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THE MERGER AGREEMENT

The following summary describes the material provisions of the merger agreement, and is qualified in its entirety by reference to the complete text of the merger agreement, a composite copy of which is attached as Annex A to this proxy statement and prospectus. The provisions of the merger agreement are extensive and not easily summarized. Accordingly, this summary may not contain all of the information about the merger agreement that is important to you. The original merger agreement, along with the March 4, 2005, March 29, 2005 and May 1, 2005 amendments, are incorporated by reference in this proxy statement and prospectus. We encourage you to read the merger agreement carefully in its entirety for a more complete understanding of the merger agreement.

The merger agreement has been included to provide you with information regarding its terms. This document contains a description of representations and warranties made in the merger agreement. Representations and warranties are also set forth in agreements and other documents that are filed as exhibits to this document or incorporated by reference into this document. These representations and warranties were made for purposes of those agreements or other documents for the benefit of the parties to those agreements or other documents as of specific dates, subject to the limitations and qualifications agreed by the contracting parties.

Additional information about Verizon or MCI may be found elsewhere in this proxy statement and prospectus and in the other public filings that each of Verizon and MCI makes with the SEC. See “Where You Can Find More Information” beginning on page 142.

Structure of the Merger

Under the merger agreement, MCI will merge with and into Eli Acquisition, a Delaware limited liability company and direct, wholly owned subsidiary of Verizon, with Eli Acquisition continuing as the surviving entity. Following the merger, Eli Acquisition will be renamed MCI, LLC. Verizon and MCI have agreed that if their respective legal advisors are unable to deliver their opinions regarding the treatment of the transaction as a “reorganization” for tax purposes or if certain other conditions are not satisfied, the transaction will be completed by causing MCI to merge with and into a Delaware corporation wholly owned by Verizon, with MCI continuing as the surviving entity. See “The Merger Agreement—Conditions to the Closing of the Merger” beginning on page 110.

Closing of the Merger

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

Merger Consideration and Conversion of MCI Common Stock

Upon closing of the merger, each share of MCI common stock issued and outstanding immediately prior to the closing of the merger will be converted into the right to receive a number of shares of Verizon common stock equal to the greater of the following exchange ratios: (a) 0.5743 and (b) the quotient obtained by dividing \$20.40 by the Verizon average stock price. The merger agreement also provides for the distribution by MCI, after MCI stockholder approval of the merger and prior to the closing of the merger, of a special cash dividend to MCI stockholders in the amount of up to \$5.60 per share less the per share amount of any dividend declared by MCI between February 14, 2005 and the closing of the merger (but excluding the \$0.40 per share dividend paid by MCI on March 15, 2005). If less than the full amount of the special cash dividend is paid, the remainder, without interest, will be paid as a per share cash amount MCI stockholders will receive in connection with the merger. If the exchange ratio is greater than 0.5743, Verizon has the right to reduce the exchange ratio to an amount no less than 0.5743 and, instead, pay a per

share cash amount equal to the product of (x) the amount by which Verizon

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has reduced the exchange ratio and (y) the Verizon average stock price. The consideration MCI stockholders will receive is subject to a potential downward purchase price adjustment for certain liabilities, which include certain MCI bankruptcy claims, including tax claims, as well as certain international tax liabilities. For a description of these bankruptcy claims and international tax 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. See “The Merger Agreement—Potential Downward Purchase Price Adjustment for Specified Liabilities” beginning on page 99.

No Issuance of Fractional Shares

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

Potential Downward Purchase Price Adjustment for Specified Liabilities

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

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

Additionally, five days prior to the anticipated closing of the merger, MCI will provide Verizon with a schedule with the amount of cash actually spent since January 1, 2005 through the closing of the merger to satisfy certain bankruptcy claims, including tax claims, as well as certain international tax liabilities, with reasonable supporting documentation. This amount is sometimes referred to as the paid specified included liabilities amount. MCI’s recent \$124 million settlement with the State of Mississippi to cover back taxes owed by its predecessor, filed with the bankruptcy court on May 9, 2005, will be included in the calculations of the specified liabilities amount.

When the remaining specified liabilities amount has been determined, the merger consideration will be adjusted as follows: If the sum of the final remaining specified included liabilities amount and the paid specified

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included liabilities amount is \$1.775 billion or less, no adjustment will be made to the merger consideration. If the sum of the final remaining specified included liabilities amount and the paid specified included liabilities amount is greater than \$1.775 billion, then any per share cash amount that the merger agreement contemplates MCI stockholders would have received will be reduced by an amount equal to the quotient obtained by dividing (x) the difference between the sum of the final remaining specified included liabilities amount and the paid specified included liabilities amount and \$1.775 billion by (y) the sum of (A) the number of shares of MCI common stock issued and outstanding immediately prior to the closing of the merger and (B) the number of shares reserved for issuance pursuant to MCI's plan of reorganization that are unissued immediately prior to the closing of the merger.

If the resulting downward purchase price adjustment exceeds any per share cash amount, the cash payment will be eliminated and assuming the exchange ratio is 0.5743, the exchange ratio will be adjusted downward by multiplying it by a fraction, the numerator of which is the "aggregate base merger consideration" (\$20.40 multiplied by the number of shares of MCI common stock outstanding immediately prior to the closing of the merger, including any unissued shares of MCI common stock reserved for issuance under the MCI plan of reorganization), *minus* the product of (i) the amount by which the resulting downward purchase price adjustment exceeds the per share cash amount and (ii) the number of shares of MCI common stock outstanding immediately prior to the closing of the merger, including any unissued shares of MCI common stock reserved for issuance under the MCI plan of reorganization and the denominator of which is the aggregate base merger consideration. If there is no per share cash amount payable in connection with the merger, any downward purchase price adjustment will be effected through an adjustment of the exchange ratio as described above.

