price adjustment and the factors that MCI believes may cause the actual purchase price adjustment to exceed the top of MCI s estimate, see The Merger Potential Downward Purchase Price Adjustment on page 95.

The estimated range of the potential downward purchase price adjustment is made by MCI based on a variety of assumptions, for example, as to exchange rates (as described in the second bullet point below) and as to the timing of settlements for purposes of determining the amount of interest included in the specified liabilities amount (as described in the third bullet point below). While MCI has made diligent efforts to estimate the range described above, it is possible that MCI s assumptions could prove incorrect or be disputed in whole or in part by Verizon, or that circumstances could change or intervening events could affect the amount of specified liabilities, including factors outside MCI s control.

The following is a list of material factors that MCI believes could cause the adjustment for specified liabilities actually paid prior to the closing of the merger, as well as the estimate of all remaining specified liabilities to be satisfied subsequent to the closing of the merger, to be greater than the range set forth above. This list may not include all of the factors that could cause the amount to be above the top of MCI s estimated range described above.

- MCI s evaluation of a matter that is included in the specified liabilities could change over time, based on facts that develop or are discovered or due to litigation developments. In addition, MCI could settle a matter for an amount different than MCI had anticipated. For example, MCI has in the past settled certain matters for amounts that were lower or higher than originally anticipated. In addition, new matters could arise that would constitute specified liabilities which had not previously been asserted or known.

- The specified liabilities relating to international tax claims are denominated in currencies other than the U.S. dollar, principally the euro. The range that MCI has presented is based on exchange rates as of

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June 30, 2005. The estimate of the specified liabilities will fluctuate based upon changes in the relative strength of the U.S. dollar.

Some of the specified liabilities relate to tax claims that will accrue interest until they are settled. In its calculation of the range described above, MCI assumes that these matters will not be settled prior to closing of the merger and that interest will accrue through the anticipated closing of the merger. If any of these matters are settled prior to the closing of the merger or the closing of the merger occurs earlier than expected, the interest amount will be reduced; conversely, if the closing of the merger occurs at a later time, then the amount of interest would increase. In addition, the range described above does not reflect an accrual of interest after the closing of the merger. The merger agreement provides in Section 1.10 that the purchase price adjustment is to reflect cash in U.S. dollars that will actually be required, from and after the Closing Date, to satisfy in full all remaining Specified Included Liabilities. If a claim will not be settled until a period of time after the closing of the merger, MCI believes that the merger agreement contemplates a determination of the amount of cash that would be required, at the closing of the merger, to settle the claim at the likely future date. This amount would be an amount that, when invested appropriately at the closing of the merger, would generate interest sufficient to produce an aggregate amount sufficient to pay the claim. The hypothetical interest rate on this investment is the discount rate in MCI s calculations. MCI has assumed that the applicable discount rate would not be materially different from the interest that accrues on each claim. If the discount rate were different from the interest that is charged on these claims by the relevant governmental agencies, the estimate would change. Other than as described in this paragraph, MCI has not discounted the claims.

The specified liabilities amount to be used in determining the purchase price adjustment will be based on the actual amount of cash paid to satisfy the specified liabilities from January 1, 2005 through the closing of the merger plus a best estimate of the amount of cash that will be required to satisfy these claims from and after the closing of the merger, determined in accordance with the procedures in the merger agreement. MCI s estimated range described above was prepared based principally on MCI s interpretation of the merger agreement, in particular the definition of specified liabilities, governing law (in particular bankruptcy laws, because the definition of specified liabilities includes bankruptcy claims), MCI s experience with similar claims and contingencies and its best estimate of how a reasonable arbitrator would make a decision. It is possible that Verizon or an arbitrator could take a different view of various interpretive questions, of the amounts likely to be due in respect of various liabilities, or of the precise group of liabilities that should be included in the calculation, resulting in a higher amount of specified liabilities and a greater, and perhaps materially greater, downward purchase price adjustment.

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. MCI does not intend to publicly update its estimate of the purchase price adjustment. Prior to the closing of the merger, Verizon and MCI will review the then current information regarding the facts and circumstances relating to each unsettled claim expected to be outstanding at the closing of the merger. Verizon and MCI will need to reach agreement as to (i) whether there are classes of liabilities not clearly included or excluded from the definitions in the merger agreement, (ii) the extent to which any potentially offsetting claims or correlative adjustments should be taken into account, (iii) the extent to which any potential unasserted claims should be taken into account, (iv) the extent, if any, to which net operating loss carrybacks and accelerated research and development deductions reduce estimated liabilities for taxes for purposes of the purchase price adjustment, (v) the best estimate of the likely amount required to settle each claim taken into account, (vi) the appropriate method for pro-ration of taxes in 2004 between pre- and post-emergence periods and (vii) the allocation of payments in settlements among claims and contingencies that are not claims. All of these issues are likely to be highly fact-intensive. Verizon has not reviewed or concurred with the interpretation or methodology MCI used in preparing its estimated range. During the process of negotiating or seeking arbitration of the purchase price adjustment, Verizon may disagree with MCI s determination or interpretation of factual issues, its estimates of likely future events or amounts due, its resolution of interpretive

issues, including those described above, and the process used by MCI in preparing the estimates included in this proxy statement and prospectus.

For the foregoing reasons, the actual downward purchase price adjustment could be materially greater than the top of MCI s estimated range. If, for example, for any of the foregoing reasons, the actual amount of specified liabilities were determined to be 10% or 20% greater than the top of MCI s current estimated range, the downward purchase price adjustment would be approximately $0.77 or $1.33 per MCI share respectively. Ultimately, the occurrence of a downward purchase price adjustment, if any, will be determined by mutual agreement between MCI and Verizon or, if the parties are unable to agree, through arbitration.

As of December 31, 2004 and June 30, 2005, MCI s disclosure controls were ineffective as a result of a material weakness in internal control over accounting for income tax relating to a lack of personnel with adequate expertise in income tax accounting matters, a lack of documentation, insufficient historical analysis and ineffective reconciliation procedures. MCI has conducted, and will continue to conduct, significant remediation activity including: (i) the hiring, in March 2005, of a new Vice President of Tax, (ii) the reorganization of the MCI tax department which began in March 2005 and is continuing, (iii) increased use of third party tax service providers for the more complex areas of MCI s income tax accounting during 2004, which usage has continued during the first and second quarters of 2005 and will continue for the duration of 2005 and (iv) increased formality and rigor of controls and procedures over accounting for income taxes by updating process documentation to include more procedures and levels of review. MCI does not believe that this material weakness had an impact on its ability to estimate the remaining specified liabilities. With the remediation actions described above, MCI believes that it is capable of evaluating and assessing tax claims and tax contingencies for purposes of determining the tax components of the remaining specified liabilities.

As a result of the purchase price adjustment mechanism, if a significant increase is required to be made to the amount currently estimated by MCI for specified liabilities, the full amount of the merger consideration is at risk. See The Merger Potential Downward Purchase Price Adjustment beginning on page 95.

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, because receipt of these consents and approvals is a condition of each party s obligation to effect the merger; 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 original structure takes 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, if any, 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 original structure will qualify as a reorganization and must meet certain other requirements. If either company fails to receive such 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 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). See Material United States Federal Income Tax Considerations beginning on page 114. By voting in favor of the merger, you are authorizing Verizon and MCI to complete the merger using either the original structure (a reorganization for tax purposes) or the alternative merger (which would be fully taxable to MCI stockholders), and, consequently, you accept the risk that the transaction may be fully taxable.

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. For example, Verizon has an extensive facilities-based local wireline business as well as a large wireless business, while MCI does not, but does have more extensive operations in the U.S. enterprise sector and international enterprise sector. Moreover, MCI maintains a more substantial long-haul network infrastructure. These different product lines have experienced different trends in recent years. 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.

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 of the Merger Agreement beginning on page 134 and The Merger Agreement Termination Fee on page 135. 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 following a change in the recommendation of MCI s board of directors, see The Merger Agreement Changes in MCI s Recommendation beginning on page 129.

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 in the Chancery Court in the State of Delaware on behalf of himself and MCI stockholders against MCI and each of the individual members of MCI s board of directors. Subsequently, plaintiff filed an amended complaint to include additional allegations and add 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

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rather than accepting the merger proposal proposed by Qwest. Plaintiff also alleges that Verizon aided and abetted and benefited from these breaches. As a remedy, plaintiff requests, among other things, 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 or about February 18, 2005 against MCI and MCI s board of directors in the Chancery Court in the State of Delaware. Subsequent to February 18, 2005, in one of these three actions, plaintiff has amended his complaint on two occasions to include additional allegations. These additional allegations relate to subsequent bids by Verizon and Qwest for MCI, the responses of MCI s board to those bids, Verizon s purchase of MCI shares from the entities affiliated with Mr. Slim, as well as media coverage of these events, including evaluations by the financial press of the various Verizon and Qwest bids for MCI. Specifically, the amended complaints include allegations that: (i) MCI s board of directors did not negotiate in good faith with Qwest, ignored certain MCI stockholders who indicated that they preferred Qwest s offer, and arbitrarily assumed that, in the future, Qwest s shares will likely decrease in value; (ii) several Qwest bids were rejected by MCI s board of directors for improper reasons; (iii) Verizon paid Mr. Slim $2.62 per share more than the Verizon offer for other MCI shares, demonstrating that Verizon s bid undervalued MCI; and (iv) Verizon s offer is insufficient.

Although Verizon and MCI will each 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, enjoining or prohibiting the closing of the merger or requiring payment of damages.

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 the remaining material weakness in MCI s internal controls will not affect its financial statement accuracy.

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 one remaining material weakness in internal control over accounting for income tax. The material weakness relates to a lack of personnel with adequate expertise in income tax accounting matters, a lack of documentation, insufficient historical analysis and ineffective reconciliation procedures. As a result of the material weakness described above, MCI s chief executive officer and chief financial officer concluded that, as of December 31, 2004 and as of March 31, 2005, MCI s disclosure controls were ineffective. MCI has indicated that it is seeking to remediate the material weakness in internal controls over accounting for income tax, although there can be no assurance that MCI will be successful in implementing and maintaining adequate controls and procedures in this area. Once the merger closes and MCI is consolidated by Verizon, Verizon s next annual assessment of its disclosure controls and procedures would include MCI, unless Verizon s management determines that it is unable to conduct an assessment of MCI s internal controls over financial reporting during the period between the closing and the date that Verizon management performs its assessment of Verizon s internal controls over financial reporting. Under those circumstances, Verizon would note in its disclosures on the assessment of internal controls that it has excluded MCI from Verizon s report on

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internal controls over financial reporting. If Verizon ultimately determines that the material weakness pertaining to MCI s accounting for income tax continues to be a material weakness affecting Verizon and discloses the material weakness in its annual and quarterly financial reports, Verizon s financial reputation may be harmed and the market value of Verizon s common stock following the merger may be affected.

The merger may not occur which could adversely affect MCI s business operations because of the competitive pressures and risks in the telecommunications industry, as well as the challenges of achieving profitability after its recent history of declining revenue.

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. 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 mergers in the communications industry announced in late 2004 and early 2005 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 28.

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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, March 29, 2005 and May 1, 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

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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 Court of Appeals 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 Court of Appeals 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 of the United States 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. On April 20, 2004, MCI engaged Lazard as a financial advisor.

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. On June 24, 2004, MCI engaged JPMorgan as a financial advisor. During this time, representatives of JPMorgan and Lazard and

Davis Polk & Wardwell, sometimes referred to as Davis Polk,

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MCI s legal advisor, advised MCI s 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 6, 2004, that RBOC submitted a term sheet that it described as its best and final offer. The offer provided for a price of $17.50 per share of MCI common stock, with the consideration consisting of an equal mix of cash and that RBOC s common stock at a fixed exchange ratio. The RBOC proposed a pricing formula that included a purchase price adjustment based on MCI s EBITDA levels and bankruptcy claims. For purposes of this purchase price adjustment, EBITDA was defined as the sum of consolidated operating income, depreciation and amortization, and severance costs, less reverses in reserves and expense accruals, all calculated in accordance with GAAP. The adjustments for EBITDA provided that (i) to the extent that MCI s EBITDA for the last 12 months preceding closing exceeded $2.0 billion, the purchase price would be adjusted upward ratably to a maximum of $20.00 per share if EBITDA was $2.4 billion or greater and (ii) to the extent MCI s EBITDA for the 12 months preceding closing was below $1.6 billion, the purchase price would be adjusted downward, with no limitation, ratably to a minimum of $12.00 per share if EBITDA was $1.0 billion or less. That RBOC would have the option to terminate the merger agreement if MCI s annual run-rate EBITDA (defined as the cumulative EBITDA for the preceding twelve full calendar months) fell below $1.0 billion. The purchase price would also be reduced by the amount by which the sum of (i) bankruptcy liabilities that have been paid out prior to closing or the value of which have been determined according to MCI s plan of reorganization and (ii) unresolved bankruptcy liabilities at closing, exceeded $1.8 billion, with the amount of the unresolved bankruptcy liabilities to be determined based on the face value (the stated or maximum possible amount) of the unresolved bankruptcy claims at closing. There was no cap on the potential amount of the purchase price adjustment with respect to the bankruptcy liabilities. Therefore, the full amount of the purchase price would have been at risk. The purchase price adjustment mechanism in that RBOC s proposal differed from that which was ultimately agreed to in the Verizon merger agreement, in the following respects: (i) under the Verizon merger agreement, the purchase price adjustment mechanism is based only on certain bankruptcy claims and international tax liabilities, whereas under that RBOC s proposal, it was also based on MCI s EBITDA; (ii) under the Verizon merger agreement, the purchase price adjustment mechanism is triggered when the specified liabilities amount exceeds $1,775 million, whereas under that RBOC s proposal, the trigger with respect to bankruptcy claims was $1.8 billion; and (iii) under the Verizon merger agreement, the purchase price adjustment mechanism values unresolved claims at the time of closing based on a best estimate of the amount of cash that will actually be required from closing to satisfy those unresolved liabilities, whereas under that RBOC s proposal, the unresolved claims are valued based on their face value, as described above.

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. After discussing, among other things, (i) the consideration offered by that RBOC, (ii) the proposed EBITDA-based purchase price adjustment, and (iii) the risks surrounding the certainty of closing with the RBOC, and (iv) the bankruptcy claims adjustment mechanism under which MCI s unresolved bankruptcy claims would be determined based on their face value, MCI s board of directors directed senior management to inform that RBOC that MCI was rejecting its offer. 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.

As part of MCI s evaluation of its excess cash (see The Merger Senior Notes on page 108 for a description of excess cash) and the potential uses for that cash, one of these parties made a preliminary proposal to recapitalize MCI using MCI s own funds to repurchase some of MCI s stock at a price of approximately $17.00 per share of MCI common stock. MCI s board of directors determined that, in light of the amount of MCI s excess cash and the potential uses for that cash, it was not in the best interests of MCI s stockholders to pursue this preliminary proposal at that time. In evaluating the amount of MCI s excess cash, MCI s board of directors also considered (i) the risk to MCI s business plan from increasingly competitive market conditions and MCI s possible exit from the consumer market, (ii) the maturity dates of MCI s outstanding 2007 and 2009 Senior Notes, the potential refinancing risk associated with these Senior Notes, and the need to preserve a certain level of cash until at least the time at which those maturity dates had passed or these Senior Notes had been refinanced, (iii) the impact on MCI s credit rating of the determination of the amount of excess cash, (iv) anticipated capital expenditure requirements, (v) potential cash requirements to satisfy contingent liabilities including bankruptcy and tax liabilities, (vi) the fact that, other than the payment of distributions out of excess cash and an additional $100 million amount, MCI was unlikely to have the contractual right for the forseeable future to make any other payments under the restricted payments covenants of indentures for MCI s 2007, 2009 and 2014 Senior Notes, (vii) MCI s capital structure as compared to that of other industry competitors, and (viii) the availability of alternate financing sources. Additionally, in evaluating the potential uses of this cash, MCI s board of directors considered a potential share repurchase (either through a self-tender or open-market repurchases), the distribution of a one-time special dividend or regular quarterly dividend. MCI s board of directors ultimately resolved to declare an initial quarterly dividend and retain the remaining excess cash for possible future cash dividends, stock repurchases, debt repurchases or general corporate purposes.

Another of these parties indicated that it may be willing to pay as much as $20.00 per share of MCI common stock, subject to the completion of due diligence and obtaining satisfactory financing arrangements. MCI s board of directors considered (i) the fact that this party would need to raise capital in order to consummate this transaction since it did not possess adequate cash reserves or committed financing, (ii) the possibility that the $20.00 per share price was actually an amount intended to enhance the prospects of that party gaining access to MCI s due diligence materials, and that this party s subsequent proposals may actually be priced below that amount and (iii) the possibility that this party s proposal was motivated by a desire to impede MCI s ability to enter into a strategic transaction with another telecommunications company with whom this party had a preexisting business relationship. MCI s board of directors determined that its concerns about pursuing that proposal outweighed any potential benefits and that, in light of the other strategic alternatives being explored by MCI at that time, including the alternative of remaining a stand-alone company, it was not in the best interests of MCI s stockholders to pursue this preliminary proposal at that time. Discussions with the other parties were preliminary and never progressed to the point of a specific proposal.

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 Verizon and MCI. 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. On the same day, 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 Verizon.

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

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enterprise businesses. MCI s board of directors considered the fact that this transaction would result in MCI having a partial ownership stake in a joint venture between Verizon and MCI to which MCI would contribute its core strategic enterprise business while retaining its less competitive consumer business. After discussion, MCI s board of directors determined that the risks and rewards of that type of transaction for MCI s stockholders would be unlikely to compare favorably to remaining a stand-alone company and that, combined with the other strategic alternatives MCI s board of directors wished to pursue, it was not in the best interests of MCI s stockholders to pursue a joint venture at that time. Therefore, 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 regarding a stock-for-stock business combination, following a cash payment that would be made to MCI stockholders from the remainder of MCI s excess cash. MCI s board of directors, in evaluating the value and certainty of Qwest s proposal, considered, (i) the changing competitive nature of the industry, (ii) the increasing need for scale and comprehensive wireless capabilities, (iii) access economics (including the extent to which the proposed combination would reduce costs or result in other efficiencies associated with originating and terminating telecommunications traffic or both), (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 financial condition and capital structure, (vi) the ongoing ability of the combined company to sustain network service quality and invest in new capabilities and (vii) the difficulty of ensuring ongoing customer confidence among MCI s large enterprise customers. In light of the ongoing discussions with Verizon regarding a possible merger, the other strategic alternatives being explored by MCI at that time (including the possibility of discussions with other potentially interested parties and its stand-alone business plan), and the risks to achieving superior values under the Qwest transaction, MCI s board of directors determined that the proposed transaction with Qwest was not in the best interests of MCI s stockholders at that time. Therefore, MCI s board of directors directed management to advise Qwest that MCI was not interested in the proposed business combination. 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. Inc., 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 and legal 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, or to the point of a specific proposal. In light of the developments described below, including the fact that a transaction with a strategic acquiror such as Verizon which would create operational savings that would most likely benefit MCI s stockholders beyond what any private equity fund would be willing to pay, MCI s board of directors concluded that it was not in the best interests of MCI s stockholders to further pursue discussions with these private equity funds.

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.

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 prevailing 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 prevailing 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 prevailing 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 specific 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.

