VERIZON COMMUNICATIONS INC
Form S-4/A
June 02, 2005

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As filed with the Securities and Exchange Commission on June 2, 2005

Registration No. 333-124008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

PRE-EFFECTIVE AMENDMENT NO. 2

TO

FORM S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

Verizon Communications Inc.

(Exact Name of Registrant as Specified in its Charter)

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

1095 Avenue of the Americas

New York, New York 10036

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

Marianne Drost, Esq.

Senior Vice President, Deputy General Counsel and Corporate Secretary

Verizon Communications Inc.

1095 Avenue of the Americas

New York, New York 10036

(212) 395-2121

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

With copies to:

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

Approximate date of commencement of the proposed sale of the securities to the public: As soon as practicable after this Registration Statement becomes effective and at the closing of the merger of MCI, Inc. with and into Eli Acquisition, LLC, a Delaware limited liability company and a direct, wholly owned subsidiary of Verizon Communications Inc. (or at the closing of the alternative merger of a direct and wholly owned subsidiary of Verizon with and into MCI, if either Verizon or MCI fails to receive, from its respective counsel, a tax opinion to the effect that the merger will qualify as a reorganization for tax purposes, or if certain other conditions are not satisfied), sometimes referred to as the merger, as described in the Agreement and Plan of Merger, dated as of February 14, 2005, as amended as of March 4, 2005, March 29, 2005 and May 1, 2005, included as Annex A to the enclosed proxy statement and prospectus forming a part of this Registration Statement.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933, AS AMENDED, OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATES AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

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

PRELIMINARY PROXY STATEMENT AND PROSPECTUS (SUBJECT TO COMPLETION DATED JUNE 2, 2005)

SPECIAL MEETING OF STOCKHOLDERS OF MCI, INC.

[ ], 2005

Dear MCI Stockholder:

It is a pleasure to invite you to the special meeting of stockholders of MCI, Inc., on [ ], 2005, beginning at [ ] local time. At the meeting, you will be asked to adopt the Agreement and Plan of Merger, dated as of February 14, 2005, among Verizon, Eli Acquisition LLC and MCI, as amended as of March 4, 2005, March 29, 2005 and May 1, 2005 and as it may be amended from time to time, sometimes referred to collectively as the merger agreement, and approve the merger.

When the merger closes you will receive merger consideration worth at least $20.40 per share. This amount may be increased by up to $5.60 per share to the extent a special cash dividend has not been previously paid in full. The amount may be decreased if there is an adjustment based on the amounts required to satisfy certain liabilities. 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 of this special cash dividend, the remainder will be paid out as cash merger consideration, without interest, at the closing of the merger.

- 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 receive additional Verizon common stock or cash (at Verizon s option) in an amount sufficient to assure that the merger consideration is at least $20.40 per share.

- The consideration you will receive is subject to a potential downward purchase price adjustment based upon the amount of certain liabilities of MCI, which include MCI bankruptcy claims, including tax claims, as well as certain international tax liabilities. For a description of these bankruptcy claims and international tax claims, see The Merger Agreement Potential Downward Purchase Price Adjustment for Specified Liabilities on page 99. Any downward purchase price adjustment would be applied first to any cash merger consideration that would otherwise be payable at the closing. The potential downward purchase price adjustment could be material and is limited only by the amount of the merger consideration.

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.

After careful consideration, MCI s board of directors has unanimously adopted the merger agreement, declared that the merger and the other transactions contemplated by the merger agreement, including the special cash dividend, are advisable and unanimously recommends that you vote FOR the adoption of the merger agreement and approval of the merger, FOR authorizing MCI s board of directors to act in its discretion with respect to any other business as may properly come before the special meeting 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 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 23 for a discussion of the risks related to the merger.** You can also obtain information about MCI and Verizon from documents that each company has filed with the SEC.

Your vote is very important. Whether or not you expect to attend the meeting, please vote as soon as possible to ensure that your shares are represented at the meeting.

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

Sincerely,

Michael D. Capellas

Chief Executive Officer

MCI, Inc.

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

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

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

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MCI, INC.