Treatment of Restricted Shares and Other Equity-Based Awards

Restricted Shares. At the completion of the merger, subject to the potential downward purchase price adjustment, each outstanding MCI restricted share will be converted into (i) a number of Verizon restricted shares equal to the exchange ratio plus (ii) a cash payment in the 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 shall bear a legend containing the same restrictions on transferability.

Other Equity-Based Awards. At the completion of the merger, subject to the potential downward purchase price adjustment, each outstanding equity-based award (other than MCI restricted shares or rights under the MCI Employee Stock Purchase Plan) providing for a cash or stock payment measured by the value of MCI common stock will be deemed to refer to (or be measured by) (i) the number of shares of Verizon common stock equal to the number of shares of MCI common stock covered by the outstanding equity-based award multiplied by the exchange ratio plus (ii) a cash payment equal to the number of shares of MCI common stock covered by the outstanding equity-based award multiplied by 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.

Treatment of MCI's Employee Stock Purchase Plan

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

or arrangement for the purchase of shares of MCI common stock.

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Appraisal Rights

Under Section 262 of the DGCL, the stockholders of MCI will be entitled to appraisal rights 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. If MCI stockholders receive cash for their stock because less than the full amount of the special cash dividend is paid by MCI, or if Verizon exercises its right to reduce the exchange ratio to an amount no less than 0.5743 and pay a per share cash amount instead, then MCI stockholders will be entitled to appraisal rights under Section 262 of the DGCL. If MCI stockholders are entitled to appraisal rights under Section 262 of the DGCL, then if the merger is completed and they perfect their appraisal rights, their shares of MCI common stock outstanding immediately prior to the closing of the merger will not be converted into the right to receive the merger consideration, unless the holder withdraws his or her right to seek appraisal. If following the closing of the merger the holder fails to perfect, withdraws or loses the right to appraisal, or if it is determined that the holder does not have appraisal rights, then the holder's shares of MCI common stock will be treated as if they had been converted at the closing of the merger into the right to receive the merger consideration paid to non-dissenting stockholders.

Exchange of Share Certificates

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

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

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

Representations and Warranties

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

- due incorporation, good standing and corporate power, charter documents and ownership of subsidiaries;

- capital structure;
- corporate authority to enter into and perform the merger agreement, enforceability of the merger agreement, approval and recommendation to the stockholders of the merger agreement by MCI's board of directors;

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- absence of conflicts with Section 203 of the DGCL;
- MCI's board of directors' action to render the stockholder rights agreement inapplicable to the merger pursuant to the merger agreement;
- absence of conflicts of the merger agreement with organizational documents, material contracts, permits or applicable law;
- required governmental filings or consents;
- filings with the SEC and internal controls;
- financial statements;
- absence of undisclosed liabilities;
- information supplied for the preparation of this proxy statement and prospectus;
- absence of certain changes or events since September 30, 2004 until February 14, 2005;
- absence of material litigation;
- compliance with applicable laws, including the Sarbanes-Oxley Act;
- tax matters;
- the MCI Employee Stock Purchase Plan;

- sufficiency of MCI's real property;

- right-of-way agreements and network facilities;

- brokers;

- labor and other employment matters, including benefit plans;

- intellectual property rights;

- material contracts;

- environmental laws and regulations;

- insurance coverage;

- material consent decrees;

- compliance with Foreign Corrupt Practices Act and international trade sanctions;

- compliance with the permanent injunction and related orders against MCI by the United States Federal Court for the Southern District of New York;

- brokers' fees due in connection with the merger; and

- receipt of opinions from financial advisors.

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

- organization, good standing and corporate power, charter documents and ownership of subsidiaries;
- capital structure;
- corporate authority to enter into and perform the merger agreement and enforceability of the merger agreement;
- absence of conflicts of the merger agreement with organizational documents, material contracts, permits or applicable law;

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- required governmental filings or consents;
- filings with the SEC and internal controls;
- financial statements;
- absence of undisclosed liabilities;
- information supplied for the preparation of this proxy statement and prospectus;
- absence of certain changes or events since September 30, 2004 until February 14, 2005;
- absence of material litigation;
- compliance with laws; and
- brokers' fees due in connection with the merger.

Certain of the representations and warranties of both MCI and Verizon are qualified as to "materiality" or "material adverse effect." For purposes of the merger agreement, "material adverse effect" means, with respect to MCI or Verizon, as the case may be, a material adverse effect on (i) the business, financial condition or results of operations of the party and its subsidiaries, taken as a whole, other than any such effect relating to or resulting from (x) changes or conditions affecting the economy or financial markets in general or changes in political or regulatory conditions generally, (y) general changes in the segments of the telecommunications industry in which the party or any of its subsidiaries operates or (z) the announcement or closing of the merger agreement or (ii) the ability of the party to perform its obligations under the merger agreement or to consummate the transactions contemplated by the merger agreement. Whether a material adverse effect has occurred will initially be determined by the party asserting that there has been a material adverse effect. If the parties cannot agree whether a material adverse effect has occurred, it will be determined by an appropriate court.

The representations and warranties in the merger agreement do not survive the closing of the merger.

Covenants Relating to Conduct of Business

Each of Verizon and MCI have undertaken certain covenants in the merger agreement that affect the conduct of their respective businesses between the date the merger agreement was signed and the closing of the merger.