Between January 31, 2005 and February 11, 2005, Verizon and MCI, together with their respective financial and legal advisors, had additional meetings and discussions to obtain additional information and update the due diligence that had been conducted in late 2004. Greenhill held numerous meetings and telephonic discussions with Bear Stearns 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 transactions involving AT&T and Sprint, two of MCI s principal competitors, 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, in light of the recently announced transaction between SBC and AT&T, 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 stand-alone company, 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. Greenhill and Bear Stearns continued discussions regarding the overall terms of a Verizon proposal.

On February 7, 2005, in a meeting between Greenhill and Bear Stearns, 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 plan of reorganization 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 financial and legal 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, JPMorgan 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, and the alternative of continuing operations as a stand-alone company, 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 determined that, as compared to the transaction proposed with Qwest, the alternative of remaining a stand-alone company or continuing to explore other alternatives, pursuing the proposed transaction with Verizon was in the best interests of MCI stockholders at the time, and 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, which was paid on March 15, 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 advisors, 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, operations, financial prospects and financial condition. 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, operations, financial prospects and financial condition. 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 February 11, 2005 proposal in writing to MCI s board of directors. Qwest s representatives informed JPMorgan 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 their 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 tax claims, as well as certain international tax liabilities (for a description of these bankruptcy claims and international tax liabilities, see The Merger Agreement Potential Downward Purchase Price Adjustment for Specified Liabilities on p. 99). 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. 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, JPMorgan and Lazard reviewed with MCI s board of directors certain financial aspects of 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, JPMorgan 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 merger consideration and special dividend to be issued and paid to MCI s stockholders in connection with the Verizon merger was 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.

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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. The non-financial terms of Qwest s revised proposal, including representations, warranties, covenants, closing conditions and termination rights, were substantially comparable with the terms and conditions of the merger agreement between MCI and Verizon, although with some differences. The principal differences were as follows: (i) Qwest agreed to take certain actions in connection with obtaining regulatory approvals or to remove impediments to the proposed transaction relating to or arising from regulatory laws other than those that would have a material adverse effect on the combined company, while under the Verizon merger agreement, neither Verizon nor MCI were required to take actions in connection with obtaining regulatory approvals or to remove impediments to the proposed transaction relating to or arising from regulatory laws if such actions or removals would have a material adverse effect on Verizon or MCI, with Verizon deemed to be an entity the size and scale of MCI for these purposes, (ii) Qwest agreed not to take actions that would be reasonably likely to materially delay closing, and (iii) the proposed transaction with Qwest would require not only approval of MCI s stockholders, but also approval of Qwest s stockholders. 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. The closing market price of MCI shares of common stock on February 27, 2005 was $22.60.

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, elimination of the purchase price adjustment which had been adopted from the Verizon merger agreement and, in light of the expected size of pro forma ownership by MCI s stockholders in the combined company, the scope of Qwest s representations and warranties and the covenants relating to the conduct of Qwest s business. 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 financial terms of Qwest s revised proposal were 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 non-financial terms of Qwest s revised proposal remained substantially the same as under Qwest s prior proposal, other than with respect to the scope of Qwest s representations and warranties, which were expanded to be substantially the same as MCI s, and the inclusion of a reciprocal termination fee payable by Qwest to MCI in the event Qwest s stockholders failed to approve the proposed transaction. 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.

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 with its financial and legal advisors, Verizon s management discussed developments related to MCI and their assessment of the transaction. 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. During these discussions, MCI s advisors again raised with Qwest s advisors issues and concerns with respect to certain terms of Qwest s revised draft merger agreement, including terms relating to the certainty of closing, Qwest stockholder approval, elimination of the purchase price adjustment and the scope of the covenants relating to the conduct of Qwest s business. 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, including the scope of the conditions to funding under 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 potentially beneficial pricing 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 non-financial terms of Qwest s proposal remained substantially the same, other than with respect to (i) the closing condition relating to the receipt of a court order providing that, among other things, the oversight of MCI s corporate monitor is no longer required and that neither Qwest nor any of its subsidiaries would be subject to the corporate governance principles and processes developed by the corporate monitor to which MCI is subject, which Qwest agreed to remove from its revised proposal, and (ii) the situations under which Qwest may be required to pay a termination fee to MCI, which Qwest agreed to expand so as to be reciprocal to the situations under which MCI may be required to pay a termination fee to Qwest. 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. In this regard, MCI s board of directors considered the range of values associated with Verizon s then current proposal and Qwest s then current proposal which, based on a number of valuation analyses performed by MCI s financial advisors with MCI s input, including three-year and five-year discounted cash flow analyses, trading value analysis and sum-of-the-parts analysis, it assessed to be between $22.00 and $27.60 for Verizon s then current proposal and between $18.85 and $30.30 for Qwest s then current proposal. In

evaluating the range of values under Qwest s proposal, MCI s board of directors considered that, taking account of the risks and uncertainties associated with achieving those values, described under MCI s Reasons for the Merger , as compared with Verizon s proposal, the expected value to be received by MCI s stockholders at closing if MCI entered into a transaction with Qwest would more likely be at the lower end of the range than the higher end of the range. 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 million to $1,775 million, 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. MCI sought the removal of the provision requiring MCI to hold a stockholder meeting to consider the approval of the merger regardless of a change of recommendation by MCI s board of directors for Verizon s revised proposal. However, MCI was unable to obtain the removal of this provision, and accepted this provision, in particular, for the following reasons: (i) Verizon had clearly stated that this was a non-negotiable term of its proposal, and given the fact that Qwest had previously declined to improve upon its most recent proposal, MCI s board of directors was willing to incur this restriction in order to secure the benefits of the revised Verizon proposal for MCI s stockholders and (ii) MCI was of the view that this provision would not preclude a competing bidder, such as Qwest, from submitting further offers. As described below, despite this provision, Qwest made further proposals, including a proposal which MCI s board of directors declared superior to Verizon s then current proposal.

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 would 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 was subject to a potential downward purchase price adjustment for certain MCI bankruptcy claims including tax claims, as well as certain international tax liabilities. For a description of these bankruptcy claims, see The Merger Agreement Potential Downward Purchase Price Adjustment for Specified Liabilities on p. 99. The terms of the amendment also provided that MCI s board of directors would, 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 did 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, JPMorgan 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 and special dividend to be issued and paid to MCI s stockholders in connection with the merger agreement, was 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 tax claims, as well as 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 million). 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 non-financial terms of Qwest s proposal remained substantially the same as Qwest s prior proposal. 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.

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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 did 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. In this regard, MCI s board of directors considered the range of values associated with Verizon s then current proposal and Qwest s then current proposal which, based on a number of valuation analyses performed by MCI s financial advisors with MCI s input, including three-year and five-year discounted cash flow analyses, trading value analysis and sum-of-the-parts analysis, it assessed to be between $22.40 and $28.15 for Verizon s then current proposal and between $21.05 and $32.70 for Qwest s then current proposal. In evaluating the range of values under Qwest s proposal, MCI s board of directors considered that, taking account of the risks and uncertainties associated with achieving those values described under MCI s Reasons for the Merger , as compared with Verizon s proposal, the expected value to be received by MCI s stockholders at closing would more likely be at the lower end of the range than the higher end of the range. 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 $30.00 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. MCI s board of directors considered that the range of values that might be realized by MCI s stockholders if Qwest were to increase the consideration as requested and agree to the other proposed revisions to its proposal, would outweigh the additional risks and uncertainty associated with realizing those values under Qwest s proposal as compared with Verizon s proposal, and render it superior to Verizon s then-current proposal. 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. In making this determination, MCI s board of directors considered the range of values that might be realized by MCI s stockholders at the time of closing under the then-current Qwest proposal versus the risks associated with achieving those values. After being advised of MCI s board of directors 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.

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 Mr. Slim, 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 a cash adjustment amount payable per share of MCI common stock at the end of one year that will be calculated by multiplying (i) 0.7241 by (ii) the amount, if any, 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 agreed not to knowingly take actions which would reasonably be expected to delay or prevent the transactions contemplated by the merger agreement. See Verizon s Purchase of 13.3% of MCI s Outstanding Shares on page 109.

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. MCI s board of directors noted that the selling group would receive higher consideration as compared to all other MCI stockholders under the then-current Verizon merger agreement and discussed seeking from Verizon an increase in the total consideration offered to MCI s stockholders under the Verizon merger agreement so that it was at least equivalent to the consideration to be paid to the selling group under the stock purchase agreement. MCI s board of directors discussed the alternatives for improving its leverage with Verizon to require such an increase, including the possibility of receiving a revised proposal from Qwest, and not allowing Verizon to increase its stake beyond the limits under MCI s stockholder rights agreement.

On April 10, 2005, there were additional discussions between Qwest s advisors and MCI s advisors. During the week of April 11, 2005, there were additional discussions between Qwest s advisors and MCI s advisors including with respect to the form of an acceptable irrevocable offer for any proposal Qwest might make and the terms of an acceptable material adverse effect definition for purposes of any proposed merger agreement.

On April 11, 2005, MCI s board of directors issued the following statement: Verizon s agreement to purchase approximately 43.4 million shares from entities affiliated with Mr. Slim is a private transaction between those two parties. Nevertheless, MCI s board of directors remains committed to obtaining the transaction that is in the best interests of all of its shareholders. Accordingly, MCI s board of directors has no intention of amending its Rights Agreement to permit accumulations of the Company s stock in excess of the current 15 percent limit other than pursuant to its previously announced merger agreement with Verizon or an alternative merger transaction which MCI s board of directors determines is in the best interest of its shareholders.

On April 15, 2005, MCI s board of directors held a meeting, which was attended by MCI s management and MCI s financial and legal advisors. Among other matters discussed by MCI s board of directors, MCI s management and MCI s financial and legal advisors updated MCI s board of directors on the status of discussions with Qwest, including potential modifications to the material adverse effect definition for purposes of any proposed merger agreement. MCI s board of directors directed Greenhill to request that Verizon increase the total consideration offered to MCI s stockholders under the Verizon merger agreement to be at least equivalent to the consideration to be paid to the entities affiliated with Mr. Slim under the stock purchase agreement.

On April 21, 2005, MCI received a revised proposal from Qwest. 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) $10.40 in cash at closing; and (iii) 3.373 shares of Qwest common stock at closing. The revised proposal included the same potential downward purchase price adjustment based on certain MCI bankruptcy claims, including tax claims, and certain international tax liabilities as Qwest s prior proposal. The revised proposal also included the same collar mechanism as Qwest s prior proposal. In addition, at any time prior to the mailing of the proxy statement for the transaction, Qwest would have the option to substitute up to $1.2 billion in cash for up to $1.2 billion of the aggregate stock consideration. The non-financial terms of Qwest s proposal remained substantially the same as Qwest s prior proposal and it was also made in the form of an irrevocable offer subject to certain conditions. Qwest indicated that its revised proposal would be deemed revoked if MCI s board of directors did not inform Qwest prior to 5:00 p.m. EDT on April 23, 2005 that it had determined that Qwest s revised proposal was a superior proposal within the meaning of the Verizon merger agreement and had given notice to Verizon that it was prepared to make a change in recommendation in response to a superior proposal from Qwest pursuant to the terms of the Verizon merger agreement. Pursuant to the terms of this irrevocable offer, Qwest was entitled to revoke the proposal under certain circumstances, including if MCI s board of directors did not inform Qwest prior to May 3, 2005 that it had notified Verizon pursuant to the Verizon merger agreement that it had made a change in its recommendation in response to a superior proposal made by Qwest and was recommending that the MCI s stockholders vote against the Verizon merger agreement. The total stated amount of Qwest s proposal was $30.00 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 $3.54 on the previous business day, which was 22 cents from the bottom of the range of the collar mechanism under that proposal. The closing market price of MCI common

stock on the previous business day was $26.27. In subsequent discussions between Qwest s advisors and MCI s advisors, Qwest indicated that it was not prepared to entertain any changes to the terms of the proposed merger agreement and related documentation under Qwest s proposal with the exception of a change to the material adverse effect definition for purposes of the proposed merger agreement.

During the evening of April 21, 2005, MCI s board of directors, together with MCI s senior management and MCI s financial and legal advisors, met to discuss the terms of Qwest s revised proposal.

On April 22, 2005, MCI s board of directors held a meeting, which was attended by MCI s management and MCI s financial and legal advisors. 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 the terms of Qwest s revised proposal.

On the morning of April 23, 2005, there were discussions and information exchanges between MCI and Qwest regarding each company s respective first quarter results. Also that morning, MCI s board of directors held a meeting at which MCI s 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 regarding 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. In this regard, MCI s board of directors considered the range of values associated with Verizon s then current proposal and Qwest s then current proposal which, based on a number of valuation analyses performed by MCI s financial advisors with MCI s input, including three-year and five-year discounted cash flow analyses, trading value analysis and sum-of-the-parts analysis, it assessed to be between $22.75 and $28.70 for Verizon s then current proposal and between $22.50 and $33.45 for Qwest s then current proposal. In evaluating the range of values under Qwest s proposal, MCI s board of directors considered that, taking account of the risks and uncertainties associated with achieving those values described under MCI s Reasons for the Merger , as compared with Verizon s proposal, the expected value to be received by MCI s stockholders at closing if MCI entered into a transaction with Qwest would more likely be at the lower end of the range rather than the higher end of the range. However, given that the difference in the lower end of the ranges of each proposal had significantly decreased and the difference in the higher end of the ranges had significantly increased in favor of Qwest s proposal, MCI s board of directors concluded that the potential rewards associated with Qwest s proposal outweighed the risks and uncertainties associated with it. 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 determined that Qwest s revised proposal constituted a superior proposal within the meaning of the Verizon merger agreement, taking into account all of the terms and conditions of Qwest s revised proposal and of the then-current Verizon merger agreement, as well as other factors deemed relevant by MCI s board of directors. MCI s board of directors also directed that notice be given to Verizon and Qwest of MCI s board of directors determination as required by the terms of Qwest s offer. After the meeting, MCI informed Verizon of MCI s board of directors determination and gave notice, pursuant to the terms of the Verizon merger agreement, that MCI s board of directors was prepared to change its current recommendation in favor of the then-current Verizon merger agreement. As a result of MCI s board of directors determination and notice, under the terms of the Verizon merger agreement, if Verizon did not respond with a revised proposal on or prior to April 29, 2005 that was at least as favorable to MCI s stockholders as Qwest s proposal, MCI s board of directors would thereafter be able to change its current recommendation in favor of the then-current Verizon merger agreement. Under the terms of Qwest s irrevocable offer, MCI s board of directors had until May 3, 2005 to change its current recommendation in favor of the then-current Verizon merger agreement.

During the week of April 25, 2005, there were additional discussions between Qwest s advisors and MCI s advisors regarding Qwest s proposal, during which MCI s legal advisors sought improvements in certain terms

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of Qwest s proposal, including (i) to provide for restrictions with respect to Qwest s ability to substitute up to $1.2 billion in cash for up to $1.2 billion of the aggregate stock consideration, (ii) to provide that in the event MCI were not able to pay the full amount of the $5.60 special cash dividend after MCI stockholder approval of the proposed transaction, then the remainder would be paid by Qwest at closing and (iii) to provide for additional covenants relating to issuances of equity, the incurrence of indebtedness, the settlement of material litigation, and modifications or termination of the financing commitment letters by Qwest between signing and closing. On April 29, 2005, Qwest delivered to MCI a revised irrevocable offer with substantially equivalent financial and non-financial terms as its prior irrevocable offer, with some modifications to the non-financial terms, including the addition of restrictions with respect to Qwest s ability to substitute up to $1.2 billion in cash for up to $1.2 billion of the aggregate stock consideration. There were also additional due diligence meetings and information exchanges between MCI and Verizon regarding their respective first quarter results and other matters, and additional due diligence meetings and information exchanges between MCI and Qwest.

On April 27, 2005, representatives of Verizon informed Greenhill that Verizon was considering making a revised proposal which would include: an increase in merger consideration (comprised of an increase in the minimum value of the stock portion of the consideration to $20.12, the elimination of the $2.75 cash payment at closing, and the retention of the $5.60 special cash dividend); an increase in the termination fee; and a waiver for Verizon of restrictions under Section 203 of the DGCL and under MCI s stockholder rights plan to permit accumulations by Verizon of MCI s stock in excess of the current 15% limit. Verizon s representatives stated that any revised proposal would be subject to the confidentiality agreement executed by Verizon and MCI. Verizon s representatives also sought assurances that any revised proposal would have the unanimous support of MCI s board of directors. Additionally, as a part of its due diligence efforts, Verizon learned earlier in the week that a large number of MCI s most important business customers had recently expressed concerns about a transaction between MCI and Qwest. Verizon further learned that a number of these customers had requested the right to terminate their contracts with MCI in the event MCI were to be acquired by Qwest. As the week went on, Verizon became increasingly aware of the material effect that the customer issue might have on MCI s board of directors determination, including MCI s board of directors view that these customer concerns posed risks to the value of the Qwest transaction. Therefore, Verizon informed representatives of MCI that any revised proposal would be conditioned upon MCI including, in its press release to be issued in connection with the revised proposal, an accurate summary of the reasons for MCI s board of directors determination to accept the revised proposal, including the material customer issues.

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. MCI s 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 board of directors directed MCI s management and advisors to negotiate the terms of Verizon s anticipated revised proposal, including to seek an improvement in the financial terms and the elimination of the terms relating to an increase in the termination fee, the waiver under MCI s stockholder rights plan and Section 203 of the DGCL, and the condition relating to the scope of MCI s press release.

MCI s management and MCI s advisors subsequently engaged in discussions with Verizon s advisors regarding the terms of Verizon s anticipated revised proposal. As a result of these discussions, Verizon agreed to make certain improvements in the financial terms of its revised proposal and to eliminate from its proposal the requirements for an increase in the termination fee and a waiver under MCI s stockholder rights plan and Section 203 of the DGCL. However, Verizon reiterated that its revised proposal was conditioned upon the requirement that MCI s press release address the customer concerns referred to above, and rejected most other changes in the terms of the merger agreement that had been sought by MCI.

At a meeting of Verizon s board of directors on April 29, 2005, Verizon s management discussed developments relating to the MCI merger, including the declaration of the April 21, 2005 Qwest bid as a superior proposal. Verizon s financial and legal advisors also attended the meeting. Verizon s management reviewed proposed changes to the consideration and terms under which MCI would merge with Verizon. Verizon s board of directors authorized management to present a revised proposal to MCI.

On April 29, 2005, MCI received a formal revised proposal from Verizon, which was stated to be subject to the confidentiality agreement executed by Verizon and MCI. Under the terms of Verizon s revised proposal, at the effective time and as a result of the merger, each share of MCI common stock would be converted into the right to receive the number of shares of Verizon common stock equal to the greater of (i) 0.5743, and (ii) the quotient obtained by dividing $20.40 by the average of the volume weighted averages of the trading 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. In addition, in accordance with the terms of the merger agreement then currently in effect: Verizon would have the option to elect to pay additional cash instead of issuing additional shares over the stated exchange ratio; the merger consideration would remain subject to a potential downward purchase price adjustment for certain MCI bankruptcy claims, including tax claims as well as certain international tax liabilities (for a description of these bankruptcy claims and international tax liabilities, see The Merger Potential Downward Purchase Price Adjustment on page 95); and MCI s board of directors would, 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. Following receipt of Verizon s revised proposal, MCI s advisors engaged in discussions with Verizon s advisors regarding the terms of the proposal, including the condition as to the topics to be covered by MCI s press release (to address, among other things, certain customer concerns Verizon learned about through its due diligence efforts). The total stated amount of Verizon s proposal was $26.00 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 common stock on the previous business day was $26.59.