22001 Loudoun County Parkway

Ashburn, Virginia 20147

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

To Be Held On [ ], 2005

To the Stockholders of MCI, Inc.:

NOTICE IS HEREBY GIVEN that the special meeting of stockholders of MCI, Inc., a Delaware corporation, will be held at [ ] on [ ], 2005, at [ ], Eastern Daylight Time, to consider and vote upon the proposal to adopt the Agreement and Plan of Merger, dated as of February 14, 2005, among Verizon Communications Inc., Eli Acquisition, LLC and MCI, Inc., as amended as of March 4, 2005, 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, **FOR** authorizing MCI s board of directors to act in its discretion with respect to any other business as may properly come before the special meeting 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 [ ], 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

[ ], 2005

Ashburn, Virginia

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THIS PROXY STATEMENT AND PROSPECTUS INCORPORATES ADDITIONAL INFORMATION

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

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

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

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

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

Also see Where You Can Find More Information beginning on page 142.

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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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 53 of this proxy statement and prospectus and The Merger MCI s Reasons for the Merger beginning on page 57 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 23.

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, the remainder will be paid as cash merger consideration, without interest, at the closing of the merger.

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 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 Agreement Potential Downward Purchase Price Adjustment for Specified Liabilities on page 99, including tax claims, as well as certain international tax liabilities. Any downward purchase price adjustment would be applied first to any cash merger consideration that would otherwise be payable at the closing. The potential downward purchase price adjustment could be material and is limited only by the amount of the merger consideration.

Accordingly, 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 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 [ ], 2005, at the time and location specified on the cover page of this proxy statement and prospectus.

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Q: What do I need to do now?

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

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

Q: What is the effect of not voting?

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

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

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

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

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Q: What if I fail to instruct my broker?

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

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

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

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

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

submitting a written notice prior to the special meeting of MCI stockholders revoking your proxy to the corporate secretary of MCI;

submitting a new proxy card with a later date, or submitting a new proxy by telephone or through the Internet; or

attending the special meeting of MCI stockholders and voting in person.

For more detailed procedures on revoking a proxy, see the description under The Special Meeting of MCI Stockholders Proxies beginning on page 128.

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.

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 MacKenzie Partners, Inc., MCI s proxy solicitors, toll-free at (800) 322-2885 or the MCI stockholder investor relations department at (866) 642-0211.

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SUMMARY

This summary highlights selected information contained elsewhere in this proxy statement and prospectus and may not contain all of the information about the merger that is important to you. We urge you to read carefully the entire proxy statement and prospectus, including the attached annexes and the other documents to which we refer, in order to understand fully the merger and the related transactions. See also Where You Can Find More Information beginning on page 142. 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 212,000 people. For the quarter ended March 31, 2005, Verizon reported $18.2 billion in operating revenues and net income of $1.8 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 December 31, 2004, 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 quarter ended March 31, 2005, MCI had revenue of $4.8 billion and net loss of $2.0 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 127)

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

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

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

As of the MCI record date, directors and executive officers of MCI and their affiliates beneficially owned [ ] shares of MCI common stock, or approximately [ ] percent of the outstanding shares of MCI common stock entitled to vote at the special meeting of MCI stockholders. 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 [ ] shares of MCI common stock, or approximately [ ] percent of the outstanding shares of MCI common stock entitled to vote at the special meeting of MCI stockholders. 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 64)

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, **FOR** authorizing MCI s board of directors to act in its discretion with respect to any other business as may properly come before the special meeting 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 30)

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 98)

Under the merger agreement, MCI will merge with and into Eli Acquisition, LLC, sometimes referred to as Eli Acquisition, a direct, wholly owned subsidiary of Verizon. Eli Acquisition will continue as the surviving entity and will be renamed MCI, LLC. Verizon and MCI have agreed that if their respective legal advisors are unable to deliver their opinions regarding the treatment of the merger as a reorganization for tax purposes or if Verizon determines 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.

Merger Consideration and Conversion of MCI Common Stock (See page 98)

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 the merger consideration is at least $20.40 per share. In addition, if the special cash dividend is not paid in full, the unpaid balance per share will be paid as merger consideration. The amount of cash payable in the merger as described above is sometimes referred to as the per share cash amount. Any per share cash amount that you receive will be taxable to you to the extent of the gain you realize in the merger. See Material United States Federal Income Tax Considerations U.S. Holders Merger beginning on page 94. For tax purposes, the cash paid as a special cash dividend is expected to be treated differently from the cash paid as cash merger consideration. See Material United States Federal Income Tax Considerations beginning on page 93 for more information. 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 101.

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 Agreement Potential Downward Purchase Price Adjustment for Specified Liabilities beginning on page 99.