Covenants of MCI. Prior to the closing of the merger, subject to certain exceptions, MCI and each of its subsidiaries is required to conduct its business in a commercially reasonable manner consistent with industry practice, and to use its commercially reasonable efforts to preserve its business dealings and relationships, and to maintain its current rights and franchises. In addition, absent the written consent of Verizon and subject to certain exceptions, MCI will not, and will not permit any of its subsidiaries to:

- change its organizational documents;

- declare any dividend, except for the special cash dividend and regular quarterly dividends (not to exceed \$1,947,000,000 in the aggregate from the period beginning on February 1, 2005, and ending on the date of the closing of the merger), and dividends from wholly owned subsidiaries;

- split, combine, reclassify any of its capital stock or authorize the issuance of any other securities in respect of its capital stock;

- repurchase or otherwise acquire any shares of the capital stock of MCI or any rights to acquire any of these shares other than pursuant to the MCI stock plans and the redemption of company rights pursuant to the rights agreement, dated as of April 20, 2005, between MCI and The Bank of New York, as rights agent;

- issue, sell or pledge shares of its capital stock or other securities, except under limited circumstances;

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- merge with another company or acquire a material amount of the assets of another company except certain disclosed acquisitions and acquisitions where the fair market value does not exceed \$50,000,000 for an individual acquisition, or \$100,000,000 in the aggregate;
- sell, lease or dispose of assets except (i) pursuant to existing contracts, (ii) sales of network capacity in the ordinary course consistent with past practice, (iii) sales of certain disclosed assets, or (iv) in an amount not in excess of \$50,000,000 in the aggregate;
- make loans, capital contributions to, or investments in a third party except pursuant to an existing contract, incur debt except in the ordinary course of business not to exceed \$25,000,000 in the aggregate, or make a capital expenditure not in MCI's capital budget;
- modify benefits under or accelerate payments or the vesting of benefits under any company benefit plan, except in the ordinary course of business consistent with existing policies and practices or as disclosed;
- increase compensation or benefits of directors, officers, employees or consultants, except salary increases in the ordinary course of business consistent with existing policies and practices, so long as these increases, in the aggregate, do not exceed 4% in any calendar year;
- enter into or modify severance, consulting, retention or employment agreements, plans, programs or arrangements, except in the ordinary course of business consistent with existing policies and practices or as disclosed;
- hire or terminate the employment or contractual relationship of any officer, employee or consultant, other than in the ordinary course of business consistent with existing policies and practices or as disclosed, and except for hirings that would not result in a material increase in the number of persons providing services to MCI in such capacities or in the aggregate payroll, and in the case of terminations, would not create a material liability in excess of the cost savings derived from any terminations;
- settle legal claims, except those that relate to taxes, bankruptcy claims, those that are in the ordinary course or those that do not require payments by MCI in excess of \$10,000,000, or enter into any consent, decree or similar restraints or forms of equitable relief except as are not material to MCI and its subsidiaries taken as a whole;
- make or rescind material tax elections, settle any proceeding relating to taxes, make a request for a written tax ruling from a taxing authority, enter into a binding agreement with a taxing authority relating to material taxes, or change any income or deduction reporting methods for federal income tax purposes from those employed in the preparation of its federal income tax returns for the taxable year ending December 31, 2003;

- amend or modify certain material contracts other than in the ordinary course of business consistent with existing policies and practices;
- enter into or extend any agreements that could limit or restrict MCI or its affiliates, or that could, after the closing of the merger, limit or restrict Verizon or its affiliates, from competing in any line of business or in any geographic area, which agreements would reasonably be expected to have a material adverse effect on Verizon after giving effect to the merger;
- change accounting practices except as required by U.S. GAAP or a governmental entity;
- terminate or modify in any material respect material insurance policies not replaced by comparable coverage;
- adopt or implement a plan of complete or partial liquidation, restructuring or recapitalization or other reorganization of MCI or any of MCI's non-U.S. subsidiaries; or
- take or omit to take any actions that would result in any of the conditions to the merger not being satisfied or materially impairing the ability of the parties to consummate the merger or materially delay the closing of the merger.

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Covenants of Verizon . Prior to the closing of the merger, subject to certain exceptions, Verizon and each of its subsidiaries is required to conduct its business in the ordinary course, consistent with past practice, and to use its commercially reasonable efforts to preserve its business dealings and relationships, and to keep its current rights and franchises. In addition, absent the consent of MCI, Verizon will not, and shall not permit any of its subsidiaries to:

- change its organizational documents in a manner that would adversely affect the economic benefits of the merger to MCI's stockholders;
- declare, make or pay any dividends or other distributions, except for dividends by Verizon's wholly owned subsidiaries, for the payment of regular dividends by Verizon or for distributions of stock or property for which adjustment is made to the merger consideration to be received by MCI's stockholders pursuant to the merger agreement; or
- take or omit to take any actions, including engaging in the merger of a business, that would be reasonably likely to prevent the closing of the merger by February 14, 2006, as this date may be extended as described in clause (i) of the second bullet point under "—Termination of the Merger Agreement."

Regulatory Approvals

The merger agreement provides that Verizon and MCI will use commercially reasonable efforts to take all actions and do all things advisable, proper or necessary under the merger agreement and applicable laws to consummate the merger and the other transactions contemplated by the merger agreement in the most expeditious manner practicable. Without limitation, this includes taking the appropriate actions to obtain the required approvals from the FTC or DOJ under the HSR Act, from the FCC and from other domestic or foreign governmental entities. In addition, each of Verizon and MCI are required to cooperate and to take all lawful steps as are necessary or appropriate to secure regulatory approvals or to remove impediments to the merger relating to regulatory laws. However, except as described in the following paragraph, neither party will be required to take actions in connection with obtaining these regulatory approvals that would have a "specified material adverse effect", which means a material adverse effect on either Verizon or MCI, provided that when measuring whether actions would have this effect on Verizon, Verizon and its subsidiaries will be deemed to be a consolidated entity equal in size to MCI and its subsidiaries. Whether a specified material adverse effect has occurred will initially be determined by the party asserting that there has been a specified material adverse effect. If the parties cannot agree whether a specified material adverse effect has occurred, it will be determined by an appropriate court.