On April 30, 2005, MCI s board of directors held a meeting, which was attended by MCI s management and MCI s financial and legal advisors. MCI s financial advisors reviewed their financial analyses with respect to Qwest s revised proposal and the proposed amended Verizon merger agreement. MCI s legal advisors advised MCI s board of directors on its legal duties and responsibilities, the terms of Verizon s revised proposal, and the modifications to Qwest s April 21, 2005 offer as reflected in the revised offer materials received on April 29, 2005. MCI s board of directors directed MCI s management and legal advisors to engage in further discussions with Verizon regarding the press release.

On May 1, 2005, MCI s board of directors held a meeting, which was attended by MCI s management and MCI s financial and legal advisors. At this meeting, MCI s management and MCI s legal advisors updated MCI s board of directors on the status of discussions with Verizon regarding the press release and reviewed with MCI s board of directors a form of press release that had been prepared by MCI s management and MCI s legal advisors. After the meeting, MCI and Verizon engaged in further discussions regarding the press release.

In the evening on May 1, 2005, MCI s board of directors held another meeting, which was attended by MCI s management and MCI s financial and legal advisors. At this meeting, the form of an amendment to the merger agreement and form of MCI press release were presented to MCI s board of directors. MCI s management and MCI s financial and legal advisors reviewed the terms of Verizon s revised proposal and the terms of Qwest s latest proposal, and MCI s legal advisors advised MCI s board of directors on its legal duties and responsibilities. Under the terms of the amendment, the merger consideration would be increased in accordance with Verizon s April 29, 2005 formal revised proposal. In addition, Verizon would agree to vote any shares of MCI common stock held by it in favor of the merger agreement, so long as MCI s board of directors was recommending adoption of the merger agreement. The total stated amount of Verizon s proposal was $26.00 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 $26.53.

MCI s board of directors proceeded to discuss the revised proposals of Verizon and Qwest, and compared Verizon s revised proposal with the terms of Qwest s proposal. In this regard, MCI s board of directors considered the range of values associated with Verizon s then current proposal and Qwest s then current proposal

which, based on a number of valuation analyses performed by MCI s financial advisors with MCI s input, including three-year and five-year discounted cash flow analyses, trading value analysis and sum-of-the-parts analysis (including a downside sensitivity analysis with respect to Qwest s proposal performed at the direction of MCI, as described under Analyses of MCI s Financial Advisors with respect to the Qwest proposal, which was substantially similar to the downside sensitivity analyses performed at the direction of MCI with respect to Qwest s earlier proposals), it assessed to be between $24.60 and $32.35 for Verizon s then current proposal and between $22.35 and $33.45 for Qwest s then current proposal. In evaluating the range of values under Qwest s proposal, MCI s board of directors considered that, taking account of the risks and uncertainties associated with achieving those values described under MCI s Reasons for the Merger , as compared with Verizon s proposal, the expected value to be received by MCI s stockholders at closing if MCI entered into a transaction with Qwest would more likely be at the lower end of the range than the higher end of the range. MCI s board of directors also discussed the form of the press release relating to Verizon s proposal. After this discussion, representatives of each of Greenhill, JPMorgan and Lazard rendered to MCI s board of directors its oral opinion with respect to the Verizon transaction that as of May 1, 2005, and based upon and subject to the factors, assumptions, procedures, limitations and qualifications set forth in the opinion, the merger consideration and the special cash dividend to be issued and paid to MCI s stockholders in connection with the Verizon merger agreement, as amended pursuant to the revised proposal, is fair from a financial point of view to the MCI stockholders. 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. For a more detailed analysis of the factors MCI s board of directors considered in making its determinations and weighing the proposals from Verizon and Qwest, see The Merger MCI s Reasons for the Merger beginning on page 67, and Analyses of MCI s Financial Advisors beginning on page 76.

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 latest 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. MCI s board of directors also approved the form of press release announcing its determination. After MCI s board of directors meeting, Verizon and MCI executed the amendment to the merger agreement. Before the opening of the U.S. financial markets on May 2, 2005, MCI issued a press release announcing the terms of the proposed amendment. The same day, Qwest announced that it would no longer continue in the process.

On May 4, 2005, Qwest s legal counsel delivered a letter to MCI which stated that Qwest had revoked its latest offer and that such offer was of no further force or effect.

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.

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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.

Operational Benefits. Verizon believes that it will achieve operational benefits through, among other things, eliminating duplicative staff and information and operation systems and to a lesser extent overlapping network facilities; reducing procurement costs; using the existing networks more efficiently; reducing line support functions; reducing general and administrative expenses; improving information systems; optimizing traffic flow; eliminating planned or potential 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 greater opportunities for Verizon in the market for Internet protocol virtual private networks, 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.

Operating Savings and Revenue Enhancements. Verizon believes that the potential annual pre-tax operating savings and revenue enhancements following the closing of the merger will reach approximately $500 million in year one, $800 million in year two, and will ramp up to $1.1 billion in year three and beyond. Verizon currently estimates that these savings and enhancements will come from the following sources:

Year Following Merger	Approximate Operating Savings	Approximate Revenue Enhancements(1)
First Year	88% 92%	8% 12%
Second Year	82% 87%	13% 18%
Third Year	76% 81%	19% 24%

(1) The approximate revenue enhancement percentages are net of any increased expenses associated with producing the revenue enhancement.

Verizon believes that these financial operating savings and revenue enhancements can be achieved based upon its track record of combining the businesses of NYNEX Corporation and Bell Atlantic Corporation after the closing of the 1997 merger and the businesses of GTE Corporation and Bell Atlantic Corporation after the closing of the 2000 merger.

The potential annual pre-tax operating savings are expected to come from, among other things:

General and Administrative Expenses. These cost savings include headcount reductions in functional operational areas such as enterprise markets, mass markets, international and wholesale operations, and information technology. In addition, the merger will enable Verizon to provide shared services more efficiently, resulting in headcount reductions in areas such as finance, legal and human resources.

Network Operations Savings. In the area of network operations, Verizon believes that it could achieve net cost savings in a number of areas. Verizon will realize savings by moving a large share of its long-distance traffic to MCI s existing long-haul transport facilities that have available capacity. As a result, Verizon will avoid payments to third parties for such transport services. Verizon will also realize related savings in avoiding capital costs to build out its own long-haul network. Verizon will also be able to use

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MCI s metropolitan area network facilities in areas outside of Verizon s current franchise territories and, as a result, avoid incurring capital costs to construct or lease those networks. The greater volume of interexchange traffic carried by Verizon will enable more efficient arrangements for the origination and termination of long-distance traffic and is likely to result in reduced access costs. The higher international traffic volumes will also permit Verizon following the merger to enjoy reduced international routing costs. The merger will enable MCI to benefit from Verizon s economies of scale associated with network equipment purchases. Because MCI s capital spending is much smaller than Verizon s, MCI generally pays higher prices for such equipment. Following the merger, Verizon will be able to acquire equipment for MCI s operations at the volume discounts that Verizon currently enjoys.

International Operations Savings. Verizon believes that the acquisition of MCI will enable it to achieve cost savings in international operations through the streamlining of support functions and the selective disposition of certain operations.

Information Technology Systems. Verizon believes that the merger will enable it to achieve net cost savings in the area of information technology systems. MCI, which itself is the result of a series of mergers and acquisitions, operates a large number of information technology systems for various functions. Verizon believes that MCI also has an existing plan to develop a unified interface for a number of these systems, and that the merger will enable this plan to be accomplished. Once completed, this project will produce cost savings in the future operation of these systems.

Verizon estimates that during the first three years following the merger:

an average of approximately 58% of its potential pre-tax operating savings are expected to come from general and administrative expenses;

an average of approximately 38% of its potential pre-tax operating savings are expected to come from network operations savings;

an average of approximately 3% of its potential pre-tax operating savings are expected to come from international operations savings; and

an average of approximately 1% of its potential pre-tax operating savings are expected to come from information and technology systems.

The potential annual pre-tax revenue enhancements from operating the businesses of Verizon together with the businesses of MCI are expected to come from, among other things:

Retaining Existing Enterprise Customers and Selling Additional Services to Enterprise Customers. Verizon expects the merger to enhance MCI s ability to retain its existing enterprise customers. MCI has experienced a reduction in revenue from enterprise customers since emerging from bankruptcy, and Verizon assumed that these losses would continue in the absence of a transaction. The financial stability that the merger will bring to MCI s operations will improve the likelihood that, following the merger, Verizon will retain the revenue levels from existing customers and retain a number of MCI customers that might otherwise have decided to enter into contracts with competitors. Verizon also expects that following the merger, it will be able to sell additional services to existing or new enterprise customers beyond those that either company would have been able to sell without the merger. These incremental sales are expected to result from the ability of Verizon after the merger to provide a larger package of services on an integrated basis more efficiently.

*Offering New Services to Small and Mid-Size Businesse*s. Verizon also expects revenue enhancements in its small and mid-size business group following the merger. MCI currently offers a number of services that it offers to large enterprise customers that may be

attractive to smaller business customers as well. Verizon has strong relationships with many of these customers, but currently lacks the ability to offer these services cost effectively. The merger will allow Verizon to combine its capabilities with those of MCI, and should permit it to increase sales to those customers.

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Offering Wireless Services to Enterprise Customers. Verizon expects to achieve revenue enhancements through its ability to bundle wireless services with the wireline services currently offered to MCI s enterprise customers. Verizon believes that a bundled offering of wireless and wireline services to enterprise customers could further reduce the number of MCI customers who might otherwise terminate their agreements with MCI.

Verizon estimates that during the first three years following the merger:

an average of approximately 74% of its potential pre-tax revenue enhancements are expected to come from retaining existing enterprise customers and selling additional services to enterprise customers;

an average of approximately 14% of its potential pre-tax revenue enhancements are expected to come from offering new services to small and mid-size customers; and

an average of approximately 12% of its potential pre-tax revenue enhancements are expected to come from offering wireless services to enterprise 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 Markets Condition. Verizon s board of directors viewed favorably the business operations and prospects of Verizon and MCI following the merger. Verizon s management noted that MCI s business had struggled after its emergence from bankruptcy and believed that MCI s profitability could be improved through the financial benefits resulting from the merger. These financial benefits are described in more detail above under Verizon s Reasons for the Merger Expected Benefits of the Merger on page 62. Verizon s board of directors also believed that Verizon s plan to invest approximately $2.0 billion to strengthen MCI s network and technology platforms after the closing of the merger would further improve Verizon s prospects following the merger. Moreover, while Verizon had been building its enterprise business through internal growth, Verizon s board of directors viewed the merger as the most efficient way to expand its enterprise business as well as to acquire a long-haul network. Verizon also considered the current financial market conditions, including the changing telecommunications environment and the ongoing consolidation within this environment. Verizon s board of directors also considered the current and historical market prices, volatility and trading information with respect to shares of Verizon common stock and MCI common stock, including the increase in MCI s stock price immediately following the disclosure on January 27, 2005 that AT&T and SBC were in merger talks.

Uncertainty in Forecasts Due to Changing Telecommunications Environment. Verizon s board of directors considered 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, which were prepared by management and shared with Verizon s board of directors, may not be achieved, given the changing and competitive telecommunications environment, market conditions and the ongoing consolidation within the telecommunications industry.

Expected Impact of the Announcement of the Merger on Business Operations. Verizon s board of directors viewed favorably the expected impact of the announcement of the merger on MCI s business operations and on its stockholders, suppliers, creditors, customers and employees. Verizon s board of directors believed that Verizon s strong financial position made it the better long-term merger partner for MCI and also believed that MCI s stockholders, suppliers, creditors, customers and employees would receive greater benefits from a merger with Verizon than a merger with Qwest.

Financial Terms of the Merger. Verizon s board of directors considered the amount of consideration to be paid in the merger, the protection offered against decreases in Verizon s stock price, Verizon s right to increase the cash portion of the consideration if the exchange ratio were greater than 0.5743, the potential downward purchase price adjustment, the resulting percentage ownership

interests and voting

power that current Verizon stockholders would have in Verizon following the closing, the other financial terms of the merger and 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 or to be paid by Verizon as part of the merger consideration if MCI did not pay the special cash dividend. Verizon s board of directors did not quantify or assign any relative or specific weights to the various financial terms listed. Instead, Verizon s board of directors considered these financial terms in the aggregate. In addition, individual members of Verizon s board of directors may have given differing weights to different financial terms.

Provisions of the Merger Agreement. Verizon s board of directors considered the structure of the merger and terms and conditions of the amended merger agreement, including the financial terms discussed above, the provisions relating to MCI s right to consider and negotiate acquisition proposals and MCI s obligation to pay a $240 million termination fee and up to $10 million in expenses to Verizon in specified circumstances as compared to MCI s assets and net income and determined that the provisions of the merger agreement would provide Verizon with a reasonable allocation of risk in the event of unforeseen developments.

Strategic Alternatives. Verizon s board of directors considered 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 on a stand-alone basis rather than through acquisitions.

Regulatory Approvals. Verizon s board of directors considered the regulatory approvals required to consummate the merger and Verizon s management s belief that the merger would be approved by the requisite authorities on a timely basis, without the imposition of conditions that would materially adversely affect the businesses of Verizon or MCI after the merger, and would otherwise be consummated in accordance with the terms of the merger agreement.

Due Diligence. Verizon s board of directors considered the results of due diligence investigations of MCI by Verizon s management and financial and legal advisors.

Verizon s board of directors considered 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 that, because the liabilities associated with the business of MCI, including certain actual or contingent bankruptcy claims, including tax claims, as well as certain international tax liabilities, litigation and other contingent liabilities, will not be known at the time of the closing of the merger, the actual amount of the liabilities associated with the business of MCI may exceed the estimates of these liabilities at the time of the closing of the merger and the risk that because the purchase price adjustment for the bankruptcy claims, including tax claims, as well as certain international tax liabilities is only an estimate of the amount that will be required from and after the closing of the merger to satisfy these claims, the actual amount required to satisfy these claims may exceed this estimate (for a description of the bankruptcy claims and international tax liabilities, see The Merger Potential Downward Purchase Price

Adjustment on page 95);

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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 risks related to the material weakness identified in MCI s internal controls and procedures and corporate governance described in MCI s Annual Report on Form 10-K for the year ended December 31, 2004;

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 28.

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 36.

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, as amended as of March 4, 2005 and March 29, 2005, 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. On May 1, 2005, MCI s board of directors unanimously determined that the merger agreement 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 April 21, 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.

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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 at closing (including the stock component of each alternative, if applicable), the certainty and timing for realizing those values and the risks associated with each of the various alternatives. Given the fact that the telecommunications industry is highly regulated, MCI s board of directors anticipated that the time period required to obtain regulatory approval of any transaction between MCI and another telecommunications service provider would be an extended one. In light of this extended period to closing, it was particularly important for MCI s board of directors to evaluate the risks associated with realizing the range of values under every proposal that it considered, in particular the risks that could result in changes to the value of the acquirer s stock to be received at closing by MCI s stockholders under each proposal.

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, each share of MCI common stock held by MCI stockholders will be converted into the right to receive a number of shares of Verizon common stock equal to the greater of the following exchange ratios: (a) 0.5743 and (b) the quotient obtained by dividing $20.40 by the Verizon average stock price. 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 less the per share amount of any dividend declared by MCI between February 14, 2005 and the closing of the merger (but excluding the $0.40 per share dividend paid by MCI on March 15, 2005). If less than the full amount of the special cash dividend is paid, Verizon will pay the remainder, without interest, as a per share cash amount MCI stockholders will receive in connection with the merger. If Verizon pays any shortfall in the special cash dividend, stockholders will receive that amount later

than if MCI paid the special cash dividend in full. If the exchange ratio is greater than 0.5743, Verizon has the right to reduce the exchange ratio to an amount no less than 0.5743 and, instead, pay a per share cash 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 MCI stockholders will receive is subject to a potential downward purchase price adjustment for certain liabilities, which include certain MCI bankruptcy claims, including tax claims, as well as certain international tax liabilities. For a description of these bankruptcy claims and international tax liabilities, see The Merger Potential Downward Purchase Price Adjustment on page 95. Based on a price of $35.52 per share of Verizon common stock, the 0.5743 exchange ratio, taken together with 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 $26.00 per MCI share. This value may be greater at the closing of the merger if the Verizon stock price exceeds $35.52 per share at 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. With respect to the special cash dividend of $5.60 per share, MCI s stockholders will receive a payment from MCI, which had cash and marketable securities in excess of $5 billion at June 30, 2005. To the extent this special cash dividend is not paid by MCI in full, the shortfall will be paid at the closing of the merger as part of the merger consideration by 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 $26.40 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 41.5% 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 34.1% 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 27.2% 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 0.5% discount to the closing price of MCI s common stock on April 29, 2005, the last trading day prior to MCI and Verizon announcing the amendment to the merger agreement on May 2, 2005 (equivalent to a 2.0% discount if the merger consideration excludes the $0.40 per share dividend paid by MCI on March 15, 2005).

In addition, in making its determinations on May 1, 2005, MCI s board of directors considered the price and terms of the stock purchase agreement between Verizon and entities affiliated with Mr. Carlos Slim Helu, including the fact that (i) these entities received $25.72 per share in cash, plus an additional cash amount equal to three percent per annum from April 9, 2005 until May 13, 2005, or a total of $25.79 per share, plus a potential additional cash amount, subject (if the merger closes prior to April 9, 2006) to a maximum additional amount per MCI share of $19.54, if the price of Verizon s common stock exceeds $35.52 per share during a 20-day measurement period prior to April 9, 2006; (ii) these entities received their consideration (not including consideration that they would receive if the price of Verizon s common stock exceeds $35.52 per share during a 20-day measurement period prior to April 9, 2006) earlier than MCI s other stockholders will receive the merger consideration and special cash dividend under the terms of the merger agreement; and (iii) the consideration received by these entities is not subject to a potential downward purchase price adjustment for certain liabilities, which include certain MCI bankruptcy claims, including tax claims, as well as certain international tax liabilities. For a description of these bankruptcy claims and international tax liabilities, see The Merger Potential Downward Purchase Price Adjustment on page 95.

MCI s board of directors determined that the merger agreement and the merger were fair to, and in the best interests of, MCI and its stockholders notwithstanding these differences in terms between the merger agreement

and the terms of the stock purchase agreement between Verizon and entities affiliated with Mr. Slim. MCI s board of directors noted that the agreement between Verizon and the entities affiliates with Mr. Slim was a privately negotiated agreement among those parties and the terms of that agreement were not offered to MCI s other stockholders. After negotiation with both Qwest and Verizon, MCI s board of directors made a final determination as to whether Verizon s or Qwest s offer was in the best interests of MCI stockholders and determined that, as between the two, for the reasons stated in this section, Verizon s offer was in the best interests of MCI stockholders.

Potentially Beneficial Pricing Mechanism. In addition, the amended merger agreement includes a potentially beneficial pricing mechanism to ensure that the value of the shares of Verizon common stock (or the shares of Verizon common stock and cash payments, if Verizon elects to reduce the exchange ratio to an amount no less than 0.5743, as described above) to be received per share of MCI common stock at the closing of the merger prior to any reduction under the potential downward purchase price adjustment for certain liabilities, which include certain MCI bankruptcy claims, including tax claims, as well as certain international tax liabilities will be at least $20.40. For a description of these bankruptcy claims and international tax liabilities, see The Merger Potential Downward Purchase Price Adjustment on page 95. 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 will declare and pay a special cash dividend from its excess cash under the MCI 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 plan of reorganization. In addition, to the extent MCI is not permitted to pay the special cash dividend in full, the shortfall will be paid by Verizon at the closing of the merger as part of the merger consideration.