Special Cash Dividend (See page 109)

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

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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, without interest, as a per share cash amount at the closing of the merger. 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 88 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 88 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 for Specified Liabilities (See page 99)

The aggregate consideration MCI stockholders will receive in the merger will be reduced if at closing the amount of the estimated remaining MCI liabilities for certain 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 billion in the aggregate. For a description of these bankruptcy claims and international tax claims, see The Merger Agreement Potential Downward Purchase Price Adjustment for Specified Liabilities beginning on page 99. The potential downward purchase price adjustment could be material and is limited only by the amount of the merger consideration. Verizon and MCI will attempt to reach agreement on an estimate of the remaining unpaid liabilities before the closing of the merger. If Verizon and MCI are unable to reach agreement, an estimate will be developed through the third-party valuation process specified in the merger agreement. See The Merger Agreement Potential Downward Adjustment for Specified Liabilities beginning on page 99 for a description of this process.

If the aggregate amount of the paid liabilities and the remaining unpaid liabilities described above, which is sometimes referred to as the specified liabilities amount, is $1.775 billion or less, the merger consideration will not be adjusted. If the aggregate specified liabilities amount exceeds $1.775 billion, any per share cash amount payable at the time of closing will be reduced by an amount equal to the per share equivalent of the amount by which the specified liabilities amount exceeds $1.775 billion. 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 3. For example, if the specified liabilities amount is $2.0 billion, then the aggregate cash amount would be reduced by $225 million or $0.68 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 billion 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. See The Merger Agreement Potential Downward Adjustment for Specified Liabilities beginning on page 99 for a description of the formula. Using the example from the preceding paragraph, if the downward purchase price adjustment is $0.68 per share and the per share cash amount is $0.28 per share, then the cash payment would be eliminated, the exchange ratio would be reduced to 0.5630 and you would receive approximately 2.0% 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 $0.68 per share and there is no per share cash amount, the exchange ratio would be reduced to 0.5552 and you would receive approximately 3.3% fewer shares of Verizon common stock.

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From January 1, 2005 to March 31, 2005, the amount of cash spent by MCI to settle specified liabilities was $[ ]. In addition, as of March 31, 2005, MCI had accrued liabilities on its consolidated balance sheet of approximately $[ ] with respect to matters that it believes would constitute specified liabilities.

While these amounts of MCI s liability balances may be viewed as indicative of whether there will be a downward purchase price adjustment and the amount of any adjustment, the aggregate specified liabilities amount used to determine whether there will be any downward purchase price adjustment may differ materially from the amount of cash spent by MCI to settle specified liabilities from January 1, 2005 to March 31, 2005 plus the March 31, 2005 balance sheet liability amount. The following illustrates factors that may cause the actual specified liabilities amounts to differ from the March 31, 2005 amount:

- The specified liabilities amount used in the determination of the potential downward purchase price adjustment is based on the actual amount of cash spent 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 date (determined in accordance with the procedures described above).

- MCI s March 31, 2005 liability balances for the specified liabilities could increase or decrease to the extent that MCI s evaluation of any particular matter changes and is adjusted as required by GAAP subsequent to March 31, 2005, MCI settles that matter for an amount different than it had previously anticipated or new matters arise that had previously not been asserted.

- Matters included in the specified liabilities for purposes of the potential downward purchase price adjustment may include items that are not accrued for on MCI s consolidated balance sheet, because, with respect to contingencies subject to statement No. 5 of the Financial Accounting Standards Board, only liabilities that are probable and reasonably estimable are appropriately accrued. Based on current estimates, which are subject to change, we do not believe amounts with respect to such matters would be material.

- The specified liabilities include a large number of claims that are expected to be resolved over time. Changes in estimates or settlement experience with respect to any particular claim could be offset by changes in estimates or settlement experience with respect to other claims, and changes in one fiscal period could be offset by changes in another fiscal period.

No Solicitation by MCI (See page 105)

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 107)

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

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

If MCI s board of directors changes, withdraws, modifies or qualifies its recommendation of the merger to MCI stockholders, Verizon has the option to request MCI to cause a stockholder meeting to be held to consider the adoption of the merger agreement and the approval of the merger. If Verizon exercises this option, Verizon will not be entitled to terminate the merger agreement as a result of the changed recommendation. If Verizon fails to exercise this option, MCI may terminate the merger agreement provided that MCI pays 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 112 for a more detailed discussion of the termination of the merger agreement.