If Verizon takes any action that is reasonably likely to materially delay the closing of the merger, including acquiring a business that makes it more difficult to obtain any regulatory approval, Verizon will take, or authorize MCI to take, all necessary efforts to obtain the required authorizations relating to any regulatory law, to effect the dissolution of any injunction or other order in any suit or proceeding relating to any regulatory law and to close the merger, regardless of whether it causes a specified material adverse effect. If this action delays closing of the merger, then, during the delay period, Verizon will not be entitled to terminate the merger agreement because of, or invoke the condition to its obligations to close relating to, an MCI material adverse change or failure of MCI's representations to be true, except where the failure of the condition to be satisfied is caused by a breach of a representation caused by MCI during this period.

No Solicitations by MCI

Under the terms of the merger agreement, subject to certain exceptions described below, MCI has agreed that it will not, and will not permit its subsidiaries to, directly or indirectly:

- initiate or solicit or knowingly facilitate or encourage any inquiry or the making of any proposal that constitutes a takeover proposal (as described below);
- enter into any letter of intent, memorandum of understanding, merger agreement or other agreement, arrangement or understanding relating to any takeover proposal; or

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- continue or otherwise 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 any takeover proposal or requires MCI to abandon, terminate or fail to consummate the merger or any other transactions contemplated by the merger agreement.

A “takeover proposal” is any proposal or offer in respect of:

(i) a merger, consolidation, or similar transaction involving MCI or any of MCI’s subsidiaries which represent, individually or in the aggregate, 15% or more of MCI’s consolidated assets with any third party other than Verizon or a Verizon affiliate in which the third party or stockholders of the third party immediately prior to the closing of the transaction will own more than 15% of MCI’s outstanding capital stock immediately following the transaction, including the issuance by MCI of more than 15% of any class of its voting equity securities as consideration for assets or securities of a third party, or

(ii) any direct or indirect acquisition, whether by tender or exchange offer or otherwise, by any 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, in a single transaction or a series of related transactions.

If, prior to approval of the merger by MCI’s stockholders, MCI’s board of directors receives an unsolicited takeover proposal and determines in good faith in consultation with outside legal and financial advisors that the takeover proposal could reasonably be expected to lead to a superior proposal (as described below) and the failure to furnish information or participate in discussions or negotiations in response to the takeover proposal could reasonably be expected to result in a breach of MCI’s board of directors’ fiduciary duties, then MCI may, in response to the takeover proposal:

(i) furnish information about MCI and its subsidiaries to the person making the takeover proposal pursuant to a confidentiality agreement containing terms and conditions no less restrictive than those contained in its confidentiality agreement with Verizon (the confidentiality agreement will not be required to contain standstill provisions, and any information provided to the third party must be provided to Verizon prior to or concurrently with the time it is provided to the third party if it has not been previously provided to Verizon); and

(ii) participate in discussions or negotiations with the person making the takeover proposal.

A “superior proposal” is a written proposal or offer made by a third party involving the purchase or acquisition of:

- all or substantially all of the voting power of MCI’s capital stock; or
- all or substantially all of the consolidated assets of MCI and MCI’s subsidiaries

that MCI’s board of directors determines in good faith is reasonably capable of being consummated on the terms so proposed, taking into account all financial, regulatory, legal and other aspects of the proposal, and would be, if consummated, more favorable to the MCI stockholders than the merger with Verizon, taking into account:

- all of the terms and conditions of the proposal and of the merger agreement (including any proposal by Verizon to amend the terms of the merger agreement); and

- any other factors deemed relevant by MCI's board of directors.

Within 24 hours of receipt of any takeover proposal, MCI shall provide oral and written notice to Verizon of the takeover proposal including the material terms and conditions of the takeover proposal. Additionally, MCI is required to keep Verizon fully informed of the status of any takeover proposal, including any changes to the terms and conditions of the proposal. MCI is also required to provide Verizon with copies of all takeover proposals (and any modifications to these proposals) and related agreements, draft agreements and modifications thereof.

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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 meeting of MCI stockholders, MCI may engage in discussions with Qwest regarding Qwest's proposal 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

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 a superior proposal or an intervening event (as described below) 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.

An "intervening event" is an event that was not known to MCI's board of directors as of February 14, 2005, which MCI's board of directors becomes aware of prior to the adoption of the merger agreement and approval of the merger by a majority of the shares of MCI's outstanding common stock and which causes MCI's board of directors to conclude in good faith, after consultation with its outside legal and financial advisors, that its failure to effect a change in MCI's recommendation would be reasonably likely to result in a breach of its fiduciary duties to the MCI stockholders under applicable law.

Additionally, MCI's board of directors may not change its recommendation unless:

- MCI's board of directors has first provided prior written notice to Verizon of its intention to change its recommendation in response to a superior proposal or an intervening event. In the case of a superior proposal, the notice will include the most current version of any written agreement relating to the transaction that constitutes the superior proposal, and, in the case of an intervening event will include information describing the intervening event in reasonable detail; and
- Within five business days after the receipt of the notice referred to above (or, if later, three business days after a material modification of a takeover proposal), Verizon does not make a proposal that MCI's board of directors determines in good faith, after consultation with a financial advisor of nationally recognized reputation, 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.

The parties have agreed that during the five-day period prior to effecting a change in MCI's board of directors' recommendation, MCI will negotiate in good faith with Verizon regarding any revisions Verizon proposes to the terms of the merger contemplated by the merger agreement. Notwithstanding any change in MCI's board of directors' recommendation, MCI may not terminate the merger agreement for that reason except in the circumstance described below and Verizon will have the option to cause the MCI's board of directors to submit the merger agreement to the MCI stockholders for the purpose of adopting the merger agreement and approving the merger. If Verizon exercises this option, Verizon will not be entitled to terminate the merger agreement as a result of the changed recommendation. If Verizon fails to exercise this option, MCI may terminate the merger agreement provided that MCI pays the \$240 million termination fee to Verizon prior to termination and reimburses Verizon for up to \$10 million of its 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.