Presentations and Opinions of Financial Advisors. MCI s board of directors considered the presentations by and analyses of Greenhill, JPMorgan and Lazard, financial advisors to MCI, and the opinions of Greenhill, JPMorgan and Lazard that, as of May 1, 2005 and based upon and subject to the factors, assumptions, procedures, limitations and qualifications set forth in these opinions, the merger consideration and special cash dividend 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. In relying on those opinions, MCI s board of directors took account of the fee arrangements that had been negotiated between MCI and each of its financial advisors (including the fact that a significant portion of the fees payable were contingent upon the consummation of the merger) and the relationships between certain of the financial advisors and MCI, Verizon and Qwest (see Analyses of MCI s Financial Advisors Miscellaneous beginning on page 94). In particular, the board of directors took account of the fact that JPMorgan has provided services to Verizon in the past and determined, due to the differing nature of the services JPMorgan provided to Verizon and MCI, JPMorgan s professional standards and reputation and the fact that the board received presentations from two additional financial advisors (Greenhill and Lazard), that these prior services would not adversely affect the financial advice the board would receive from JPMorgan with respect to the merger. MCI s board of directors also was aware that, for reasons described in Analyses of MCI s Financial Advisors Opinion of MCI s Financial Advisors with Respect to the Verizon Merger on page 76, only one company and one transaction were selected by the financial advisors for their comparable company and comparable transaction analyses, respectively. In considering these opinions, MCI s board of directors took account of its expectation that updated opinions of its financial advisors would not be obtained in the event of a downward purchase price adjustment. This did not affect MCI s board of directors fairness determination described above.

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) $20.40 or (b) the value of 0.5743 shares of Verizon common stock. For example, if Verizon s stock price is above $35.52, 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 $20.40 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 shares of Verizon common stock (or the shares of Verizon common stock and cash payments, if Verizon elects to reduce the exchange ratio to an amount no less than 0.5743, as described above) is protected from falling below $20.40, but is not prevented from appreciating above $20.40.

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.

Transaction Structure. MCI s board of directors also considered the additional value that its stockholders would realize if the merger were effected pursuant to the original structure as a reorganization for U.S. federal income tax purposes. In that event, in addition to income realized in respect of the special cash dividend, only to the extent of the cash, if any, 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. MCI s board of directors also considered the fact that, under the alternative merger structure, the merger would be fully taxable to MCI stockholders. However, based on its evaluation of MCI s stockholder base, MCI s board of directors determined that the tax implications of the alternative merger structure were unlikely to be an important consideration for MCI stockholders since the MCI board of directors believed that holders of a majority of the shares of MCI common stock would not have held their shares for an extended period of time because of MCI s emergence from bankruptcy in 2004 and, therefore, it was unlikely that many of the MCI stockholders would have a very low tax basis in their shares. Accordingly, it is likely that many MCI stockholders would not recognize significantly greater amounts of taxable income or gain under a fully taxable alternative merger structure than they would recognize pursuant to the original structure, after taking into account income or gain that MCI stockholders are likely to recognize under either structure as a result of the special cash dividend and any cash paid by Verizon as part of the merger consideration. Therefore, the fact that the merger would be fully taxable to MCI s stockholders under the alternative merger structure did not impact the fairness determination of MCI s board of directors, or its decision to recommend the transaction.

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 and the possibility that some of these conditions may not be satisfied at closing; 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 and the potential impact of these restrictions on MCI s ability to manage its business and operations in the period prior to closing. 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

potentially beneficial pricing 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. In making its determinations on May 1, 2005, MCI s board of directors considered the fact that under Verizon s revised proposal there were no additional deal protection arrangements which could impede Qwest s ability to make further proposals. MCI s board of directors also considered the possible impact on Qwest s ability to make further proposals arising out of Verizon s condition that MCI include in its press release regarding the May 1, 2005 amendment to the Verizon merger agreement certain elements (including MCI s board of directors view that customer concerns regarding a transaction between MCI and Qwest posed risks to the value of the transaction with Qwest) relative to the benefits to MCI s stockholders from approving such amendment.

MCI s 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 these other terms of the merger agreement with Verizon 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 of these other terms taken together.

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 38. In making its determinations and in assessing the proposals from Verizon and Qwest, MCI s board of directors carefully weighed the range of potential values for MCI s stockholders under each proposal as well as the risks to achieving those values. For a detailed discussion of the range of intrinsic values resulting from the analyses of MCI s financial advisors, see The Merger Analyses of MCI s Financial Advisors beginning on page 76. In evaluating the potential range of values for MCI s stockholders under each Qwest proposal, and the risks associated with achieving the values within that range, MCI s board of directors considered numerous factors. Due to the variety of factors and the quality and amount of the information considered, MCI s 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 these factors. These factors include 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. In evaluating these factors, MCI s board of directors considered that the expected competitive position of a combination of Verizon and MCI would be stronger than the expected competitive position of a combination of Qwest and MCI;

- 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 in the combined company at closing. MCI management s view of these synergies differed from that of Qwest in the following respects: (i) MCI management had estimated the net present value of synergies to range between $3.1 billion and $5.0 billion, while Qwest had estimated the net present value of synergies to be $14.8 billion, (ii) MCI management had estimated total run-rate synergies to range between $0.7 billion and $1.1 billion, while Qwest had estimated total

run-rate synergies to be $2.8 billion, and (iii) MCI management had estimated the cost to achieve these synergies to range between $1.2 billion and $1.7 billion, while Qwest had estimated the cost to achieve these synergies to be $2.7 billion. The principal reasons for the difference in the synergy estimates were as follows: (i) Qwest s estimate assumed significantly greater employee reductions than MCI s management s estimate; (ii) Qwest s estimate included substantial costs savings in the areas of networks, operations, advertising and information systems that in MCI s management s view were either not achievable or were higher than what MCI s management believed were achievable; and (iii) Qwest s estimate assumed that the synergies could be achieved more quickly than MCI s management believed was possible;

The reaction by large corporate and government enterprise customers to a proposed merger of MCI with Qwest (see Customer Concerns below);

Qwest s lack of organic wireless capabilities and Qwest s wireless resale agreement with Sprint. In evaluating the potential impact of this factor on the expected competitive position of a combination of Qwest and MCI relative to a merger of Verizon and MCI, MCI s board of directors considered the focus of MCI s customers on wireless deployment as described under Customer Concerns below;

The expected financial condition of Qwest after acquiring MCI (which MCI s board of directors considered would be weaker than the expected financial condition of a transaction between Verizon and MCI), including the combined entity s projected cash flows, its liquidity position, levels of debt, which were expected to be high relative to other telecommunication companies, and significant requirements for debt service payments, in particular in the near term, 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;

MCI s board of directors concerns about the risks to the value of the stock of the combined company associated with Qwest s ongoing ability to sustain network service quality both prior to consummation of the transaction and in connection with achieving promised synergies in light of its expected financial condition (described above) and planned employee reductions;

MCI s board of directors concerns about the risks to the value of the stock of the combined company associated with Qwest s capacity and commitment to invest in new capabilities in light of its expected financial condition (described above);

The size of Qwest s contingent liabilities, including (i) those associated with the investigations, securities actions and other matters disclosed in Qwest s public filings, including various securities actions in which plaintiffs have variously alleged, among other things, that Qwest violated federal and state securities laws, engaged in fraud, civil conspiracy and negligent misrepresentation, and breached fiduciary duties owed to investors and current and former employees and (ii) the KPNQwest litigation in which plaintiffs have alleged, on behalf of certain purchasers of KPNQwest securities, that, among other things, KPNQwest engaged in a fraudulent scheme and deceptive course of business in order to inflate KPNQwest revenue and the value of KPNQwest securities, 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, based on Qwest management projections, as well as the prospect that a combination with MCI could increase the net present value of Qwest s stand-alone net operating loss carryforwards by expediting their use, although the net operating loss carryforwards would not be realized due to the lack of taxable income under certain scenarios for MCI projections outlined by MCI management;

The mix of considerations that would be paid to MCI stockholders pursuant to the Qwest proposals and the range of pro forma ownership by MCI s stockholders of the resulting company, including the fact that the pro forma ownership of MCI s stockholders in the resulting company under Qwest s proposals would be significantly higher than under the Verizon merger agreement, and the resulting increased participation by MCI s stockholders in potential synergies associated with the combination under Qwest s proposals as compared with the Verizon merger agreement;

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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, as well as the amount of financial flexibility the combined company would retain;

The equity financing commitments that Qwest assured MCI that it had obtained. MCI s board of directors viewed these commitments as a positive factor in light of the financing required by Qwest in order to complete its proposed merger with MCI, but remained concerned because Qwest had declined to provide them to MCI for review and had not agreed in its proposed merger agreement to refrain from amending or waiving those commitments or the financial commitments referred to above. MCI s board of directors also remained concerned about Qwest s expected financial condition after the proposed merger, in light of the combined company s significant requirements for debt service payments, in particular in the near term, as well as its possible needs for additional financings, as described above;

The regulatory approvals that a transaction between MCI and Qwest would require, as well as the timing and risks associated with these approvals. MCI s board of directors considered that this factor did not weigh significantly in favor of the Qwest proposals as compared with the Verizon proposals;

The presentation made by Mr. Notebaert to MCI s board of directors on March 16, 2005 regarding Qwest s proposal to acquire MCI, which addressed Qwest s views of the benefits of a combination of Qwest and MCI, including synergies (which in Qwest s view had a net present value of $14.8 billion) and the creation of a company with a world-class, state-of-the-art global network (representing nearly $60 billion of combined investment with global-to-local reach in 2,600 cities on six continents) and an advanced product suite with accelerated expansion into next generation applications (such as advanced IP applications), and the responses given by Mr. Notebaert to questions from MCI s board of directors with respect to, among other matters, Qwest s synergies plan (which Mr. Notebaert stated was highly achievable), Qwest s wireless resale agreement with Sprint (which Mr. Notebaert stated would permit the sale of wireless services to MCI s government and enterprise customers), Qwest s view of customer reaction (which Mr. Notebaert stated was very positive) to a combination of Qwest and MCI and Qwest s financing commitments (which Mr. Notebaert stated were in place and fully committed), and prior communications from Qwest regarding Qwest s view of the benefits of a combination between the two companies. While MCI s board of directors considered the responses given by Mr. Notebaert, it remained concerned about the matters to which its questions related, including the achievability of Qwest s synergies plan (described above), Qwest s lack of organic wireless capabilities (described above), and customer concerns with respect to a transaction between MCI and Qwest (as described below);

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

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 (which required approval of Qwest s stockholders in addition to MCI s stockholders and which was expected to be a tax free reorganization for U.S. federal income tax purposes), the price mechanism (which, as described under Background to the Merger , operated as a collar as opposed to a floor see Potentially Beneficial Pricing Mechanism above), the purchase price adjustment (which was the same as under the Verizon merger agreement), and the terms relating to certainty of closing of the transaction (which were substantially comparable with the conditions under the Verizon merger agreement), and the improvements in the terms that Qwest was willing to make;

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

The fact that MCI s board of directors determination to accept the Verizon proposal on May 1, 2005 might prompt Qwest to revoke its otherwise irrevocable proposal of April 21, 2005.

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Customer Concerns. MCI s board of directors also noted that a large number of MCI s most important business customers had indicated that they preferred a transaction between MCI and Verizon rather than a transaction between MCI and Qwest.

MCI s board of directors based its view on management s discussions with hundreds of its business customers during the period following the announcement of the merger with Verizon on February 14, 2005. MCI received this input in various contexts. MCI engages in regular and constant account and customer service communication with thousands of its business customers, and has received significant customer feedback regarding customer reaction to MCI s merger plans from this regular communication channel. Also, dozens of customers had affirmatively contacted their MCI account representatives to express their reaction to the various MCI and Verizon and MCI and Qwest merger developments. MCI conducts regular CIO Forums, where representatives from many of its largest and most important customers gather and receive in-depth briefings from MCI executives on various topics relevant to their service needs and MCI s current and future plans. MCI has conducted at least four major CIO Forums in the past two months and has received merger-specific comments from no fewer than three dozen of MCI s largest customers in these meetings. In the course of these many and varied interactions, MCI has received merger-specific feedback from more than 400 of its business customers. Throughout the course of these discussions, customers consistently focused in varying degrees on four basic requirements in the services they received from MCI: (i) reliability and security; (ii) maintenance of the networks; (iii) investment in new products and next generation services, including hosting, security and managed networks; and (iv) wireless deployment.

In addition, in the wake of publicity regarding Qwest s continuing interest in acquiring MCI, MCI experienced a significant increase in demands by both existing customers and potential new customers for termination rights and other remedies associated with the possibility of a transaction with Qwest. Among the reasons articulated by the company s existing and potential customers were concerns about Qwest s financial condition (particularly in light of the cost of an MCI acquisition), concerns about Qwest s ability and willingness to invest in MCI s network and product infrastructure, and the ability of a combined Qwest and MCI company to compete as a long-term participant in an industry undergoing rapid change and consolidation. MCI s management viewed the potential loss of customer revenue in the event that customers triggered these termination rights to be significant in light of the substantial stake that MCI stockholders would have in the pro forma combination of Qwest and MCI.

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 28.

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, and Verizon s ability (including engaging in an acquisition of a business) to take actions that would be reasonably likely to delay closing of the merger up to the outside date. See The Merger Agreement Termination of the Merger Agreement.

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 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, including the potential upside in the value of the stock portion

of the consideration, as described above) and that there is no limit on the potential reduction in the consideration that MCI stockholders may receive and the possibility that the closing could be delayed while the purchase price adjustment is being determined. See also Risk Factors Relating to the Merger beginning on page 28. MCI s board of directors also considered the fact that Qwest s proposals included an identical purchase price adjustment mechanism, and that if MCI was to continue operating as a stand-alone entity, the costs of MCI s bankruptcy claims, including tax claims, as well as certain international tax liabilities (for a description of these bankruptcy claims and international tax liabilities, see The Merger Potential Downward Purchase Price Adjustment on page 95), would be incurred entirely by MCI itself, and therefore by MCI s stockholders. MCI s board of directors also considered the amount that MCI had accrued on its consolidated balance sheet with respect to matters which would constitute specified liabilities for purposes of the purchase price adjustment.

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 103.

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 and **FOR** authorizing MCI s board of directors to act in its discretion with respect to any adjournments or postponements of the special meeting to permit further solicitation of proxies for the merger.

Analyses of MCI s Financial Advisors

Opinions of MCI s Financial Advisors with Respect to the Verizon Merger

General

Each of Greenhill, JPMorgan and Lazard delivered its opinion to MCI s board of directors that, as of May 1, 2005 and based upon and subject to the factors, assumptions, procedures, limitations and qualifications set forth in its respective opinion, the merger consideration and special cash dividend to be issued and paid in connection with the merger agreement is fair from a financial point of view to MCI s stockholders.

The full text of the written opinions of Greenhill, JPMorgan and Lazard, dated May 1, 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, JPMorgan 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, JPMorgan and Lazard have not 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, JPMorgan 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, JPMorgan and Lazard reviewed, among other things:

- the original merger agreement, as amended as of March 4, 2005 and March 29, 2005;
- the amendment to the amended original merger agreement, dated as of May 1, 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 assumed amount of $1,825 million for the bankruptcy claims and international tax liabilities applicable to the potential downward purchase price adjustment provisions of the merger agreement provided to each of the financial advisors of MCI by the management of MCI, sometimes referred to as assumed specified 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, JPMorgan 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, JPMorgan and Lazard also had discussions with and received guidance from 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, JPMorgan 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, JPMorgan and Lazard deemed relevant and performed such other studies and analyses, and considered such other factors, as Greenhill, JPMorgan, and Lazard considered appropriate.

In giving their opinions, Greenhill, JPMorgan 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

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circumstances that would make this information inaccurate or misleading. None of Greenhill, JPMorgan 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 liabilities) of MCI, Verizon or any of their respective subsidiaries or affiliates, nor were any of these valuations or appraisals provided to them. Greenhill, JPMorgan 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, JPMorgan 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, JPMorgan and Lazard, including MCI s estimate of the cost savings and operating improvements and MCI forecasts, with MCI s consent, Greenhill, JPMorgan 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 liabilities will not exceed the assumed specified liabilities. Verizon has not provided internally prepared forecasts, analyses or estimates and has not commented on the Verizon Wall Street equity research estimates or any other publicly available forecasts relating to the business and financial prospects of Verizon. With MCI s consent, Greenhill, JPMorgan 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 Wall Street equity research estimates for purposes of their analyses and their opinions. Greenhill, JPMorgan and Lazard express no view as to any of these analyses, estimates or forecasts, including MCI s estimate of cost savings and operating improvements, MCI forecasts, MCI street forecasts and the Verizon street forecasts and the assumed specified liabilities, or the assumptions on which they were based. MCI advised Greenhill, JPMorgan and Lazard, and Greenhill, JPMorgan and Lazard have assumed, that the transactions contemplated by the merger agreement will close in compliance with all applicable laws. Greenhill, JPMorgan 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. Greenhill, JPMorgan 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, JPMorgan 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, JPMorgan and Lazard, and Greenhill, JPMorgan 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, JPMorgan and Lazard s analysis. Greenhill, JPMorgan 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 the approximately $50 million aggregate downward adjustment described to Greenhill, JPMorgan and Lazard by management of MCI based on the assumed specified liabilities provided to them by MCI.

Greenhill, JPMorgan 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, JPMorgan and Lazard as of, May 1, 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, JPMorgan and Lazard do not have any obligation to update, revise or reaffirm their opinions.

Greenhill, JPMorgan and Lazard s opinions are directed only to the fairness from a financial point of view, as of May 1, 2005, to MCI s stockholders of the merger consideration and special cash dividend to be issued and paid to these stockholders in connection with the merger agreement, and do not address the underlying decision

by MCI to engage in the merger or any of the transactions related thereto. None of Greenhill, JPMorgan or Lazard were asked to, nor did they, recommend the amount of consideration to be paid in connection with the Verizon merger. In addition, MCI has not asked Greenhill, JPMorgan 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, JPMorgan 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, JPMorgan and Lazard understand that MCI has engaged in strategic discussions with, and has received proposals for strategic transactions from, third parties. Greenhill, JPMorgan and Lazard have not 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, JPMorgan 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, JPMorgan and Lazard in connection with rendering their opinions described above. Certain of the analyses performed by Greenhill, JPMorgan and Lazard 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 and the second amendment to the merger agreement on March 29, 2005 or at other times prior to May 1, 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, JPMorgan 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 and the amendment to the original merger agreement with Verizon. The following summary does not purport to be a complete description of the financial analyses performed by Greenhill, JPMorgan and Lazard. The order of analyses described does not represent the relative importance or weight given to those analyses by Greenhill, JPMorgan and Lazard. Greenhill, JPMorgan and Lazard all worked on developing these analyses, and these analyses represent the joint work product of Greenhill, JPMorgan 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, JPMorgan 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, JPMorgan or Lazard has rendered 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 Analyses

MCI Comparable Company Analysis. Greenhill, JPMorgan 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 the only publicly traded company with operations and financial characteristics that for purposes of this analysis may be considered comparable to the operations of MCI in that AT&T, like MCI (and unlike other telecommunications companies such as Sprint Corporation, Cingular or Nextel), has a business mix that includes a leading position in both consumer long distance and enterprise telecommunications (i.e., managed telecommunication services sold to large companies and government agencies), and does not have significant wireless telecommunications assets.

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 of the acquisition of AT&T by SBC.