Conditions to the Closing of the Merger (See page 110)

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;

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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 currently contemplated structure (a merger of MCI with and into Eli Acquisition) is also conditioned on the satisfaction or waiver of the following condition:

Each of Verizon and MCI has received the opinion of its respective counsel that the merger 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 merger of MCI with and into Eli Acquisition 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 merger of MCI with and into Eli Acquisition 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.

Termination of the Merger Agreement (See page 112)

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 Agreement Potential Downward Purchase Price Adjustment for Specified Liabilities on page 99. 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 105 or as a result of an intervening event as described under The Merger Agreement Changes in MCI s Recommendation on page 107 (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

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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 107.

While payment of the termination fee and expense reimbursement would reduce MCI s cash and cash equivalents and marketable securities, which were $5.4 billion as of March 31, 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 beginning on page 23 and Consequences of the Merger Not Being Completed on page 10 for more information regarding the risks related to the merger not occurring.

Reasons for the Merger (See pages 53 and 57)

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 53 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 price protection 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.

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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 57 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 23)

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 claims, see The Merger Agreement Potential Downward Purchase Price Adjustment for Specified Liabilities on page 99. The potential downward purchase price adjustment could be material and is limited only by the amount of the merger consideration.

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 3. 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 not be tax free and MCI stockholders will be required to recognize gain or loss based upon all the consideration they receive in connection with the merger (including the value of Verizon common stock issued as merger consideration).

MCI and Verizon are the subject of various legal proceedings 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 23.

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.

Consequences of the Merger Not Being Completed (See page 112)

If the merger is not completed, the ongoing business of MCI may be negatively affected and the market price of MCI s common stock may decrease. Additionally, both parties will have incurred costs associated with the merger without realizing the benefits of having the merger completed. See The Merger Agreement Termination of the Merger Agreement beginning on page 112.

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Opinions of MCI s Financial Advisors (See page 64)

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.

Regulatory Approvals Required for the Merger (See page 105)

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.

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 87)

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 93)**

The merger generally is intended to qualify as a reorganization within the meaning of Section 368(a) of the Code and the obligations of Verizon and MCI to structure the transaction as a merger of MCI with and into Eli Acquisition are subject to the condition that Verizon and MCI each receive a legal opinion from its respective counsel to the effect that the merger will qualify as a reorganization within the meaning of Section 368(a) of the

Code. Based on this treatment, for U.S. federal income tax purposes, an MCI stockholder who realizes a gain as a result of the merger will be required to recognize that gain only to the extent of cash, if any, received in the merger, and an MCI stockholder who realizes a loss as a result of the merger will not be permitted to recognize that loss.

If either Verizon or MCI fails to receive the respective tax opinion described above, or if 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, Verizon and MCI will effect a reverse subsidiary merger in which a direct, wholly owned subsidiary of Verizon will be merged with and into MCI. Verizon and MCI expect that the alternative merger will be a fully taxable transaction, in which case an MCI stockholder will be treated as having exchanged MCI common stock for Verizon common stock and cash, if any, and will recognize capital gain or loss in an amount equal to the difference between the amount realized and its tax basis in the MCI common stock surrendered. The amount realized will be determined by adding the fair market value of the Verizon common stock to the amount of cash, if any, received in connection with the alternative merger.

MCI intends to treat the special cash dividend to be paid to MCI stockholders as a distribution with respect to MCI common stock, and not as consideration in connection with the merger or the alternative merger. Based on this treatment, 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. MCI expects to report the entire amount of the special cash dividend as a taxable dividend for U.S. federal income tax purposes.

See Material United States Federal Income Tax Considerations beginning on page 93.

Senior Notes (See page 88)

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 83)

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

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$107,483,883. 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 84.

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 100)

Restricted Shares. At the completion of the merger, subject to the potential downward purchase price adjustment (see Potential Downward Purchase Price Adjustment for Specified Liabilities 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 for Specified Liabilities 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.