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Employee Benefits and Plans

Verizon and MCI have agreed in the merger agreement that for one year following the closing of the merger, Verizon will provide or will cause to be provided to employees of MCI and its subsidiaries who continue to be employed by Verizon, MCI or any of their subsidiaries following the closing of the merger:

- a base salary and incentive compensation opportunity at a rate not less than the rate of the base salary and incentive compensation opportunity in effect at the time of the closing of the merger; and

- medical benefits and other welfare benefit plans, programs and arrangements that are:

(i) substantially comparable to those provided under MCI's benefit plans in effect at the time of closing of the merger;

(ii) substantially comparable to those provided to management employees of Verizon or its subsidiaries; or

(iii) any combination of the foregoing.

except that (x) with respect to continuing employees who are subject to collective bargaining or employment agreements, compensation, benefits and payments shall be provided in accordance with these agreements, and MCI, LLC assumes these collective bargaining or employment agreements (including change in control agreements) and (y) for one year following the closing of the merger, MCI, LLC will pay, subject to any terms and conditions as it shall establish, any of these continuing employees whose employment is involuntarily terminated by Verizon, MCI, LLC or any of their subsidiaries without cause an amount of severance pay in cash equal to the amount of cash severance pay that would have been payable to the continuing employee under the terms of the severance plan maintained by MCI and its subsidiaries and applicable to the continuing employee immediately prior to the date of the merger agreement.

MCI will consult with Verizon prior to sending any written notices or other communication materials (including, without limitation, any postings to any Web site) to its employees or former employees regarding any of the matters described above in this Employee Benefits and Plans section. Prior to the closing of the merger, MCI will provide Verizon with reasonable access to employees or former employees for purposes of Verizon providing notices or other communication materials regarding Verizon's compensation and benefit plans or the matters described above in this Employee Benefits and Plans section.

Verizon has agreed to register under the Securities Act any shares of Verizon common stock that become subject to certain equity-based awards upon the conversion of outstanding MCI equity-based awards.

Verizon and MCI have each agreed to take the necessary steps to cause any dispositions of MCI common stock or derivative securities and acquisitions of Verizon common stock or derivative securities that occur in connection with the merger by each individual subject to reporting requirements of Section 16(a) of the Exchange Act, to be exempt under the Exchange Act.

Indemnification and Insurance

In the merger agreement, Verizon and MCI agreed that from and following the closing of the merger, Verizon will cause MCI, LLC to indemnify and hold harmless all past and present directors, officers and

employees of MCI and its subsidiaries against any costs or expenses (including attorney's fees), judgments, fines, losses, claims, damages or liabilities incurred in connection with any claim to the same extent these persons are indemnified or have the right to advancement of expenses as of the date of the merger agreement by MCI pursuant to its organizational documents and indemnification agreements in existence on February 14, 2005 and, to the fullest extent permitted by law, include and cause to be maintained in effect in MCI, LLC's (or any successor's) organizational documents, the current provisions regarding elimination of liability of directors, indemnification of officers, directors and employees and advancement of expenses.

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Verizon will cause the current policies of directors' and officers' liability insurance and fiduciary liability insurance to be maintained for six years following the closing of the merger.

Special Cash Dividend

The merger agreement also provides for the distribution by MCI, after MCI stockholder approval of the merger and prior to the closing of the merger, of a special cash dividend to MCI stockholders in the amount of up to \$5.60 per share less the per share amount of any dividend declared by MCI between February 14, 2005 and the closing of the merger (but excluding the \$0.40 per share dividend paid by MCI on March 15, 2005). If less than the full amount of the special cash dividend is paid, the remainder, without interest, will be paid as a per share cash amount MCI stockholders will receive in connection with the merger. The consideration MCI stockholders will receive is subject to a potential downward purchase price adjustment for certain liabilities, which liabilities include certain MCI bankruptcy claims, including tax claims, as well as certain international tax liabilities. For a description of these bankruptcy claims, see "The Merger Agreement—Potential Downward Purchase Price Adjustment for Specified Liabilities" on page 99. Under the merger agreement, MCI has agreed not to pay regular quarterly dividends of \$0.40 after the date on which the special cash dividend is paid. See "The Merger—Senior Notes" beginning on page 88 for a more detailed discussion of the restrictions affecting the Senior Notes and 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 affecting the ability of MCI to pay dividends.

Bankruptcy Court Order

MCI has agreed to use its reasonable efforts to obtain an order from the bankruptcy court providing that, following the closing of the merger, the surviving entity may settle general unsecured creditors' claims under the MCI plan of reorganization in shares of Verizon common stock rather than in shares of MCI common stock.

Settlement of Bankruptcy Claims

MCI has agreed not to settle any bankruptcy claims or any matter directly arising out of the bankruptcy claims that would result in the payment to creditors under the MCI plan of reorganization of a plan-affected amount of cash in excess of \$15,000,000 without providing written notice to Verizon and providing Verizon an opportunity to comment on the terms of the settlement, which comments MCI will consider in good faith.

Release from Permanent Injunction and Court Orders

Since November 2002, MCI has had, pursuant to a permanent injunction entered by the U.S. District Court for the Southern District of New York, the oversight of a court-appointed corporate monitor. As part of his oversight, the corporate monitor developed corporate governance principles entitled "Restoring Trust." MCI has agreed that it will use its reasonable best efforts to obtain a court order:

- confirming the successful conclusion of the efforts of the corporate monitor;
- concluding that the corporate monitor is no longer necessary;

- relieving MCI from the oversight of the corporate monitor prior to or upon the closing of the merger;
- acknowledging that Verizon and its subsidiaries, including MCI, LLC, will not be subject to Restoring Trust or any related or similar governance restrictions; and
- making any changes to the permanent injunctions entered by the court as are necessary to effect the foregoing.