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Greenhill, JPMorgan and Lazard calculated the firm values (adjusted to exclude unconsolidated investments) of AT&T as multiples of:

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

2005 estimated EBITDA.

The following table presents the multiples derived from this analysis:

AT&T firm value multiple / 2004 EBITDA	2.9x
AT&T firm value multiple / 2005 estimated EBITDA	3.6x

Greenhill, JPMorgan and Lazard applied AT&T s firm value multiples of 2.9x 2004 actual EBITDA and 3.6x 2005 estimated EBITDA to MCI s estimated EBITDA, which resulted in a range of implied equity values per MCI share of $12.80 to $13.95.

MCI Comparable Transaction Analysis. Greenhill, JPMorgan 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. The acquisition of AT&T by SBC was selected by Greenhill, JPMorgan and Lazard because it was the only recent major telecommunications transaction relating to an acquisition of a company with financial characteristics and operations that for purposes of this analysis may be considered comparable to the Verizon merger. Greenhill, JPMorgan and Lazard used the financial information reviewed by them 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. Greenhill, JPMorgan and Lazard applied these firm value multiples to MCI s estimated EBITDA, which resulted in a range of implied equity values per MCI share of $14.10 to $15.10.

MCI Management Case Discounted Cash Flow Analyses. Greenhill, JPMorgan and Lazard calculated a range of discounted cash flow values for MCI using three-year and five-year estimates provided by MCI management. A discounted cash flow analysis is a traditional method of evaluating an asset using estimates of the future cash flows of the asset and taking into consideration the time value of money with respect to those future cash flows by calculating their present value . Present value refers to the current value of one or more future cash payments from the asset, which we refer to as that asset s cash flows, and is obtained by discounting those future cash flows or amounts by a discount rate that takes into account macro-economic assumptions and estimates of risk, the opportunity cost of capital, expected returns and other appropriate factors. Other financial terms utilized below are terminal value which refers to the estimated capitalized value of all future cash flows from an asset at a particular point in time and unlevered projected free cash flows which refers to a calculation of the future cash flows of an asset without including in such calculation any debt servicing costs.

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, JPMorgan and Lazard calculated a range of values for MCI by utilizing discount rates 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, implying free cash flow perpetual growth rates beyond the terminal year ranging from -0.3% to 2.8% for the three-year discounted cash flow analysis and -1.6% to 1.7% for the five-year discounted cash flow analysis.

The range for the discount rates used in this analysis was chosen to reflect the theoretical analyses of the weighted average cost of capital for MCI, which represents the expected return on MCI s debt and equity securities based on the average, after tax returns on MCI s equity and debt, adjusted to reflect the relative

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weighting of debt and equity in MCI s capital structure. 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). Cash flows were discounted to January 2005 using a mid-year convention. Based on the foregoing calculations, Greenhill, JPMorgan and Lazard derived a range of implied equity values per MCI share of $15.15 to $20.85 using the three-year discounted cash flow analysis and $18.40 to $24.25 using the five-year discounted cash flow analysis.

At the direction of MCI, Greenhill, JPMorgan and Lazard performed a sensitivity analysis on the management case three-year 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. For the sensitivity analysis, Greenhill, JPMorgan and Lazard assumed, at the direction of MCI, that these revenue sensitivities assume constant EBITDA margins, implying that costs are in line with revenue loss (e.g., 5% lower revenue equals 5% lower EBITDA). Based on the foregoing calculations, Greenhill, JPMorgan and Lazard derived a range of implied equity values per MCI 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, JPMorgan 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, JPMorgan and Lazard calculated a range of values for MCI by utilizing discount rates 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, JPMorgan and Lazard selected a lower range of terminal value multiples for this analysis than the range as described above in MCI Management Case Discounted Cash Flow Analyses because of Wall Street research analysts more conservative view regarding MCI s growth potential. The methodology used in these calculations was otherwise the same as described above under MCI Management Case Discounted Cash Flow Analyses. Based on the foregoing calculations, Greenhill, JPMorgan and Lazard derived a range of implied equity values per MCI share of $10.80 to $15.75 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, JPMorgan 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 and assuming constant EBITDA margins. Based on the foregoing calculations, Greenhill, JPMorgan and Lazard derived a range of implied equity values per MCI share of $9.57 to $14.27, in the case of a 5% revenue reduction, and $7.13 to $11.32, in the case of a 15% revenue reduction.

Verizon Analyses

Verizon Comparable Company Analysis. Greenhill, JPMorgan 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 SEC filings by these companies 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, JPMorgan 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.

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

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

Greenhill, JPMorgan and Lazard applied the mean adjusted firm value multiples of 6.1x 2004 actual EBITDA and 5.8x 2005 estimated EBITDA to Verizon s estimated EBITDA, which resulted in a range of implied equity values per Verizon share of $37.95 to $38.55.

Verizon Street Case Discounted Cash Flow Analysis. Greenhill, JPMorgan 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, JPMorgan and Lazard calculated a range of values for Verizon by utilizing discount rates from 7.0% to 8.0% and terminal value multiples of Verizon 2007 and 2009 estimated EBITDA ranging from 5.0x to 6.0x, implying free cash flow perpetual growth rates beyond the terminal year ranging from -0.3% to 1.8% for the three-year discounted cash flow analysis and -0.6% to 1.5% for the five-year discounted cash flow analysis.

The range for the discount rates used in these analyses was chosen to reflect the theoretical analyses of the weighted average cost of capital for Verizon, which represents the expected return on Verizon s debt and equity securities based on the average, after tax returns on Verizon s equity and debt, adjusted to reflect the relative weighting of debt and equity in Verizon s capital structure. 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). Cash flows were discounted to January 2005 using a mid-year convention. Based on the foregoing calculations, Greenhill, JPMorgan and Lazard derived a range of implied equity values per Verizon share of $30.95 to $41.35 using the three-year discounted cash flow analysis and $32.10 to $42.50 using the five-year discounted cash flow analysis.

Hypothetical Stockholder Value Creation Analyses

The following hypothetical stockholder value creation methodologies were selected by Greenhill, JPMorgan and Lazard in order to estimate the hypothetical value the transaction could generate for MCI stockholders in comparison to MCI s stand-alone value by applying valuation techniques to the combined company. The sum-of-the-parts analysis is intended to reflect an aggregation of the value of the different business segments within each of MCI and Verizon; the trading value analysis is intended to reflect the value at which the combined MCI and Verizon theoretically could trade in the equity markets; and the combined MCI/Verizon discounted cash flow

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analysis is intended to represent the intrinsic value of the combined MCI and Verizon based upon estimates of the combined company s future cash flows. The following analyses utilized MCI s estimates of cost savings and operating improvements expected to result from the merger (with an estimated run-rate of $1 billion per year starting in 2008). The estimates of cost savings and operating improvements provided by each of MCI s and Verizon s management did not differ.

Sum-of-the-Parts Analysis. Greenhill, JPMorgan and Lazard performed a sum-of-the-parts analysis on Verizon and MCI s businesses using financial forecasts provided by MCI management, financial forecasts of Wall Street equity research analysts for Verizon and industry multiples for each of the primary businesses of Verizon and MCI to value each of the primary businesses of Verizon after the acquisition of MCI s businesses pursuant to the merger, including MCI s expected cost savings and operating improvements. For each component business analyzed in the sum-of-the-parts analysis, Greenhill, JPMorgan and Lazard selected EBITDA multiples using their judgment and experience and by considering multiples used by analysts and investors in the relevant sector of the telecommunications market. Since each of these differing sectors represents a distinct type of business, these multiples will necessarily not be identical across sectors. The multiples for each sector reflect different financial characteristics and risks associated with the particular sector, just as multiples for companies in different businesses will vary. Greenhill, JPMorgan and Lazard then derived a range of implied values 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 6.3% of Verizon shares), and dividing the sum by the number of outstanding MCI shares. Greenhill, JPMorgan and Lazard then calculated an implied total value to be received per share of MCI by adding in the per share cash portion of the merger consideration and the $0.40 per share dividend paid by MCI on March 15, 2005. This analysis included adjustments based on the assumed specified liabilities provided by MCI to Greenhill, JPMorgan and Lazard.

Greenhill, JPMorgan 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 5.0x to 5.5x. This analysis resulted in an implied valuation for this business ranging from $75.0 billion to $82.5 billion (before subtracting net debt).

Greenhill, JPMorgan 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 3.0x to 4.0x. This analysis resulted in an implied valuation for this business ranging from $8.6 billion to $11.4 billion (before subtracting net debt).

Greenhill, JPMorgan 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 6.0x to 8.0x. This analysis resulted in an implied valuation for this business ranging from $73.1 billion to $97.4 billion (before subtracting net debt).

Greenhill, JPMorgan 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 8.0x to 10.0x. This analysis resulted in an implied valuation for this business ranging from $13.5 billion to $16.8 billion (before subtracting net debt).

Greenhill, JPMorgan and Lazard then subtracted from the sum of these valuation ranges a range of net debt for Verizon after the merger from $61.7 billion to $72.6 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.

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Based upon the implied valuations of each of these businesses, total net debt and the amount of cash consideration offered in connection with the merger, Greenhill, JPMorgan and Lazard calculated a range of implied values to be received per MCI share of $27.05 to $32.35.

Trading Value Analysis. Using the equity values for MCI and Verizon implied by the comparable company analyses as described above, 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, JPMorgan and Lazard calculated a range of hypothetical implied values to be received per MCI share in the merger. Greenhill, JPMorgan and Lazard applied multiples ranging from 2.9x to 3.6x for estimated MCI 2006 EBITDA, 5.8x to 6.1x for estimated Verizon 2006 EBITDA and 2.9x to 5.9x 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 cost savings and operating improvements multiple of 2.9x is based on MCI s lowest estimated 2006 EBITDA multiple, and the estimate of cost savings and operating improvements multiple of 5.9x is based on the blended average of the stand-alone highest estimated 2006 EBITDA multiples for MCI and Verizon. Greenhill, JPMorgan and Lazard then derived a range of implied values to be received per MCI share by applying the multiples to the estimates of EBITDA or cost savings and operating improvements to which they correspond, 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 6.3% of Verizon shares), and dividing the sum by the number of outstanding MCI shares. Greenhill, JPMorgan and Lazard then calculated an implied total value to be received per share of MCI by adding in the per share cash portion of the merger consideration and the $0.40 per share dividend paid by MCI on March 15, 2005. This analysis included adjustments based on the assumed specified liabilities provided by MCI to Greenhill, JPMorgan and Lazard. Based upon this analysis, Greenhill, JPMorgan and Lazard calculated a range of implied values to be received per MCI share of $28.15 to $30.50.

Combined Verizon/MCI 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, Greenhill, JPMorgan and Lazard calculated a range of implied values to be received per MCI share in the merger. To calculate this range of implied values, Greenhill, JPMorgan and Lazard used the high, low and average values (based on high and low values for the cases examined, excluding downside MCI revenue sensitivity cases) of the range of values implied by the discounted cash flow analyses described above and multiplied those values by an estimate of the proportion of shares of Verizon that would be owned by MCI stockholders after the merger (estimated at 6.3% of Verizon shares) and dividing by the number of outstanding MCI shares. Greenhill, JPMorgan and Lazard then calculated an implied total value to be received per share of MCI by adding in the per share cash portion of the merger consideration and the $0.40 per share dividend paid by MCI on March 15, 2005 and a per share amount of 6.3% 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. This analysis included adjustments based on the assumed specified liabilities provided by MCI to Greenhill, JPMorgan and Lazard. Based upon this analysis, Greenhill, JPMorgan and Lazard calculated at a range of implied values to be received per MCI share of $24.60 to $30.55 for the three-year discounted cash flow analyses and $25.45 to $31.40 for the five-year discounted cash flow analysis.

The results obtained by Greenhill, JPMorgan 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	$ 30.55	$ 31.40	$ 30.50	$ 32.35
Low	$ 24.60	$ 25.45	$ 28.15	$ 27.05
Average	$ 27.58	$ 28.43	$ 29.33	$ 29.70

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Implied Exchange Ratio Analysis

The implied exchange ratio analysis provides a measure of the relative value of shares of Verizon common stock to shares of MCI common stock by showing the number of shares of Verizon common stock having a value equal to one share of MCI common stock. The purpose of this implied exchange ratio analysis is to provide a range of illustrative exchange ratios, or a relative measure of the relative market values of MCI common stock to Verizon common stock. The resulting exchange ratios are not directly comparable to the exchange ratio for the Verizon merger because in the Verizon merger, MCI stockholders may receive cash in addition to Verizon equity. Greenhill, JPMorgan 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 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

MCI Historical Stock Trading Analysis

Greenhill, JPMorgan 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, JPMorgan 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, JPMorgan and Lazard. Greenhill, JPMorgan and Lazard also analyzed the estimated implied merger premium based on Verizon s share price as of March 18, 2005. Although this analysis was presented to the MCI board of directors and considered by Greenhill, JPMorgan and Lazard in rendering their fairness opinions, the results described below do not indicate the premiums offered in the Verizon merger because the analysis was prepared using the lower consideration offered by Verizon at the time of the analysis and the stock prices as of that time. Stockholders should take this information into account when considering the results of the analysis set forth below.

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;

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- 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, JPMorgan and Lazard s opinions. In arriving at its fairness determinations, each of Greenhill, JPMorgan 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, JPMorgan 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, JPMorgan and Lazard prepared these analyses for purposes of providing their respective opinions to MCI s board of directors, as of May 1, 2005, as to the fairness from a financial point of view of the merger consideration and special cash dividend 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, JPMorgan 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, JPMorgan 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, JPMorgan and Lazard in connection with the fairness opinions and is qualified in its entirety by reference to the written opinions of Greenhill, JPMorgan and Lazard attached as Annexes B, C and D to the proxy statement and prospectus.

Analyses of MCI s Financial Advisors with Respect to the Qwest Proposal

General

Greenhill, JPMorgan and Lazard also presented certain analyses to MCI s board of directors regarding the proposal made by Qwest on April 21, 2005, which for purposes of this description we sometimes refer to as the Qwest proposal. These analyses were presented for the information of MCI s board of directors and did not constitute an opinion or appraisal. None of Greenhill, JPMorgan or Lazard rendered any opinion as to the relative merits or valuation of the Qwest proposal as compared to the Verizon merger, nor have any of them expressed any opinion as to the prices at which the shares of MCI common stock or Qwest common stock would trade at any future time.

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Under the Qwest proposal the consideration to be issued and paid to MCI stockholders consisted of (a) that number (rounded to the nearest 1/100 of a share) of shares of common stock of a new entity formed to be the holding company of MCI and Qwest, which we sometimes refer to as New Qwest , equal to the Qwest exchange ratio (as defined below) and (b) $16.00 in cash (all or a portion of which may be paid in the form of a special cash dividend).

Under the Qwest proposal, the preliminary Qwest exchange ratio would be the number of shares of New Qwest common stock equal to the number determined by dividing $14.00 (sometimes referred to as the Qwest equity amount) by the average of the volume weighted averages of the trading prices of Qwest common stock (sometimes referred to as the average Qwest stock price), as reported on the New York Stock Exchange 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 Qwest pursuant to the Qwest proposal; provided, however, that (i) if the number determined by dividing the equity amount by the average Qwest stock price would be less than or equal to 3.373, the preliminary Qwest exchange ratio would have been 3.373 and (ii) if the number determined by dividing the equity amount by the average Qwest stock price would be greater than or equal to 4.217, the preliminary Qwest exchange ratio would have been be 4.217.

Under the Qwest proposal, if the preliminary Qwest exchange ratio would be greater than 3.373, then New Qwest would have had the right to reduce the preliminary Qwest exchange ratio to an amount no less than 3.373 (as so reduced, sometimes referred to as the Qwest exchange ratio), and, in such case, the preliminary per share cash amount would have been increased by an amount equal to the number determined by multiplying (x) the difference between the preliminary Qwest exchange ratio *minus* the Qwest exchange ratio prior to any purchase price adjustments described below by (y) the average Qwest stock price (as so increased, sometimes referred to as the Qwest per share cash amount, and together with the Qwest exchange ratio, sometimes referred to as the Qwest merger consideration).

Under the Qwest proposal, at any time prior to the mailing of the joint proxy statement and prospectus relative to the Qwest proposal, New Qwest would have had the right to elect to substitute up to $1.2 billion in cash for up to $1.2 billion of the aggregate stock consideration, subject to certain restrictions. Also, under the Qwest proposal, the Qwest merger consideration would have been subject to the same potential downward purchase price adjustment as provided in the Verizon merger agreement based on the amount of certain specified liabilities of MCI.

In connection with their analysis of the Qwest proposal, Greenhill, JPMorgan, and Lazard reviewed, among other things,

- The information relating to MCI referred to under Analyses of MCI s Financial Advisors Opinions of MCI s Financial Advisors Opinion of MCI s Financial Advisors with Respect to Verizon Merger ;
- Forms of a merger agreement for the Qwest proposal and certain related documents;
- Documents related to certain debt financing proposed to be obtained by Qwest;
- Certain publicly available business and financial information concerning MCI and Qwest and the industries in which they operate;
- The MCI forecasts relating to MCI s business and assets and liabilities prepared by the management of MCI referred to under Analyses of MCI s Financial Advisors Opinions of MCI s Financial Advisors General ;

Certain internal financial information, estimates, forecasts and other data relating to Qwest s business and assets and liabilities of Qwest provided to Greenhill, JPMorgan and Lazard by Qwest s management;

Certain financial and valuation analyses related to Qwest and a Qwest proposal provided to Greenhill, JPMorgan and Lazard by Qwest s financial advisors;

MCI management s estimates of Qwest s contingent liabilities;

MCI management s estimates regarding the amount and timing of certain cost savings and operating synergies to result from the Qwest proposal, sometimes referred to as the Qwest cost savings and operating improvements;

Qwest management s estimates regarding the amount and timing of certain cost savings and operating improvements to result from the Qwest proposal, which Greenhill, JPMorgan, and Lazard reviewed and compared to MCI management s estimates of the Qwest cost savings and operating improvements as described above, but did not independently evaluate or incorporate into their valuation analyses;

The MCI street forecasts relating to MCI s business and financial prospects prepared by certain research analysts MCI referred to under Analyses of MCI s Financial Advisors Opinions of MCI s Financial Advisors General ; and

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

Greenhill, JPMorgan and Lazard also held discussions with and received guidance from members of the senior managements of MCI and Qwest regarding their assessment of the strategic rationale for, and the potential benefits of, the Qwest proposal and the transactions contemplated by it, and the past and current business operations, financial condition and future prospects of MCI and Qwest. In addition, Greenhill, JPMorgan and Lazard reviewed the reported price and trading activity for MCI common stock and the Qwest common stock, compared certain financial and stock market information for MCI and Qwest 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, JPMorgan and Lazard deemed relevant and performed such other studies and analyses, and considered such other factors, as Greenhill, JPMorgan and Lazard considered appropriate.