Stock Purchase Agreement for Verizon s Purchase of 13.4% of MCI s Outstanding Shares

On May 17, 2005, Verizon acquired approximately 43.4 million shares of MCI common stock from eight entities affiliated with Carlos Slim Helu, sometimes referred to as the selling group, pursuant to a stock purchase agreement, dated as of April 9, 2005, sometimes referred to as the stock purchase agreement. Verizon transferred these shares to a trust established pursuant to an agreement between Verizon and the DOJ and a trust agreement between Verizon and Dick Thornburgh as trustee, sometimes referred to as the trust agreement. Verizon acquired these shares 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, or a total of $25.79 per share. In addition, under the stock purchase agreement, immediately prior to April 9, 2006, the selling group will receive an additional cash amount per share of MCI common stock if, at that time, the price of Verizon s common stock exceeds $35.52 per share (measured over a 20-day period). 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), subject to a maximum additional amount per Verizon share of $26.98. The $25.79 per share of MCI common stock paid to the selling group is less than the total value of approximately $26.00 per share of MCI common stock to be received by MCI s other stockholders through the special cash dividend and as merger consideration. The selling group will benefit if the price of Verizon s common stock exceeds $35.52 per share during the 20-day measurement period prior to April 9, 2006, and similarly, MCI s other stockholders will benefit if the price of Verizon s common stock exceeds $35.52 per share at the closing of the merger.

Because the measurement period for the selling group is different from the measurement period for the other MCI stockholders, the aggregate value per share of MCI common stock received by the selling group may be greater or lesser than that received by the other MCI stockholders. For each $1.00 increase in Verizon s stock price between $35.52 per share and $62.50 per share measured over a 20-day period immediately prior to April 9, 2006, the selling group will receive $0.7241 for each share of MCI common stock sold to Verizon pursuant to the stock purchase agreement. For each $1.00 increase in Verizon s stock price above $35.52 per share measured over a 20-day period ending on the third day prior to the closing of the merger, MCI s stockholders will receive $0.5743 for each share of MCI common stock pursuant to the merger agreement. In addition, the consideration received by the selling group is not subject to a potential downward purchase price adjustment but is subject to a limit on the maximum total value received, while the consideration to be received by other MCI stockholders is subject to a potential downward purchase price adjustment but is not subject to any limit. In selling its shares of MCI common stock to Verizon, the selling group received most of its consideration earlier than MCI s other stockholders.

Appraisal Rights (See page 89)

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. Quarterly Verizon historical information is derived from the unaudited condensed consolidated financial statements of Verizon as of and for the three months ended March 31, 2005 and for the three months ended March 31, 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. Quarterly MCI historical information is derived from the unaudited condensed consolidated financial statements of MCI as of and for the three months ended March 31, 2005 and for the three months ended March 31, 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 March 31, 2005 included in its Quarterly Report on Form 10-Q for the three months ended March 31, 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 three months ended March 31, 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 three months ended March 31, 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 142 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

	Three months ended March 31,		Years ended December 31,				
	2005	2004	2004	2003	2002	2001	2000
	(unaudited)		(dollars in millions, except per share amounts)				
Results of Operations:							
Operating revenues	$ 18,179	$ 17,056	$ 71,283	$ 67,468	$ 67,056	$ 66,513	$ 64,093
Operating income	3,382	2,466	13,117	7,407	14,877	11,402	16,725
Income before discontinued operations, extraordinary items and cumulative effect of accounting change	1,757	1,183	7,261	3,460	4,591	545	10,844
Per share of common stock basic	.63	.43	2.62	1.26	1.68	.20	4.00
Per share of common stock diluted	.63	.42	2.59	1.25	1.67	.20	3.96
Net income	1,757	1,199	7,831	3,077	4,079	389	11,797
Net income available to common shareowners	1,757	1,199	7,831	3,077	4,079	389	11,787
Per share of common stock basic	.63	.43	2.83	1.12	1.49	.14	4.34
Per share of common stock diluted	.63	.43	2.79	1.12	1.49	.14	4.31
Cash dividends declared per share of common stock	.405	.385	1.54	1.54	1.54	1.54	1.54

	As of March 31,	As of December 31,				
	2005	2004	2003	2002	2001	2000
	(unaudited)	(dollars in millions)				
Financial Position:						
Total assets	$ 164,882	$ 165,958	$ 165,968	$ 167,468	$ 170,795	$ 164,735
Long-term debt	35,471	35,674	39,413	44,003	44,873	41,858
Employee benefit obligations	17,687	17,941	16,754	15,392	11,895	12,541
Minority interest	24,754	25,053	24,348	24,057	21,915	21,698
Shareowners investment	37,980	37,560	33,466	32,616	32,539	34,578