In addition, MCI has agreed to use its reasonable best efforts to have the permanent injunction dissolved.

Network Facility Maintenance and Compliance

MCI has agreed to maintain owned and leased material network facilities and related material operating support systems, network operations centers, and land and buildings, taken as a whole, in good working order and condition and in compliance with standard industry practice through the closing of the merger.

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Agreement to Vote Shares

Verizon has agreed to vote all shares of MCI common stock owned by it or its subsidiaries in favor of adoption of the merger agreement and approval of the merger, so long as this adoption and approval is then recommended by MCI's board of directors.

Other Covenants and Agreements

The merger agreement contains other covenants and agreements, including covenants and agreements relating to cooperation between Verizon and MCI in the preparation of this proxy statement and prospectus, holding the special meeting of MCI stockholders to adopt the merger agreement and approve the merger and confidentiality.

Conditions to the Closing of the Merger

The obligations of Verizon and MCI to complete 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 merger of Verizon and MCI;
- the authorization for listing, on the NYSE, of the shares of Verizon common stock to be issued in connection with the merger;
- the expiration or earlier termination of the applicable waiting periods, including any extension of the waiting period because of the issuance of a second request for additional information under the HSR Act and no institution of any action by the DOJ or the FTC seeking to enjoin the merger, receipt of authorization from the FCC for the closing of the merger and receipt of other approvals required to be obtained from state public utility commissions or from other regulatory bodies that have jurisdiction over the merger;
- the absence of any rule, regulation, statute, order, ordinance, guideline, code or other legally enforceable requirement and the absence of any temporary restraining order, preliminary or permanent injunction or other order, judgment, decision, opinion or decree issued by a court or other governmental entity of competent jurisdiction having the effect of making the merger illegal or otherwise prohibiting the closing of the merger, except by governmental entities outside the United States as would not, individually or in the aggregate, reasonably be expected to be material to Verizon and which do not provide a reasonable basis to conclude that Verizon, MCI or their respective directors or officers would be subject to the risk of criminal liability;
- the declaration by the SEC that the registration statement of which this proxy statement and prospectus forms a part and the absence of any stop order by the SEC suspending the effectiveness of the registration statement and no proceedings for that purpose have been initiated or threatened by the SEC; and
- the determination of the downward purchase price adjustment for specified liabilities.

Verizon's obligation to close 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 litigation by any U.S. governmental entity, that has a reasonable likelihood of success, (i) challenging the acquisition of MCI common stock by Verizon or Eli Acquisition, seeking to restrain or prohibit the closing of the merger or any other transaction, or seeking damages (in an amount material in relation to MCI and its subsidiaries taken together) from Verizon, MCI or Eli Acquisition,

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(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 operation of MCI and its subsidiaries;

- the receipt of an order from 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 MCI's 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 since February 14, 2005, that has had or would have a material adverse effect on MCI and its subsidiaries;
- 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 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 since February 14, 2005 that has had or would have a material adverse effect on Verizon and its subsidiaries.

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 conditions:

- with respect to the obligations of Verizon, that Verizon has received the opinion of Debevoise & Plimpton LLP, counsel to Verizon, 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 Code, and that Verizon and MCI will each be a party to that reorganization within the meaning of Section 368(b) of the Code; and
- with respect to the obligations of MCI, that MCI has received the opinion of Davis Polk & Wardwell, counsel to MCI, 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 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.

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Before the closing of the merger, MCI or Verizon may each waive any of the other conditions to 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 necessary 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.

Transaction Fees and Expenses

Verizon and MCI agreed that, whether or not the merger is closed, all expenses incurred in connection with the merger agreement and the transactions contemplated by the merger agreement will be paid by the party incurring the expenses. MCI has agreed to reimburse Verizon for up to \$10 million in expenses under certain circumstances.

Termination of the Merger Agreement

The merger agreement may be terminated and the transactions contemplated thereby abandoned at any time prior to the closing of the merger under the following circumstances:

- by mutual written consent of Verizon and MCI;

- by either Verizon or MCI, if:
 - (i) the merger is not closed by February 14, 2006 (which date may be extended by either party for up to 180 days if conditions as to regulatory approvals are not satisfied as of that date, or for up to 120 days if any disputes as to adjustments for all of MCI’s bankruptcy claims, including tax claims, as well as certain international tax liabilities (for a description of these bankruptcy claims and international tax claims, see “The Merger Agreement— Potential Downward Purchase Price Adjustment for Specified Liabilities” on page 99), are not resolved as of that date);
 - (ii) any governmental entity issues a final, non-appealable order, judgment, decision, opinion, decree or ruling which prevents the fulfillment of the closing conditions relating to the absence of an injunction prohibiting the closing; or
 - (iii) MCI stockholder approval is not obtained.

- by Verizon, if:
 - (i) MCI has breached or failed to perform any of its representations, warranties or covenants contained in the merger agreement in any material respect (subject generally to inability or failure to cure where the breach would result in the failure of the closing conditions relating to accuracy of representations, warranties and performance of agreements and covenants as set forth in the merger agreement);
 - (ii) MCI breaches its obligations under the no solicitation provisions under the merger agreement; or

(iii) MCI's board of directors fails to authorize or recommend the merger, or effects a change in its recommendation to stockholders, provided that Verizon shall not have the termination right set forth in this subparagraph (iii) if Verizon has exercised the right available to it under certain circumstances in the case of a change in MCI's board of directors' recommendation to force MCI's board of directors to submit the merger agreement to the MCI stockholders for purposes of having the MCI stockholders consider the adoption of the merger agreement and approval of the merger.