In connection with their analyses, Greenhill, JPMorgan 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 Greenhill, JPMorgan and Lazard, and have further relied upon the assurances of MCI and Qwest that they are not aware of any facts or circumstances that would make such information inaccurate or misleading. None of Greenhill, JPMorgan and 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 liabilities) of MCI, Qwest or any of their respective subsidiaries or affiliates, nor have any such valuations or appraisals been provided to Greenhill, JPMorgan or Lazard. Greenhill, JPMorgan and Lazard have not independently evaluated the solvency of MCI or Qwest or any of their respective subsidiaries or affiliates under any state or federal laws relating to bankruptcy, insolvency or similar matters. In addition, Qwest s advisors informed Greenhill, JPMorgan or Lazard that, in connection with the Qwest proposal, certain unidentified investors may have made a common equity investment in Qwest (sometimes referred to as the Qwest equity investment), Greenhill, JPMorgan or Lazard have not reviewed nor have they been provided any commitment letters or other agreements related to, or any detailed description of the terms of, these proposed investments. Greenhill, JPMorgan and Lazard assumed for the purposes of their analyses that MCI stockholders who acquire their shares of MCI common stock after any part or all of the special cash dividend contemplated by the Qwest proposal would be made, would have paid a price for these shares which has the same economic effect as if they had held such shares before such part or all of the special cash dividend was made and received such payment. In relying on the financial analyses, estimates and forecasts provided to Greenhill, JPMorgan and Lazard, including MCI forecasts, the Qwest forecasts and the cost savings and operating improvements, with MCI s consent, Greenhill, JPMorgan and Lazard 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 Qwest to which such analyses, estimates and forecasts relate and, with MCI s consent, Greenhill, JPMorgan and Lazard assumed that the specified liabilities would not have exceeded the assumed specified liabilities.

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Greenhill, JPMorgan and Lazard expressed no view as to any such analyses, estimates or forecasts, including the cost savings and operating improvements estimated by Qwest and MCI resulting from the Qwest proposal, the MCI forecasts, the MCI street forecasts, the Qwest forecasts, the Qwest street forecasts and MCI s assumed specified liabilities, or the assumptions on which they were based.

Greenhill, JPMorgan and Lazard assumed, for purposes of their analyses of the Qwest proposal, that the full amount of the debt financing contemplated by the Qwest debt commitment letters would have been available on the terms set forth therein without waiver and on terms that are not in any way materially adverse to Greenhill, JPMorgan and Lazard s analysis or from other sources on terms that are not in any way materially adverse to their analysis. MCI advised Greenhill, JPMorgan and Lazard, and Greenhill, JPMorgan and Lazard assumed, that the transactions contemplated by the Qwest proposal would have been consummated in compliance with all applicable laws.

Greenhill, JPMorgan and Lazard relied as to all legal, including regulatory, bankruptcy and tax, matters relevant to their analyses upon advice of counsel for MCI.

Greenhill, JPMorgan and Lazard also assumed that the transactions contemplated by the Qwest proposal would have been consummated without waiver of any material terms or conditions set forth in the proposed merger agreement relating thereto.

Greenhill, JPMorgan and Lazard assumed that the merger agreement relating to the Qwest proposal would not have differed in any material respects from the draft merger agreement furnished to Greenhill, JPMorgan and Lazard. Greenhill, JPMorgan and Lazard further assumed that all material governmental, regulatory or other consents and approvals necessary for the consummation of the transactions contemplated by the Qwest proposal would have been obtained without any effect on MCI or Qwest or on the contemplated benefits of the transactions contemplated by the Qwest proposal in any way materially adverse to Greenhill, JPMorgan and Lazard s analysis. MCI also advised Greenhill, JPMorgan and Lazard, and they assumed, that any third party contractual rights would not have had any effect on Qwest pro forma or on the contemplated benefits of the transactions contemplated by the Qwest proposal in any way materially adverse to Greenhill, JPMorgan and Lazard s analysis. Greenhill, JPMorgan and Lazard also assumed, with MCI s consent, that the purchase price adjustment terms of the Qwest proposal would not have resulted in any adjustment to the merger consideration in an amount greater than that described to Greenhill, JPMorgan and Lazard by management of MCI based on the assumed specified liabilities.

Greenhill, JPMorgan and Lazard s analyses are necessarily based on economic, market, tax, legal and other conditions as in effect on, and the information made available to Greenhill, JPMorgan and Lazard as of the date of these analyses. It should be understood that subsequent developments may affect their analyses and that Greenhill, JPMorgan and Lazard do not have any obligation to update, revise, or reaffirm their analyses.

Greenhill, JPMorgan and Lazard s advisory services were provided for the information and assistance of MCI s board of directors in connection with its consideration of the Qwest proposal and their analyses do not constitute a recommendation as to how any MCI stockholder should vote with respect to any transaction proposed for a vote of the MCI stockholders.

The following is a summary of the material financial analyses jointly performed by Greenhill, JPMorgan and Lazard in connection with the Qwest proposal. The following summary does not purport to be a complete description of the financial analyses performed by Greenhill, JPMorgan and Lazard. The order of analyses described does not represent the relative importance or weight given to those analyses by Greenhill, JPMorgan and Lazard. Greenhill, JPMorgan and Lazard all worked on developing these analyses, and these analyses represent this joint work product of Greenhill, JPMorgan 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, JPMorgan 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.

Qwest Analyses

Qwest Management Case Discounted Cash Flow Analyses. Greenhill, JPMorgan and Lazard calculated a range of discounted cash flow values for Qwest using three-year and five-year estimates provided by Qwest 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 (with net operating losses valued separately) of Qwest for the years 2005 through 2007 and (b) the present value of the terminal value based on Qwest s 2007 estimated EBITDA. The five-year discounted cash flow analysis was based on the sum of (a) the present value of projected standalone, after tax, unlevered free cash flows (with net operating losses valued separately) of Qwest for the years 2005 through 2009 and (b) the present value of the terminal value based on Qwest s 2009 estimated EBITDA. Greenhill, JPMorgan and Lazard calculated a range of values for Qwest by utilizing discount rates from 8.0% to 9.0% and terminal value multiples of Qwest estimated 2007 and 2009 EBITDA ranging from 4.0x to 5.0x, implying free cash flow perpetual growth rates beyond the terminal year ranging from 0.6% to 2.9% for the three-year discounted cash flow analysis and -0.1% to 2.4% for the five-year discounted cash flow analysis.

The range for the discount rates used in these analyses was chosen to reflect the theoretical analyses of the weighted average cost of capital for Qwest, which represents the expected return on Qwest s debt and equity securities based on the average, after tax returns on Qwest s equity and debt, adjusted to reflect the relative weighting of debt and equity in Qwest s capital structure. The analysis assumes 1.8 billion shares outstanding and $16.5 billion in net debt (including the present value of the mid-point estimate of MCI s estimates for Qwest s contingent liabilities based on MCI s due diligence with Qwest management) and the mid-point estimate for the value of Qwest s net operating losses. Based on the foregoing calculations, Greenhill, JPMorgan and Lazard derived a range of implied equity values per Qwest share of $1.25 to $3.40 using the three-year discounted cash flow analysis and $1.85 to $3.95 using the five-year discounted cash flow analysis.

Qwest Street Case Discounted Cash Flow Analysis. Greenhill, JPMorgan and Lazard calculated a range of discounted cash flow values for Qwest using three-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 standalone, after tax, unlevered free cash flows of Qwest for the years 2005 through 2007 and (b) the present value of the terminal value based on Qwest s 2007 estimated EBITDA. Greenhill, JPMorgan and Lazard calculated a range of values for Qwest by utilizing discount rates from 8.0% to 9.0% and terminal value multiples of Qwest s 2007 estimated EBITDA ranging from 4.0x to 5.0x, implying free cash flow perpetual growth rates beyond the terminal year ranging from -1.7% to 1%. In their forecasts, Greenhill, JPMorgan and Lazard assumed no cash taxes would be paid and did not separately value Qwest s net operating losses. In addition, Qwest s publicly disclosed litigation reserves were used to calculate the contingent liability portion of net debt. The methodology used in these calculations was otherwise the same as described above under Qwest Management Case Discounted Cash Flow Analyses. Based on the foregoing calculations, Greenhill, JPMorgan and Lazard derived a range of implied equity values per Qwest share of $2.10 to $4.20.

Hypothetical Stockholder Value Creation Analyses

The following hypothetical stockholder value creation methodologies were selected by Greenhill, JPMorgan and Lazard in order to estimate the hypothetical value the transaction could generate for MCI stockholders in comparison to MCI s stand-alone value by applying valuation techniques to the combined company. The sum-of-the-parts analysis is intended to reflect an aggregation of the value of the different business segments within each of Qwest and MCI; the trading value analysis is intended to reflect the value at which the combined Qwest and

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MCI theoretically could trade in the equity markets; and the combined Qwest/ MCI discounted cash flow analysis is intended to represent the intrinsic value of the combined Qwest and MCI based upon estimates of the combined company s future cash flows. The following analyses utilized MCI s mid-point estimate of the annual cost savings and operating improvements expected to result from the Qwest proposal (with an estimated run-rate of $0.8 billion per year starting in 2008) and the break-up fee pursuant to the Verizon agreement. MCI considered Qwest s estimates of cost savings and operating improvements but did not agree to them and directed Greenhill, JPMorgan and Lazard to utilize MCI s estimates.

Sum-of-the-Parts Analysis. Greenhill, JPMorgan and Lazard performed a sum-of-the-parts analysis on Qwest and MCI s businesses using financial forecasts provided by Qwest and MCI management, financial forecasts of Wall Street equity research analysts for Qwest and MCI and industry multiples for each of the primary businesses of Qwest and MCI to value each of the primary businesses of the combined entity, including expected cost savings and improvements. For each component business analyzed in the sum-of-the-parts analysis, Greenhill, JPMorgan and Lazard selected EBITDA multiples using their judgment and experience and by considering multiples used by analysts and investors in the relevant sector of the telecommunications market. Since each of these differing sectors represents a distinct type of business, these multiples will necessarily not be identical across sectors. The multiples for each sector reflect different financial characteristics and risks associated with the particular sector, just as multiples for companies in different businesses will vary. Greenhill, JPMorgan and Lazard then derived a range of implied values 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 Qwest that would be owned by MCI stockholders (estimated at 38.6% of Qwest s shares), and dividing the sum by the number of outstanding MCI shares. Greenhill, JPMorgan and Lazard then calculated an implied total value to be received per share of MCI by adding in the per share cash portion of consideration proposed by Qwest and the $0.40 per share dividend paid by MCI on March 15, 2005. This analysis included adjustments based on the assumed specified liabilities provided by MCI to Greenhill, JPMorgan and Lazard.

Greenhill, JPMorgan and Lazard calculated the range of implied values of Qwest s local exchange carrier business after the acquisition of MCI s businesses pursuant to Qwest s proposal, using 2005 EBITDA for this business forecasted by Wall Street equity research analysts and Qwest management estimates and a range of multiples from 5.0x to 6.0x. This analysis resulted in an implied valuation for this business ranging from $25.3 billion to $30.4 billion (before subtracting net debt).

Greenhill, JPMorgan and Lazard calculated the range of implied values of Qwest s and MCI s inter-exchange carrier business after the acquisition of MCI s businesses pursuant to Qwest s proposal, using 2005 EBITDA for this business forecasted by MCI management and MCI s public filings for the MCI inter-exchange carrier business, and Qwest management and Qwest public filings for the Qwest inter-exchange carrier business, expected cost savings and operating improvements as estimated by MCI management and a range of multiples from 3.0x to 4.0x. This analysis resulted in an implied valuation for this business ranging from $4.7 billion to $6.3 billion (before subtracting net debt).

Greenhill, JPMorgan and Lazard then subtracted from the sum of these valuation ranges the net debt for the combined MCI and Qwest businesses of $23.7 billion, consisting of total debt (including capital leases), Qwest contingent liabilities, plus the present value of estimated future liabilities, less cash.

Based upon the implied valuations of each of these businesses, total net debt and the amount of cash consideration offered in the Qwest proposal, Greenhill, JPMorgan and Lazard calculated a range of implied values to be received per MCI share of $23.90 to $31.85.

Trading Value Analysis. Using the equity values for MCI and Qwest implied by the comparable company analyses as described above, MCI management 2006 EBITDA estimates for MCI, Qwest management 2006 EBITDA estimates for Qwest and MCI s estimate of 2006 cost savings and operating improvements, Greenhill,

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JPMorgan and Lazard calculated a range of hypothetical implied values to be received per MCI share under the Qwest proposal. Greenhill, JPMorgan and Lazard applied multiples ranging from 2.9x to 3.6x for estimated MCI 2006 EBITDA, 5.7 to 6.0 for estimated Qwest 2006 EBITDA and 2.9x to 5.2x 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). Qwest s multiples are based on average public market multiples for BellSouth, SBC and Verizon of 6.0x 2004 actual EBITDA and Wall Street equity research analyst estimates of 5.7x 2005 estimated EBITDA as of February 11, 2005. The cost savings and operating improvements multiple of 2.9x is based on MCI s lowest estimated 2006 EBITDA multiple and the estimate of cost savings and operating improvements multiple of 5.2x is based on the blended average of the stand-alone highest estimated 2006 EBITDA multiples for MCI and Qwest. Greenhill, JPMorgan and Lazard then derived a range of implied values to be received per MCI share by applying the multiples to the estimated EBITDA or cost savings and operating improvements to which they correspond, 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 Qwest that would be owned by MCI stockholders after the merger (estimated at 38.6% of Qwest s shares), and dividing the sum by the number of outstanding MCI shares. Greenhill, JPMorgan and Lazard then calculated an implied total value to be received per share of MCI by adding in the per share cash portion of the merger consideration and the $0.40 per share dividend paid by MCI on March 15, 2005. This analysis included adjustments based on the assumed specified liabilities provided by MCI to Greenhill, JPMorgan and Lazard. Based upon this analysis, Greenhill, JPMorgan and Lazard calculated a range of implied values to be received per MCI share of $25.15 to $29.10.

Greenhill, JPMorgan and Lazard also calculated a range of trading values for the combined Qwest/MCI using Wall Street equity research analysts 2006 EBITDA estimates for MCI, Qwest Wall Street equity research analysts 2006 EBITDA estimates for Qwest and MCI s estimate of 2006 cost savings and operating improvements. The ranges of multiples that Greenhill, JPMorgan and Lazard used are identical to those of the management trading value analysis described in the preceding paragraph. Based on these numbers, Greenhill, JPMorgan and Lazard calculated the implied enterprise value and subtracted net debt to arrive at a range implied values to be received per MCI share of $27.05 to $30.95.

At the request of MCI, Greenhill, JPMorgan and Lazard also performed a sensitivity analysis on the Wall Street equity research analysts case trading value analysis and MCI management trading value analysis to assess the potential impact of uncertainties related to the combined MCI and Qwest by assuming a revenue reduction of 5% on the highest estimates provided by MCI management and Wall Street equity research analysts and 15% on the lowest estimates provided by MCI management and Wall Street equity research analysts and assuming constant EBITDA margins. Based on the foregoing calculations, Greenhill, JPMorgan and Lazard derived a range of implied values to be received per MCI share of $25.95, in the case of a 15% reduction in Wall Street equity research analysts revenue estimates, to $30.50, in the case of a 5% reduction in Wall Street equity research analysts revenue estimates.

Combined Qwest/MCI Discounted Cash Flow Analysis. Using the equity values for MCI and Qwest implied by the discounted cash flow analyses described above Greenhill, JPMorgan and Lazard calculated a range of implied values to be received per MCI share under the Qwest proposal. To calculate this range of implied values, Greenhill, JPMorgan and Lazard used the high, low and average values (based on high and low values for the cases examined) of the range of values implied by the discounted cash flow analyses described above and multiplied those values by an estimate of the proportion of shares of Qwest that would be owned by MCI stockholders after the merger (estimated at 38.6% of Qwest s shares) and dividing by the number of outstanding MCI shares. Greenhill, JPMorgan and Lazard then calculated an implied total value to be received per share of MCI by adding in the per share cash portion of the merger consideration and the $0.40 per share dividend paid by MCI on March 15, 2005 and a per share amount of 38.6% of the $4.1 billion net present value of MCI s midpoint estimate of cost savings and operating improvements, representing the portion of the cost savings and operating improvements estimated to be realized by MCI stockholders under the Qwest proposal. This analysis included adjustments based on the assumed specified liabilities and took into account that a

combination potentially could increase the net present value of Qwest s net operating loss carryforwards. Based upon this analysis, Greenhill, JPMorgan and Lazard calculated a range of implied values to be received per MCI share of $24.15 to $31.00 for the management three-year discounted cash flow analyses, $23.80 to $30.25 for the Wall Street equity research analysts discounted cash flow analysis, and $26.65 to $33.45 for the management five-year discounted cash flow analysis.

At the request of MCI, Greenhill, JPMorgan and Lazard also performed a sensitivity analysis on the three- and five-year management discounted cash flow analysis and on the five-year Wall Street equity research analysts case discounted cash flow analysis of the combined company to assess the potential impact on the combined company of uncertainties related to the combined company s business by assuming a revenue reduction of 5% on the highest estimates for MCI provided by MCI management and Wall Street equity research analysts and 15%, on the lowest estimates for MCI provided by MCI management and Wall Street equity research analysts and assuming constant EBITDA margins. Based on the foregoing calculations, Greenhill, JPMorgan and Lazard derived a range of implied values to be received per MCI share (a) in the three-year discounted cash flow analyses of $22.45 in the case of a 15% reduction in MCI management revenue estimates to $30.30 in the case of a 5% reduction in MCI management revenue estimates and $22.35 in the case of a 15% reduction in Wall Street equity research analysts revenue estimates to $29.70 in the case of a 5% reduction in Wall Street equity research analysts revenue estimates; and (b) in the case of the five-year discounted cash flow analysis, $24.50 in the case of a 15% reduction in Wall Street equity research analysts revenue estimates to $32.60 in the case of a 5% reduction in Wall Street equity research analysts revenue estimates.

The results of the stockholder value creation analyses described above are as follows:

	Three Year DCF	Five Year DCF	Trading Value	Sum-of-the-Parts
High	$ 31.00	$ 33.45	$ 30.95	$ 31.85
Low	$ 22.35	$ 24.50	$ 24.00	$ 23.90
Averages	$ 26.68	$ 28.98	$ 27.48	$ 27.88

Additional Sensitivity Analyses. Based on MCI management direction, Greenhill, JPMorgan and Lazard performed an additional sensitivity analysis on the three-year management discounted cash flow analysis which assumed revenue losses due to reduced pricing. This additional sensitivity analysis assumes any revenue loss due to reduced pricing would have a more significant impact on EBITDA than the revenue sensitivities that assume constant EBITDA margins (e.g., 5% revenue loss due to reduced pricing would reduce EBITDA on a dollar-for-dollar basis). As per management guidance, this additional sensitivity analysis assumed a loss of 5%, 10% and 15% of MCI s enterprise/commercial revenue (estimated to be $9.9 billion in 2006) due entirely to reduced pricing. Using an estimate that MCI stockholders would receive 38.6% of Qwest equity on a pro forma basis under the Qwest proposal, including cost savings and operating improvements and incremental value from Qwest s net operating losses plus the cash consideration offered in the Qwest proposal and including the $0.40 dividend paid by MCI on March 15, 2004, Greenhill, JPMorgan and Lazard derived a range of implied values to be received per MCI share as follows:

	Low	Mid	High
5% Revenue loss due to pricing	$ 21.48	$ 24.58	$ 27.76
10% Revenue loss due to pricing	$ 18.68	$ 21.53	$ 24.45
15% Revenue loss due to pricing	$ 15.82	$ 18.41	$ 21.06

Greenhill, JPMorgan and Lazard also noted that this reduced pricing sensitivity analysis, when applied to the management case trading value analysis, resulted in a range of implied values to be received per MCI share of $23.42 to $26.97 for a 5% revenue loss due to pricing, $21.72 to $24.85 for a 10% revenue loss due to pricing, and $20.01 to $22.74 for a 15% revenue loss due to pricing.