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

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

2000 data includes gains on investments and sales of businesses, merger-related costs, when 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 three months ended March 31,		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	$ 4,789	$ 5,418	$ 20,690	$ 24,266	$ 28,493	$ 32,913	$ 34,417
Other operating expenses	4,674	5,688	20,368	23,606	27,818	31,544	36,530
Impairment charges			3,513		4,999	9,855	47,180
Operating income (loss)	115	(270)	(3,191)	660	(4,324)	(8,486)	(49,293)
(Loss) income from continuing operations	(91)	(386)	(4,028)	22,469[2]	(8,939)	(11,902)	(47,228)[5]
Net income (loss) from discontinued operations	89	(2)	26	(43)	(202)	(3,696)	(574)
Net (loss) income attributable to common shareholders	(2)	(388)	(4,002)	22,211	(9,192)	(15,616)	(47,802)[5]
Loss from continuing operations per common share:							
Basic	(.28)	(1.18)	(12.56)				
Diluted	(.28)	(1.18)	(12.56)				
Other Data:							
Cash dividends declared per common share	$ .40	$	$ .80	$	$	$ 1.80	$
End of period stock price per share[3]	24.90	20.80	20.16	23.55	N/A	N/A	N/A

	Successor Company		Predecessor Company			
	As of March 31,	As of December 31,				
	2005	2004	2003[4]	2002	2001	2000
	(unaudited)	(dollars in millions)				
Financial Position:						
Cash and cash equivalents	$ 3,529	$ 4,449	$ 6,178	$ 2,820	$ 1,290	$ 382
Marketable securities	1,909	1,055	15	40	18	2
Property, plant and equipment, net	6,183	6,259	11,538	14,190	21,486	24,477
Total assets	16,761	17,060	27,470	26,762	33,706	44,188
Long-term debt, excluding current portion	5,900	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)	4,122	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 March 31, 2005 and on a when issued basis as of December 31, 2003 and March 31, 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 following selected unaudited condensed consolidated pro forma statement of income data for the three months ended March 31, 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 March 31, 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 quarter ended March 31, 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 March 31, 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.

Selected Unaudited Condensed Consolidated Pro Forma Financial Information

	Three months ended March 31, 2005	Year ended December 31, 2004
Results of Operations:		
Operating revenues	$ 22,450	$ 89,709
Operating income	3,392	9,559
Income before discontinued operations	1,599	2,997
Per share of common stock basic	.55	1.02
Per share of common stock diluted	.54	1.02

	As of March 31, 2005
Financial Position:	
Total assets	$ 183,613
Long-term debt	41,667
Minority interest	24,754
Shareowners investment	43,819

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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 March 31, 2005 for balance sheet purposes. You should read this information in conjunction with the selected historical financial information, included elsewhere in this proxy statement and prospectus, and the historical financial statements of Verizon and MCI that are incorporated in this proxy statement and prospectus by reference. The unaudited Verizon pro forma consolidated per share information is derived from, and should be read in conjunction with, the Unaudited Condensed Consolidated Pro Forma Financial Statements and related notes included on page 115 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 three months ended March 31, 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 are calculated by multiplying the unaudited Verizon pro forma consolidated per share amounts by an assumed exchange ratio of 0.5743.

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

	Three months ended March 31, 2005	Year ended December 31, 2004
Verizon Historical:		
Income before discontinued operations		
Basic	$ .63	$ 2.62
Diluted	.63	2.59
Dividends per share	.405	1.54
Book value per share (unaudited)	13.73	13.56
MCI Historical:		
Loss before discontinued operations		
Basic	$ (.28)	$ (12.56)
Diluted	(.28)	(12.56)
Dividends per share	.40	.80
Book value per share (unaudited)	12.68	13.24
Verizon Unaudited Pro Forma Consolidated Per Share Information:		
Income before discontinued operations		
Basic	$ .55	$ 1.02
Diluted	.54	1.02
Dividends per share	.405	1.54
Book value per share (unaudited)	14.95	N/A
MCI Unaudited Pro Forma Equivalents:		
Income before discontinued operations		
Basic	$ .32	$ .59
Diluted	.31	.59
Dividends per share	.23	.88
Book value per share (unaudited)	8.59	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.

In July 2001, MCI s predecessor company, WorldCom, Inc., sometimes referred to as WorldCom, created a two class common stock structure (WorldCom group common stock and MCI group common stock). Prior to MCI 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

(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 June 1, 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
June 1, 2005	$ 35.36	$ 25.58	$ 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 28, 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 142. 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.