• by MCI, if:

(i) Verizon has breached or failed to perform any of its representations, warranties or covenants contained in the merger agreement in any material respect (subject generally to inability or failure to cure where the breach would result in the failure of the closing conditions relating to accuracy of representations, warranties and performance of agreements and covenants as set forth in the merger agreement); or

(ii) Verizon fails to exercise its option to require MCI to cause a special meeting of the MCI stockholders to be held to consider approval of the merger after a change in MCI's board of directors' recommendation, and MCI has paid Verizon the termination fee.

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Termination Fee

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 whose terms constitute a superior proposal or as a result of an intervening event (provided that Verizon has not exercised its option to require MCI to cause a special meeting of the MCI stockholders to be held to consider approval of the merger);
- the MCI stockholders fail to approve the merger, if, with respect to the termination fee (but not with respect to the expense reimbursement, which MCI is required to pay if the MCI stockholders fail to approve the merger), 12 months after the termination of the merger agreement, MCI enters into a definitive agreement to consummate the transactions contemplated by the takeover proposal; or
- Verizon terminates because MCI breaches its obligations (i) to call a stockholders' meeting of MCI's stockholders 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.

Governing Law

The merger agreement is governed by the laws of the State of New York, except to the extent Delaware law is mandatorily applicable to the merger.

Amendments, Extensions and Waivers of the Merger Agreement

Verizon and MCI have agreed that the merger agreement may be amended by the parties, as authorized by their respective boards of directors, at any time before or after the approval of the merger by the MCI stockholders. However, Section 251 of the DGCL provides that after MCI stockholder approval, amendments that (i) alter or change the amount or kind of shares, securities, cash, property or rights to be received in exchange for or on conversion of all or any shares of any class or series of MCI, (ii) alter or change the term of any certificate of incorporation of the surviving corporation to be effected by the merger or consolidation, or (iii) alter or change any terms and conditions of the merger agreement if such alteration or change would adversely affect the holders of any class or series of shares of MCI, may not be made without stockholder approval.

The parties have also agreed that, prior to the closing of the merger, with the authorization of their

respective boards of directors, the parties will be allowed to extend the time for the performance of any of the obligations or other acts of the other parties, waive any inaccuracies in the representations and warranties contained in the merger agreement or in any document delivered pursuant to the merger agreement and waive compliance with any of the agreements or conditions contained in the merger agreement.

Letter Agreement, dated as of March 4, 2005, Amending the Merger Agreement and the Confidentiality Agreement Between Verizon and MCI

Pursuant to a letter agreement, dated as of March 4, 2005, the merger agreement was amended to provide that, among other things, each of Verizon and MCI may issue press releases or other public statements concerning the other party or the other party's business, financial condition or results of operations without the consent of the other party and MCI waives compliance by Verizon with any obligation to ensure that Verizon

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consults with MCI before issuing any press release or other public statements or communication with respect to the merger agreement and the transactions contemplated by the merger agreement. Additionally, the letter agreement amends the Non-Disclosure Agreement between Verizon and MCI, dated as of September 10, 2004, to remove Section 3, the provision regarding Verizon and MCI's obligations relating to public statements regarding the potential merger. Pursuant to the letter agreement, Verizon also agreed that the Non-Disclosure Agreement between MCI and Qwest satisfies the requirement relating to a confidentiality agreement set forth in the no solicitation covenant of the merger agreement.

Amendment to the Agreement and Plan of Merger, dated as of March 29, 2005

On March 29, 2005, Verizon, MCI and Eli Acquisition entered into an amendment of the merger agreement. Under the amendment, among other things, Verizon agreed to increase the consideration it would pay in connection with the merger to \$23.10 per share, not including the \$0.40 per share cash dividend paid by MCI on March 15, 2005. Under the amendment, MCI stockholders would receive total cash of \$8.35 per share of MCI common stock. This represented up to \$5.60 per share in special cash dividends, not including the \$0.40 per share dividend declared by MCI's board of directors on February 11, 2005 (less the amount of any dividends declared by MCI during the period from February 14, 2005 to the closing of the merger) and \$2.75 per share in cash consideration. The amendment also provided that Verizon would issue at least 0.4062 shares of Verizon common stock for each share of MCI common stock. The exact exchange ratio would be the greater of (a) 0.4062 and (b) the quotient obtained by dividing \$14.75 by the volume weighted average of the closing prices of Verizon common stock, as these prices are reported on the NYSE Composite Transactions Tape, for each of the 20 trading days ending on the third trading day immediately preceding the closing of the merger. The amendment permitted Verizon to increase the cash portion of the consideration, rather than issuing additional shares, if the exchange ratio is greater than 0.4062. The amendment increased to \$1.775 billion the threshold for specified liabilities. The amendment also increased to \$240 million the termination fee that, under specified circumstances, MCI may be required to pay Verizon. The amendment obligates MCI to reimburse Verizon for up to \$10 million in expenses under certain specified circumstances. In addition, under the amendment, in the event that MCI's board of directors changes, withdraws, modifies or qualifies its recommendation of the merger to MCI stockholders, MCI does not have the right to terminate the merger agreement and Verizon has the option to require MCI to cause a stockholder meeting to be held to consider approval of the merger.