In considering the Qwest proposal, selecting portions of the analyses or of the summary set forth above, without considering the analyses as a whole, could create an incomplete view of the processes underlying

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Greenhill, JPMorgan and Lazard s analyses. No company or transaction used in the above analyses as a comparison is directly comparable to MCI, Qwest or the contemplated transaction.

Greenhill, JPMorgan and Lazard prepared these analyses for the information of MCI s board of directors, as of April 23, 2005 and updated as of April 30, 2005. 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, Qwest, Greenhill, JPMorgan and Lazard or any other person assumes responsibility if future results are materially different from those forecasted.

As described above, the fact that the MCI board of directors received these analyses from Greenhill, JPMorgan and Lazard was one of many factors taken into consideration by the MCI board of directors in making its determination to approve the Verizon merger agreement. The foregoing summary does not purport to be a complete description of the analyses performed by each of Greenhill, JPMorgan and Lazard.

Miscellaneous

The MCI board of directors determined to engage Greenhill, JPMorgan and Lazard because of their substantial experience in similar transactions, their familiarity with MCI and its business and the significance of the proposed transaction to MCI. Other than as described above, no specific instructions or limitations regarding their fairness opinions or financial analyses were provided by the MCI board of directors to Greenhill, JPMorgan or Lazard.

MCI has agreed to pay each of Greenhill, JPMorgan and Lazard a transaction fee of $14 million in connection with the transactions contemplated by the merger agreement. The payment schedule of the transaction fees payable to Greenhill, JPMorgan and Lazard is as follows: (1) $250,000 of the transaction fee was to be paid upon the execution of the engagement letters retaining Greenhill, JPMorgan and Lazard, (2) $1.75 million of the transaction fee was to be paid upon the execution of a definitive merger agreement, (3) $3 million of the transaction fee will be paid upon the approval of MCI s stockholders of the merger agreement and (4) $9 million of the transaction fee will be paid upon completion of the transactions contemplated by the merger agreement. In addition, MCI has agreed to reimburse each of JPMorgan, Greenhill and Lazard its reasonable expenses, including attorneys fees and disbursements, and to indemnify each of Greenhill, JPMorgan and Lazard and related persons against various liabilities.

JPMorgan 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, Verizon and Qwest 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 Verizon s credit facilities and as a managing underwriter for the secondary offering by Verizon of its shares in Telus Corp. These services for Qwest have included acting as financial advisor to Qwest in connection with the sale of its wireless assets, as lead managing underwriter of offerings of Qwest debt securities and as lead arranger for certain of Qwest s credit facilities. JPMorgan received an aggregate of approximately $34,000 from MCI, $13.4 million from Verizon and $11.1 million from Qwest over the past twenty-four months in connection with JPMorgan s investment banking activities, exclusive of any fees related to the merger. In addition, JPMorgan s commercial bank affiliate is an agent bank and a significant lender under certain credit facilities of each of MCI, Verizon and Qwest. In addition,

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in the ordinary course of JPMorgan s businesses, it and its affiliates may actively trade the debt and equity securities of MCI, Verizon or Qwest for their account or for the accounts of customers and, accordingly, may at any time hold long or short positions in the securities of any of MCI, Verizon or Qwest.

Lazard has in the past provided, and may in the future provide, investment banking services to MCI for which it has received an aggregate of approximately $25 million from MCI over the past twenty-four months for these services, and may receive customary fees in the future. 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, Verizon or Qwest 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.

Potential Downward Purchase Price Adjustment

MCI s Current Estimate of the Potential Downward Purchase Price Adjustment

The merger agreement provides that if the estimated amount of cash that will be required after the closing of the merger to fully satisfy specified MCI bankruptcy claims and international tax liabilities, together with the amount of cash actually spent by MCI from and after January 1, 2005 through closing of the merger to satisfy these specified liabilities, exceeds $1,775 million, the consideration that MCI stockholders will receive in connection with the merger will be reduced by an amount equal to the per share equivalent of the amount by which the sum of the previously-paid specified liabilities and the remaining specified liabilities exceed $1,775 million. Under the merger agreement, the per share amount of the downward purchase price adjustment is calculated based on the total number of outstanding shares of MCI common stock, including the 43.4 million shares of MCI common stock beneficially owned by Verizon. However, because, under the merger agreement, MCI shares beneficially owned by Verizon will not be converted into the right to receive merger consideration and, instead, will be canceled at the closing of the merger, any downward purchase price adjustment will not be applied to those shares. Consequently, the determination of the downward purchase price adjustment per MCI share would be based on 329.7 million shares of MCI common stock estimated to be outstanding at the closing of the merger, but the adjustment to the purchase price per MCI share would only be applied to 286.3 million shares of MCI common stock estimated to be outstanding at the closing of the merger, which excludes shares beneficially owned by Verizon.

MCI currently estimates that the sum of the amount of previously-paid specified liabilities and remaining specified liabilities could range between an amount that would not result in any adjustment to the purchase price and an amount that would result in a downward adjustment to the purchase price of $0.21 per MCI share. Verizon has not reviewed or concurred with the interpretation or methodology MCI used in preparing its estimated range and has not verified MCI s estimate. Verizon is not required to prepare, and has not prepared, its own estimate of the specified liabilities amount. Before the closing of the merger, Verizon and MCI will use their best efforts to agree on the amount of an estimate of the remaining specified liabilities. If they are unable to agree, they will submit their respective estimates to arbitrators. The calculation of the specified liabilities is a complex process which is subject to interpretation. Accordingly, Verizon and MCI could have substantially different views as to how the specified liabilities should be calculated. Under the purchase price adjustment mechanism, the full amount of the merger consideration is at risk. However, in order for an MCI stockholder to receive no merger consideration, other than the special dividend, the sum of the previously-paid specified and the remaining specified liabilities would have to exceed approximately $8.5 billion, as compared to MCI s current estimate of between $1.615 billion and $1.845 billion. The $8.5 billion of specified liabilities that would reduce the merger consideration (which excludes for this purpose, the special cash dividend) to zero is based on the sum of (i) $6,726 million determined by multiplying the assumed merger consideration of $20.40 per MCI share times 329.7 million shares of outstanding MCI common stock (including MCI shares beneficially owned by Verizon) plus (ii) the amount of $1,775 million in specified liabilities for which there would be no downward purchase price adjustment.

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MCI has provided in the table below (x) a breakdown of the estimate among various categories of specified liabilities and the corresponding amounts of recorded liabilities on MCI s balance sheet as of December 31, 2004, March 31, 2005 and June 30, 2005 and (y) the corresponding claim amounts, if applicable. The definition of the specified liabilities amount in the merger agreement is the sum of previously-paid specified liabilities and the amount of cash required to satisfy the specified liabilities remaining at closing. If MCI and Verizon are unable to agree on the amount of cash required to satisfy the specified liabilities remaining at closing, the matter will be referred to arbitrators who will choose either MCI s or Verizon s estimate. The definition of specified liabilities differs in several important respects from the U.S. GAAP standards used by MCI to determine amounts shown as recorded liability amounts as of December 31, 2004, March 31, 2005 and June 30, 2005, in the category of items that MCI believes could be included in the determination of specified liabilities. Because the U.S. GAAP standards differ from the methodology used to calculate specified liabilities, the historical financial information and the recorded liability amounts do not govern the determination, and should not be used by MCI stockholders as a prediction, of the final specified liabilities amount that will determine whether there will be a downward purchase price adjustment.

MCI PRESENTATION OF RECORDED LIABILITIES AND

SPECIFIED LIABILITIES AMOUNTS

(in millions except per share impact)

	Face Value of Bankruptcy Claims at 6/30/05[(1)(12)]	Recorded Liabilities at 12/31/04[(2)]	Recorded Liabilities at 3/31/05[(2)(3)]	Recorded Liabilities at 6/30/05[(2)(3)]	Current Estimate of Range of Specified Liabilities Amount	
					High	Low
Bankruptcy Claims, including pre-petition and administrative expense claims but not including tax claims[(4)(13)]	$ 5,783	$ 301	$ 241	$ 181	$ 128(7)	$ 71(7)
Domestic Tax Claims, including administrative expense claims[(14)]	1,370	786	876	773	752(8)	585(8)
International Income Tax Liabilities	N.A.(5)	810	783	712(6)	685(9)	685
Previously-Paid Specified Liabilities	N.A.(15)	N.A.	56	224(10)	239(10)	239(10)
Estimated Interest to Closing	N.A.(16)	N.A.	N.A.	N.A.	41	35
Total	$ 7,153	$ 1,897	$ 1,956	$ 1,890	$ 1,845	$ 1,615
Per share impact[(11)]					$0.21	$

(1) Does not include the following claims subject to procedural objections: certain duplicate claims filed against multiple MCI group entities to avoid double counting of the same substantive matter; claims that relate to the purchase of securities because they are subject to subordination under Section 510(b) of the U.S. Bankruptcy Code; and claims filed after the bar date. These include approximately 174 claims with a total face amount of approximately $78.2 billion subject to procedural objections. MCI expects that these claims will be withdrawn, expunged or subordinated (so that they will not be entitled to any distribution and will not constitute specified liabilities).

(2) Includes reserves and liabilities in the category of items that MCI believes could be included in the determination of specified liabilities. Excludes claims and contingencies that, in MCI s judgment, are not part of the definition of specified liabilities, including accruals for $163 million of 2004 income taxes allocable to the post-emergence period. Takes into account certain offsetting amounts, including approximately $230 million of reduction in federal income taxes related to net operating loss carrybacks and accelerated research and development deductions that MCI believes are consistent with the terms of the merger agreement. There can be no assurance that these items will be realized in full. No amounts have been recorded with respect to claims subject to procedural objections.

(3) Changes from December 31, 2004 to March 31, 2005, and from March 31, 2005 to June 30, 2005, are ordinary course changes in accordance with MCI s accounting practices, including new accruals and accounting for payments. The changes from December 31, 2004 to March 31, 2005, and from March 31, 2005 to June 30, 2005, are not made for purposes of determining the specified liabilities amount, although common factors may ultimately affect the computation of the specified liabilities amount.

(4) Administrative expense claims have been taken into account in the bankruptcy claims and domestic tax claims, including both administrative expense claims that are separately stated, and administrative expense claims that are part of a larger bankruptcy claim and not separately stated or quantified. MCI does not have the information to state separately the amount of all administrative expense claims.

(5) International tax liabilities relate to subsidiaries that were not debtors in the bankruptcy proceeding. These amounts are not claims but are included in the calculation of specified liabilities under the merger agreement.

(6) The international tax liabilities are comprised of underlying liabilities denominated in multiple foreign currencies, predominantly euros. As of December 31, 2004, March 31, 2005, and June 30, 2005, the amount of euro-denominated liabilities included above were approximately $663 million, $629 million, and $571 million, respectively. These amounts were converted to U.S. dollars using exchange rates of .73779 euro/U.S. dollar, .77286 euro/U.S. dollar, and .83063 euro/U.S. dollar, as of December 31, 2004, March 31, 2005, and June 30, 2005, respectively. With the exception of one matter for which there is a settlement agreement in the amount of $10 million, there are no assertions or assessments of international tax liabilities that have not been paid. Thus, the international tax liability shown is MCI s estimate of potential international tax liabilities, plus the $10 million settlement amount.

(7) MCI s estimated range for the amount of specified liabilities in this category differs from the recorded liability at June 30, 2005 primarily due to recent payments, court ordered resolutions, progress in settlement negotiations, and its assessment of claims. The difference between the high end of the range and the low end of the range is due to an additional reduction for the liabilities under first day bankruptcy orders that MCI believes will be paid in the ordinary course outside of the bankruptcy process and excluded from the low range of specified liabilities ($15 million), as well as the potential of future favorable settlements on bankruptcy claims ($42 million). First day orders entered by the bankruptcy court permitted certain liabilities incurred by MCI prior to the bankruptcy filing to be satisfied outside of the bankruptcy process. MCI recorded these liabilities as current liabilities under U.S. GAAP and paid them in the ordinary course of business, rather than pursuant to MCI s plan of reorganization. MCI believes that these liabilities are not specified liabilities because they are not bankruptcy claims as MCI interprets that term in the merger agreement.

(8) MCI s estimated range for the amount of specified liabilities in this category differs from the recorded liability at June 30, 2005 due to reductions for items that, under MCI s interpretation of the merger agreement, MCI does not expect to become claims by the closing of the merger ($18 million), taxes that MCI believes are not attributable to the pre-emergence period ($5 million), refund claims ($7 million), increased by estimates of cash potentially required to satisfy claims in excess of amounts reserved ($10 million). The difference between the high end of the range and the low end of the range is due to an additional reduction for items that MCI believes may not become claims by the closing of the merger ($57 million), additional refund claims ($69 million), MCI s estimates of cash required to satisfy claims at amounts less than reserves ($36 million), and tax matters to be resolved with property rather than for cash ($5 million).

(9) The estimate of specified liabilities reflects MCI s expectation of settlement of a tax contingency at an amount that is $26 million lower than the reserve maintained for financial statement purposes. As of June 30, 2005, MCI did not meet the requirements of SFAS 5, Accounting for Contingencies, to reduce its reserve. MCI continues to evaluate this contingency and preliminary estimates have led management to believe that the best estimate of cash required to settle the contingency will be lower than the accrued amount.

(10) The previously-paid specified liabilities amount takes into account the $118 million cash already paid as part of the $124 million settlement with the State of Mississippi on May 9, 2005, related to taxes assessed against MCI s predecessor.

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(11) Calculated as the difference between the high estimate and $1,775 million divided by 329.7 million shares, which is the assumed number of shares issued and outstanding and reserved for issuance under MCI s plan of reorganization immediately prior to the closing of the merger, as described in section 1.10(g) of the merger agreement. This share number includes 43.4 million shares of MCI common stock beneficially owned by Verizon. Elsewhere in the pro forma financial information in this proxy statement and prospectus, 286.3 million shares of MCI common stock are used in purchase price calculations, which exclude the 43.4 million shares beneficially owned by Verizon since including them in the calculations would result in intercompany transactions that would then need to be eliminated.

(12) In MCI s experience, its bankruptcy claims are typically settled at less than face value because (i) the claims are often overstated and therefore resolved for less than face value, (ii) pursuant to MCI s plan of reorganization, valid non-tax claims generally receive less than full value (for example, Worldcom general unsecured claims, which constitute the substantial majority of claims, receive $0.1785 in cash plus an equivalent value in MCI stock for each dollar of valid claims) and (iii) certain claims assert alternative theories of liability. As a result, MCI s accruals for those claims, as well as its best estimate of cash needed to satisfy those claims, are substantially lower than the face value of the claims.

(13) Through July 31, 2005, MCI s actual net cash resolution of bankruptcy claims, including pre-petition and administrative expense claims, but not including tax claims, resulted in approximately a 97% reduction in the face value of those claims. Since the announcement of the merger, MCI s actual net cash resolution of bankruptcy claims, including pre-petition and administrative expense claims, other than tax claims, has been similar to this average, resulting in approximately a 94% reduction in the face value of the claims.

(14) Through July 31, 2005, MCI s actual net cash resolution of domestic tax claims, including administrative expense claims, resulted in approximately a 96% reduction in the face value of the claims. Since the announcement of the merger, MCI s actual net cash resolution of domestic tax claims, including administrative expense claims, has also resulted in approximately a 96% reduction in the face value of the claims. Of those remaining domestic tax claims, MCI does not expect to achieve the same level of reduction because of a combination of the bankruptcy court s dismissal of most of the duplicate claims and the status of settlement discussions with respect to remaining claims.

(15) Previously-paid specified liabilities are liabilities that have been paid; therefore there are no corresponding bankruptcy claims as of June 30, 2005.

(16) Interest prior to June 30, 2005 is included in the above line-items. This line item provides estimates of interest subsequent to June 30, 2005.

Process for Determining any Downward Purchase Price Adjustment

Verizon and MCI have agreed in the merger agreement that at any time either MCI or Verizon reasonably 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 in full all remaining specified liabilities following the closing of the merger. The merger agreement provides that specified liabilities include (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 MCI has 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. Promptly after the delivery of the written notice, MCI will deliver a schedule of these claims to Verizon.

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 amount of the remaining specified liabilities. If the parties agree on the amount, then the amount of the remaining specified liabilities will become final and binding on the parties. If the parties are unable to agree on the amount, the parties will submit their respective final proposals relating to bankruptcy claims, other than those relating to taxes, including proposals with respect to each disputed item, to

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an independent valuation firm and their respective final proposals relating to tax claims, including proposals with respect to each disputed claim, to a specified tax liabilities valuation firm. Each valuation firm will select either the submission of MCI or the submission of Verizon as being the more representative of the remaining specified liabilities related to the claims that each respective valuation firm is reviewing. The final amount of remaining specified liabilities reflecting the decisions of the valuation firms will be binding on MCI and Verizon. Additionally, five days prior to the anticipated closing of the merger, MCI will provide Verizon with a schedule of the amount of cash actually spent since January 1, 2005 through the closing of the merger to satisfy the specified liabilities, with reasonable supporting documentation. It is possible that Verizon could disagree with MCI s determination of the sum of previously-paid specified liabilities used in calculating the potential downward purchase price adjustment, but the merger agreement does not provide for the arbitration of any disputes relating to MCI s determination of previously-paid specified liabilities.

When the amount of the remaining specified liabilities has been determined, the merger consideration will be adjusted as follows: If the sum of (a) the previously-paid specified liabilities and (b) the final amount of the remaining specified liabilities is $1,775 million or less, no adjustment will be made to the merger consideration. If this sum is greater than $1,775 million, then any per share cash amount that the merger agreement contemplates MCI stockholders would have received at closing will be reduced by an amount equal to the quotient obtained by dividing (x) the difference between (i) the sum of (a) the previously-paid specified liabilities and (b) the final amount of the remaining specified liabilities and (ii) $1,775 million by (y) the sum of (i) the number of shares of MCI common stock issued and outstanding immediately prior to the closing of the merger and (ii) the number of shares reserved for issuance pursuant to MCI s plan of reorganization that are unissued immediately prior to the closing of the merger.

If the resulting downward purchase price adjustment exceeds any per share cash amount, the cash payment will be eliminated and assuming the exchange ratio is 0.5743, the exchange ratio will be adjusted downward by multiplying it by a fraction, the numerator of which is the aggregate base merger consideration ($20.40 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 plan of reorganization), *minus* the product of (i) the amount by which the resulting downward purchase price 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 plan of reorganization, and the denominator of which is the aggregate base merger consideration. If there is no per share cash amount payable in connection with the merger, any downward purchase price adjustment will be effected through an adjustment of the exchange ratio as described above.

MCI s Process in Determining its Current Estimate of the Downward Purchase Price Adjustment

In order to determine the estimated downward purchase price adjustment range described above, MCI conducted a review to update its ongoing evaluation of specified liabilities. This review involved the relevant MCI internal legal, bankruptcy and tax experts and business personnel, as well as consultation with MCI s outside counsel and other professional advisors (who act in the ordinary course of business on behalf of MCI to defend litigation and evaluate claims) on financial accounting, legal, tax and bankruptcy matters. MCI also consulted outside counsel on tax, contract and bankruptcy law matters relevant to MCI s analysis of items that it believes do or could constitute specified liabilities under the merger agreement. This review was conducted under the supervision of MCI s senior management and the results were reviewed by senior management and with MCI s board of directors.