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 billion in the aggregate. For a description of these bankruptcy claims and international tax claims, see The Merger Agreement Potential Downward Purchase Price Adjustment for Specified Liabilities on page 99. The potential downward purchase price adjustment could be material and is limited only by the amount of the merger consideration. 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 Merger Consideration and Conversion of MCI Common Stock on page 3. 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 billion or less, no adjustment will be made to the merger consideration. If the aggregate specified liabilities amount is greater than $1.775 billion, then 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 billion. If the resulting downward adjustment exceeds any per share cash amount payable at the time of closing (see Summary Merger Consideration and Conversion of MCI Common Stock on page 3 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.

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From January 1, 2005 to March 31, 2005, the amount of cash spent by MCI to settle specified liabilities was $[ ]. In addition, as of March 31, 2005, MCI had accrued liabilities on its consolidated balance sheet of approximately $[ ] with respect to matters that it believes would constitute specified liabilities.

While these amounts of MCI s liability balances may be viewed as indicative of whether there will be a downward purchase price adjustment and the amount of any adjustment, the aggregate specified liabilities amount used to determine whether there will be any downward purchase price adjustment at the closing may differ materially from the amount of cash spent by MCI to settle specified liabilities from January 1, 2005 to March 31, 2005 plus the March 31, 2005 balance sheet liability amount. The following illustrates factors that may cause the actual specified liabilities amount to differ from the March 31, 2005 amount:

The specified liabilities amount used in the determination of the downward purchase price adjustment is based on the actual amount of cash spent 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 date (determined in accordance with the procedures described above).

MCI s March 31, 2005 liability balances for the specified liabilities could increase or decrease to the extent that MCI s evaluation of any particular matter changes and is adjusted as required by GAAP subsequent to March 31, 2005, MCI settles that matter for an amount different than it had previously anticipated or new matters arise that had previously not been asserted.

Matters included in the specified liabilities for purposes of the potential downward purchase price adjustment may include items that are not accrued for on MCI s consolidated balance sheet, because, with respect to contingencies subject to statement No. 5 of the Financial Accounting Standards Board, only liabilities that are probable and reasonably estimable are appropriately accrued. Based on current estimates, which are subject to change, we do not believe amounts with respect to these matters would be material.

The specified liabilities include a large number of claims that are expected to be resolved over time. Changes in estimates or settlement experience with respect to any particular claim could be offset by changes in estimates or settlement experience with respect to other claims, and changes in one fiscal period could be offset by changes in another fiscal period.

Accordingly, it is not possible to accurately predict the expected downward purchase price adjustment, if any. MCI does not intend to publicly update the amounts of balance sheet liabilities that could be considered to be specified liabilities under the agreement with respect to the specified liabilities amount.

As a result of this adjustment formula, if a significant increase is determined to be made to the amount recorded by MCI for specified liabilities, it is possible that the consideration payable to MCI stockholders could be significantly reduced. See The Merger Agreement Potential Downward Purchase Price Adjustment for Specified Liabilities beginning on page 99.

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

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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 transaction is structured to take the form of a forward merger of MCI with and into a wholly owned subsidiary of Verizon and is intended to qualify as a reorganization. Under this structure, MCI s stockholders will recognize taxable gain only to the extent they receive cash, 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 forward merger 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 parties expect that the alternative merger would be a fully taxable transaction. If the transaction is effected in this manner, MCI stockholders will recognize gain or loss based upon *all* the consideration they receive (including the value of Verizon common stock). See Material United States Federal Income Tax Considerations beginning on page 93.

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 Fees and Expenses beginning on page 112. 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 107.

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

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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 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. 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. Ineffective disclosure controls and internal control over financial reporting could cause MCI s financial statements to be misstated.

The merger may not occur which could adversely affect MCI s business operations.

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 23.

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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 pricing formula proposed by that RBOC included a purchase price adjustment based on MCI s EBITDA (as defined in the offer) levels and bankruptcy claims. The adjustments for EBITDA provided that (i) to the extent that MCI s EBITDA for the 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 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 fell below $1.0 billion. The purchase price would also be reduced ratably by the amount by which actual and 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 of such unresolved bankruptcy claims at closing.

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 liabilities 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 88 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. 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 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

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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.

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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 enterprise businesses. 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. 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

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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

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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

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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.