For purposes of this analysis, MCI identified the relevant categories of specified liabilities as (i) liabilities for non-tax related bankruptcy claims, including pre-petition and administrative expense claims, (ii) liabilities for domestic taxes reflected in pre-petition and administrative expense claims, including liabilities for potential claims that, if filed or of which MCI has actual knowledge, would be administrative expense claims and (iii) liabilities for international income taxes for periods prior to MCI s emergence from bankruptcy. In

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determining the specified liabilities, MCI reviewed its recorded liabilities and excluded claims and contingencies in recorded liabilities that, in MCI s judgment, are not part of the definition of specified liabilities.

In doing so, MCI excluded accruals for $163 million of income taxes with respect to the portion of 2004 after MCI emerged from bankruptcy because taxes related to the post-emergence period are not administrative expense claims under the definition of specified liabilities in the merger agreement. MCI based its pro-ration of 2004 income taxes on the number of days that MCI was in bankruptcy during 2004. MCI also took into account the fact that the standard used in the merger agreement (the best estimate of the amount of cash required to satisfy a claim) is different than the U.S. GAAP standard for accounting for contingencies.

The merger agreement requires that specified liabilities be calculated by reference to the amount of cash in U.S. dollars that will actually be required, from and after the Closing Date, to satisfy in full all remaining Specified Included Liabilities. MCI believes that this standard contemplates that pre bankruptcy offsetting claims that MCI has routinely used in the bankruptcy process to reduce the amount of a claim or settlement, such as claims in respect of doubtful accounts receivable or claims arising out of the same or generally similar activities or relationships among the parties, should be taken into account in the computation. As a result, in determining both the amount of previously-paid specified liabilities and the amount that will be required to satisfy these liabilities in the future, MCI has taken into account these offsetting amounts in a manner it believes is commercially reasonable and consistent with enhancing the value of MCI. MCI also included as an offset approximately $230 million of anticipated reduction in federal income taxes related to net operating loss carrybacks and accelerated research and development deductions.

In determining the high and low range of estimated specified liabilities, MCI assessed the availability of additional amounts of offsets and refund claims that would, in MCI s judgment, affect the net amount of cash required to satisfy a claim. As reflected in the table above under MCI s Current Estimate of the Downward Purchase Price Adjustment, tax refund claims represent $7 million of the difference between the recorded liabilities and the high end of the range of MCI s estimate of the specified liabilities amount. Additional amounts of tax refund claims and offsetting tax claims represent approximately $69 million of the difference between the high and low range of MCI s estimate of the specified liabilities amount.

MCI s estimate also takes into account a range of its expectations regarding whether certain recorded liabilities will in fact be asserted as claims within the definition of specified liabilities in the merger agreement. This range of expectations is based on MCI s experience with respect to the type of claim involved. At the high end of the range, MCI estimates that approximately $18 million of items reflected in recorded liabilities will not be claims at the closing of the merger under MCI s interpretation of the merger agreement. At the low end of the range, MCI estimates that approximately $75 million of items reflected in recorded liabilities will not be claims at the closing of the merger under MCI s interpretation of the merger agreement. MCI further considered whether $15 million of liabilities under first day bankruptcy orders that are to be paid in the ordinary course outside of the bankruptcy process are claims within the definition of specified liabilities in the merger agreement. The low end of the range excludes these amounts from specified liabilities. Finally, MCI s low estimate at the low end of the range also excludes $5 million of liabilities that are to be satisfied by the delivery of property (not cash) and are therefore, in MCI s judgment, not considered specified liabilities because they will not be satisfied by payment of an amount of cash in U.S. dollars as required by the merger agreement.

In summary, MCI s range of estimated specified liabilities takes into account its own evaluation of the strength of its position and MCI s experience with similar claims and contingencies, the situations where the claimant may have offered a settlement in an amount less than the face amount of the claim, the possibility that Verizon could take a different view, MCI s view as to the strength of arguments supporting an opposing view, the positions each party would likely take in an arbitration proceeding in which the arbitrator is required to choose either MCI s position or Verizon s position rather than dictate a compromise, and MCI s estimate of the range of outcomes based on these estimates if a reasonable arbitrator resolves any dispute. MCI does not believe

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that the merger and Verizon s assumption of MCI s liabilities as a result of the merger will have a material impact on the amount of cash actually required to satisfy the remaining specified liabilities.

Factors That May Cause the Actual Purchase Price Adjustment to Exceed MCI s Estimated Range

The above estimate also includes a variety of MCI s assumptions, for example, as to exchange rates (as described in the second bullet point below) and as to the timing of settlements for purposes of determining the amount of interest included in the specified liabilities amount (as described in the third bullet point below). While MCI has made diligent efforts to estimate the range described above, it is possible that MCI s assumptions could prove incorrect or be disputed in whole or in part by Verizon, or that circumstances could change or intervening events could affect the amount of specified liabilities, including factors outside MCI s control.

The following is a list of material factors that MCI believes could cause the adjustment for specified liabilities actually paid prior to the closing of the merger, as well as the estimate of all remaining specified liabilities to be satisfied subsequent to the closing of the merger, to be greater than the range set forth above. This list may not include all of the factors that could cause the amount to be above the top of MCI s estimated range described above.

MCI s evaluation of a matter that is included in the specified liabilities could change over time, based on facts that develop or are discovered or due to litigation developments. In addition, MCI could settle a matter for an amount different than MCI had anticipated. For example, MCI has in the past settled certain matters for amounts that were lower or higher than originally anticipated. In addition, new matters could arise that would constitute specified liabilities which had not previously been asserted or known.

The specified liabilities relating to international tax claims are denominated in currencies other than the U.S. dollar, principally the euro. The range that MCI has presented is based on exchange rates as of June 30, 2005. The estimate of the specified liabilities will fluctuate based upon changes in the relative strength of the U.S. dollar.

Some of the specified liabilities relate to tax claims that will accrue interest until they are settled. In its calculation of the range described above, MCI assumes that these matters will not be settled prior to closing of the merger and that interest will accrue through the anticipated closing of the merger. If any of these matters are settled prior to the closing of the merger or the closing of the merger occurs earlier than expected, the interest amount will be reduced; conversely, if the closing of the merger occurs at a later time, then the amount of interest would increase. In addition, the range described above does not reflect an accrual of interest after the closing of the merger. The merger agreement provides in section 1.10 that the purchase price adjustment is to reflect cash in U.S. dollars that will actually be required, from and after the Closing Date, to satisfy in full all remaining Specified Included Liabilities. If a claim will not be settled until a period of time after the closing of the merger, MCI believes that the merger agreement contemplates a determination of the amount of cash that would be required, at the closing of the merger, to settle the claim at the likely future date. This amount would be an amount that, when invested appropriately at the closing of the merger, would generate interest sufficient to produce an aggregate amount sufficient to pay the claim. The hypothetical interest rate on this investment is the discount rate in MCI s calculations. MCI has assumed that the applicable discount rate would not be materially different from the interest that accrues on each claim. If the discount rate were different from the interest that is charged on these claims by the relevant governmental agencies, the estimate would change. Other than as described in this paragraph, MCI has not discounted the claims.

The specified liabilities amount to be used in determining the purchase price adjustment will be based on the actual amount of cash paid to satisfy the specified liabilities from January 1, 2005 through the closing of the merger plus a best estimate of the amount of cash that will be required to satisfy these claims from and after the closing of the merger, determined in accordance with the procedures in the merger agreement. MCI s estimated range described above was prepared based principally on MCI s

interpretation of the merger agreement, in particular the definition of specified liabilities, governing law (in particular bankruptcy laws, because the definition of specified liabilities includes bankruptcy claims), MCI s experience with similar claims and contingencies and its best estimate of how a reasonable arbitrator would make a decision. It is possible that Verizon or an arbitrator could take a different view of various interpretive questions, of the amounts likely to be due in respect of various liabilities, or of the precise group of liabilities that should be included in the calculation, resulting in a higher amount of specified liabilities and a greater, and perhaps materially greater, downward purchase price adjustment.

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. MCI does not intend to publicly update its estimate of the purchase price adjustment. Prior to the closing of the merger, Verizon and MCI will review the then current information regarding the facts and circumstances relating to each unsettled claim expected to be outstanding at the closing of the merger. Verizon and MCI will need to reach agreement as to (i) whether there are classes of liabilities not clearly included or excluded from the definitions in the merger agreement, (ii) the extent to which any potentially offsetting claims or correlative adjustments should be taken into account, (iii) the extent to which any potential unasserted claims should be taken into account, (iv) the extent, if any, to which net operating loss carrybacks and accelerated research and development deductions reduce estimated liabilities for taxes for purposes of the purchase price adjustment, (v) the best estimate of the likely amount required to settle each claim taken into account, (vi) the appropriate method for pro-ration of taxes in 2004 between pre- and post-emergence periods and (vii) the allocation of payments in settlements among claims and contingencies that are not claims. All of these issues are likely to be highly fact intensive. Verizon has not reviewed or concurred with the interpretation or methodology MCI used in preparing its estimated range. During the process of negotiating or seeking arbitration of the purchase price adjustment, Verizon may disagree with MCI s determination or interpretation of factual issues, its estimates of likely future events or amounts due, its resolution of interpretive issues, including those described above, and the process used by MCI in preparing the estimates included in this proxy statement and prospectus.

For the foregoing reasons, the actual downward purchase price adjustment could be materially greater than the top of the estimated range. If, for example, for any of the foregoing reasons, the actual amount of specified liabilities were determined to be 10% or 20% greater than the top of MCI s current estimated range, the downward purchase price adjustment would be approximately $0.77 or $1.33 per MCI share respectively. Ultimately, the occurrence of a downward purchase price adjustment, if any, will be determined by mutual agreement between MCI and Verizon or, if the parties are unable to agree on the estimate of remaining specified liabilities, through arbitration.

As of December 31, 2004 and June 30, 2005, MCI s disclosure controls were ineffective as a result of a material weakness in internal control over accounting for income tax relating to a lack of personnel with adequate expertise in income tax accounting matters, a lack of documentation, insufficient historical analysis and ineffective reconciliation procedures. MCI has conducted, and will continue to conduct, significant remediation activity including: (i) the hiring, in March 2005, of a new Vice President of Tax, (ii) the reorganization of the MCI tax department which began in March 2005 and is continuing, (iii) increased use of third party tax service providers for the more complex areas of MCI s income tax accounting during 2004, which usage has continued during the first and second quarters of 2005 and will continue for the duration of 2005 and (iv) increased formality and rigor of controls and procedures over accounting for income taxes by updating process documentation to include more procedures and levels of review. MCI does not believe that this material weakness had an impact on its ability to estimate the remaining specified liabilities. With the remediation actions described above, MCI believes that it is capable of evaluating and assessing tax claims and tax contingencies for purposes of determining the tax components of the remaining specified liabilities.

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 greater than, and in addition to, 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.

MCI s executive officers participate in the agreements and arrangements described below, which will provide them certain benefits as a result of the merger. MCI s 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.

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 without cause or for good reason following a change in control or within six months prior to and in anticipation of 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.

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Pursuant to the terms of these employment agreements, 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 will, 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, continued health coverage for two years following the date of termination, a bonus for the year (or other performance period) 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 will lapse, any deferred compensation will become payable, any amounts earned under other incentive plans that have not vested will vest and become payable and the executive will receive two years of service and age credit for vesting and eligibility purposes under company retirement or welfare programs and other benefit programs. The prorated bonus described above, which is ordinarily based on the actual performance of MCI and the executive officer during the performance period, as determined by MCI s compensation committee, would be paid out at target levels if actual performance cannot be determined. Target bonus percentages for these executive officers range from 85% to 125% of base salary. These prorated bonuses are payable at the time bonuses are paid to senior executives generally. 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 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 106.

MCI Retention Program. On April 15, 2005, MCI s board of directors approved the adoption of a broad-based retention program to help ensure the retention of key employees. All employees, other than Mr. Capellas and members of MCI s executive leadership team (which includes MCI s named executive officers), will be eligible to participate in the retention program. An aggregate amount of approximately $118.5 million will be made available for retention awards. Retention awards will be paid in cash, with a maximum award of $300,000 per individual. Generally, payments will be made in separate installments, as follows:

- 40% within 30 days of the approval of MCI s stockholders of the merger or July 15, 2005, whichever is earlier (this payment will be made as soon as administratively feasible);

- 30% upon the closing of the merger; and

- 30% upon 60 days following the closing of the merger.

Earlier payments will be subject to a clawback obligation, which will, with respect to any recipient of a retention award, be triggered by his or her voluntary termination of employment or termination for cause (as defined in the program).

Estimated Value of Interests of MCI Directors and Executive Officers. As discussed above, if MCI s executive officers were entitled to terminate employment for good reason following the closing of the merger and they exercised such right, or if they were terminated without cause following the closing of the merger, or if their employment were terminated within six months prior to and in anticipation of a change in control, they would be entitled to specified additional payments or benefits, such as, as applicable, a lump-sum severance in cash (which would be a multiple of his or her annual salary), the acceleration of his or her restricted stock and an additional

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payment for taxes that might be imposed on his or her benefits by Section 4999 of the Code. The estimated aggregate amount to which MCI s executive officers could be entitled is $107,483,923. This amount, which excludes certain items as noted in the table below, is broken down on an individual basis in the table below.

Executive Officers	Title	Severance (1)	Restricted Stock (2)	Estimated Additional Payment for Taxes (3)	Estimated Total (4)
Michael Capellas	President and Chief Executive Officer	$ 11,250,000	$ 18,486,398	$ 9,427,086	$ 39,163,484
Wayne Huyard	President U.S. Sales & Service	3,150,000	4,727,354	3,075,859	10,953,213
Jonathan Crane	Executive Vice President Strategy & Corporate Development	2,300,000	3,225,966	1,970,669	7,496,635
Fred Briggs	President Operations and Technology	2,300,000	3,225,966	1,983,285	7,509,251
Daniel Crawford	President International & Wholesale Markets	1,480,000	1,695,863	0	3,175,863
Robert Blakely	Executive Vice President and Chief Financial Officer	2,590,000	4,879,150	2,438,394	9,907,544
Anastasia Kelly	Executive Vice President and General Counsel	2,405,000	3,805,051	2,308,257	8,518,308
Nancy Higgins	Executive Vice President Ethics & Business Conduct	1,665,000	2,454,707	1,639,180	5,758,887
Daniel Casaccia	Executive Vice President Human Resources	1,628,000	2,621,835	1,615,869	5,865,704
Elizabeth Hackenson	Executive Vice President and Chief Information Officer	1,387,500	1,691,664	1,560,880	4,640,044
Grace Trent	Senior Vice President Communications and Chief of Staff to the CEO	1,221,000	1,996,751	1,277,239	4,494,990

(1) This column does not reflect that executive officers, other than Mr. Capellas, will be entitled to a bonus for the year (or other performance period) in which their employment is terminated, prorated for the number of days worked, or that executive officers will be entitled to continued health coverage. Currently, MCI s executive officers, other than Mr. Capellas, receive their bonuses on a semi-annual basis. Thus, if these executive officers were to receive prorated bonuses in respect of the second half of 2005 or the first half of 2006, the maximum aggregate amount would be $2,449,125. This amount may be less, depending on the date of the executive officers termination of employment following the closing of the merger.

(2) This column represents the total value of any unvested restricted stock that will be held by the executive officer as of December 31, 2005, assuming a stock price of $26.00 per share at such time and no further grants or forfeitures of restricted stock are made after March 31, 2005. This assumed stock price includes the $5.60 payable in respect of the special cash dividend, as these executive officers have the same right to receive dividends with respect to their unvested restricted stock as other MCI stockholders generally. The above amounts do not reflect the possibility that additional shares may vest between such date and the closing of the merger.

(3) The amounts in this column have been estimated using conservative assumptions (i.e., those assumptions which, when used, yield the largest estimated marginal liability to MCI in comparison to the range of other reasonable assumptions) relating to numerous factors, such as the tax treatment of certain payments and benefits, the date of the closing of the merger, the aggregate consideration to be received in connection with the merger, the value of accelerated vesting of shares of restricted stock and the affected executive officer s marginal rate of income tax. The actual amounts provided to executive officers in respect of their contractual entitlement, as applicable, to an additional payment in respect of an excise tax under Section 4999 of the Code may be higher or lower, depending on the facts at the time of such payment and the law and regulations applicable thereto.

(4) This column represents the total amount of severance , restricted stock and estimated additional payment for taxes , as expressed in this table, for each executive officer.

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Effect of the Merger on MCI Stock Plans

See The Merger Agreement Treatment of Restricted Shares and Other Equity-Based Awards beginning on page 122 and The Merger Agreement Treatment of MCI s Employee Stock Purchase Plan beginning on page 122.

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 120.

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 123, Treatment of Restricted Shares and Other Equity-Based Awards beginning on page 122 and No Issuance of Fractional Shares beginning on page 121.

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. Verizon certified substantial compliance with the DOJ s second request for additional information on May 27, 2005 and MCI certified substantial compliance with the DOJ s second request for additional information on June 17, 2005.

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 made 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. Many of the public utility commissions where we have made filings are continuing their review of the merger and, as of the date of this proxy statement and prospectus, fifteen jurisdictions have either affirmatively approved the transaction or stated their intention not to take further action on the merger.

We have made or 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 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 Telecomunicações, or Anatel) and Venezuela (Comisión Nacional de Telecomunicaciones, or Conatel). As of the date of this proxy statement and prospectus, we have received favorable determinations in all foreign jurisdictions, except the European Commission and Singapore, which remain outstanding. 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 114.

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 in the aggregate principal amount of $1,982,537,000, 2009 Senior Notes in the aggregate principal amount of $1,982,537,000 and 2014 Senior Notes in the aggregate principal amount of $1,699,496,000. 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. No determination has been made regarding whether the Senior Notes will be redeemed prior to or repurchased following the closing of the merger. 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 due to the initiation of credit ratings assigned on the Senior Notes by Standard & Poor s and Moody s Investor Services, Inc., which triggered an adjustment to the interest rate based on the ratings obtained. 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. Generally, the indentures permit MCI to pay dividends and make stock repurchases and investments up to an amount equal to 50% of MCI s cumulative net income (as defined in the indentures) since April 2004. MCI had cumulative losses since that date. However, the indentures provide certain exceptions to this restricted payment covenant, including permitting the payment of distributions out of excess cash pursuant to the MCI plan of reorganization and an additional $100 million of other restricted payments. The MCI plan of reorganization required MCI to determine the amount of excess cash it had upon emergence from bankruptcy and then to utilize the 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. As of March 31, 2005, MCI had $1.8 billion of remaining excess cash, and had not utilized any of the $100 million exception to the restricted payments covenant. Therefore, notwithstanding certain restrictions on MCI s ability to pay dividends under the terms of the Senior Notes, MCI currently believes that it has the ability to pay the full amount of the $5.60 per share special cash dividend.

Restrictions on Payments of Dividends Under Applicable Law

Section 170(a) of the DGCL generally allows a corporation to declare and pay dividends upon the shares of its capital stock either (i) out of its surplus or (ii) in the case there shall be no such surplus, out of its net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. Under Section 154 of the DGCL, surplus is defined as the excess, if any, of the net assets of the corporation over the amount determined to be capital. As of March 31, 2005, MCI believes that its surplus is in excess of the amount of the special cash dividend. Based on this, MCI currently expects to be able to pay the special cash dividend in an amount equal to $5.60 per share.

Additionally, because the payment of the special cash dividend could be challenged as a fraudulent transfer under state and federal laws if MCI were insolvent at the time of the special cash dividend or becomes insolvent as a result of the special cash dividend, MCI does not intend to pay the special cash dividend if MCI is insolvent at the time of the special cash dividend or would become insolvent as a result of the payment of the special cash dividend.

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 Securit