Amendment to the Agreement and Plan of Merger, dated as of May 1, 2005

On May 1, 2005, Verizon, MCI and Eli Acquisition entered into an additional amendment of the merger agreement. Under the amendment, among other things, Verizon agreed to increase the consideration it will pay in connection with the merger to \$26.00 per share, not including the \$0.40 per share cash dividend paid by MCI on March 15, 2005. Under the amendment, MCI stockholders will receive a number of shares of Verizon common stock equal to the greater of the following exchange ratios: (a) 0.5743 and (b) the quotient obtained by dividing \$20.40 by the Verizon average stock price. After MCI stockholder approval of the merger and prior to the closing of the merger, MCI will distribute a special cash dividend to MCI stockholders in the amount of up to \$5.60 per share less the per share amount of any dividend declared by MCI between February 14, 2005 and the closing of the merger (but excluding the \$0.40 per share dividend paid by MCI on March 15, 2005). If less than the full amount of the special cash dividend is paid, the remainder, without interest, will be paid as a per share cash amount that MCI stockholders will receive in connection with the merger. If the exchange ratio is greater than 0.5743, Verizon has the right to reduce the exchange ratio to an amount no less than 0.5743 and, instead, pay a per share cash amount equal to the product of (x) the amount by which Verizon has reduced the exchange ratio and (y) the Verizon average stock price. In addition, the amendment obligates Verizon to vote all shares of MCI common stock owned by it or its subsidiaries in favor of adoption of the merger agreement and approval of the merger, so long as this adoption and approval is then recommended by MCI's board of directors.

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UNAUDITED CONDENSED CONSOLIDATED PRO FORMA FINANCIAL INFORMATION

The following unaudited condensed consolidated pro forma financial data present the effect of the merger. The following unaudited condensed consolidated pro forma statements of income data for the three months ended March 31, 2005 and the twelve months ended December 31, 2004 were 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 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 in this proxy statement and prospectus, and consolidated giving effect to the merger as if it had occurred on March 31, 2005.

The allocation of the purchase price as reflected in the pro forma condensed consolidated financial data has been based upon preliminary estimates of the fair values of assets acquired and liabilities assumed as of the closing of the merger. Management is currently assessing the fair values of the tangible and intangible assets acquired and liabilities assumed. This preliminary allocation of the purchase price depends upon certain estimates and assumptions, which are preliminary and have been made solely for the purpose of developing the unaudited pro forma condensed consolidated financial data.

A final determination of the fair value of MCI's assets and liabilities, which cannot be made prior to the closing of the merger, will be based on the actual net tangible and intangible assets of MCI that exist as of the date of the closing of the merger and these valuations could change significantly upon the completion of further analyses and asset valuations from those used in the condensed consolidated pro forma financial data presented below.

The unaudited condensed consolidated pro forma financial data do not include liabilities resulting from the planning related to the operation of MCI's businesses in conjunction with those of Verizon's following the merger and adjustments in respect of possible settlements of outstanding litigation (other than those already included in the historical financial statements of either company) as these are not presently estimable. Amounts preliminarily allocated to goodwill may significantly decrease and amounts allocated to identifiable intangible assets with definite lives may increase significantly, which could result in a material increase in amortization of acquired intangible assets. Therefore, the actual amounts recorded as of the closing of the merger may differ materially from the information presented in the accompanying unaudited condensed consolidated pro forma financial data. In addition to the completion of the final valuation of acquired assets and liabilities, the impact of ongoing activities in connection with the operation of MCI's businesses in conjunction with those of Verizon's following the merger, the timing of the closing of the merger and other changes in MCI's net tangible and intangible assets that occur prior to the closing of the merger could cause material differences in the information presented.

The unaudited condensed consolidated pro forma financial data are provided for illustrative purposes only and are not necessarily an indication of the results that would have been achieved had the merger been completed as of the dates indicated or that may be achieved in the future.

This unaudited condensed consolidated pro forma financial data should be read in conjunction with the historical consolidated financial statements and the related notes of Verizon and MCI that are incorporated by reference elsewhere in this proxy statement and prospectus.

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UNAUDITED PRO FORMA CONDENSED CONSOLIDATED

STATEMENT OF INCOME

For the Three Months Ended March 31, 2005

	Verizon	MCI	Pro Forma Adjustments	Pro Forma Consolidated
	(dollars in millions, except per share amounts)			
Operating Revenues	\$ 18,179	\$ 4,789	\$ (518)(a)	\$ 22,450
Operating Expenses				
Cost of services and sales (exclusive of items shown below)	6,123	3,153	(518)(a)	8,758
Selling, general & administrative expense	5,214	1,193	—	6,407
Depreciation and amortization expense	3,460	328	105(b)	3,893
Total Operating Expenses	14,797	4,674	(413)	19,058
Operating Income	3,382	115	(105)	3,392
Equity in earnings (loss) of unconsolidated businesses	193	(9)	—	184
Income (loss) from other unconsolidated businesses	56	(1)	—	55
Other income and (expense), net	79	43	(7)(c)	115
Interest expense	(561)	(120)	—	(681)
Minority interest	(613)	—	—	(613)
Income Before Provision for Income Taxes and Discontinued Operations	2,536	28	(112)	2,452
Income tax provision	(779)	(119)	45(d)	(853)
Income (Loss) Before Discontinued Operations	\$ 1,757	\$ (91)	\$ (67)	\$ 1,599
Basic Earnings (Loss) Per Common Share				
Income (loss) before discontinued operations	\$.63	\$ (.28)		\$.55
Weighted-average shares outstanding (in millions)	2,769	321		2,933
Diluted Earnings (Loss) Per Common Share				
Income (loss) before discontinued operations	\$.63	\$ (.28)		\$.54
Weighted-average shares outstanding (in millions)	2,821	321		2,985

See notes to unaudited pro forma condensed consolidated financial statements.

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UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET

As of March 31, 2005

	Verizon	MCI	Pro Forma Adjustments	Pro Forma Consolidated
	(dollars in millions)			
Assets				
Current Assets				
Cash and cash equivalents	\$ 692	\$ 3,529	\$ (2,724)(c)	\$ 1,497
Short-term investments	2,019	1,909	—	3,928
Accounts receivable, net of allowances	9,285	2,725	(216)(a)	11,794
Inventories	1,460	—	—	1,460
Assets held for sale	964	—	—	964
Prepaid expenses and other	2,591	673	(598)(e)	2,666
Total current assets	17,011	8,836	(3,538)	22,309
Plant, property and equipment, net	74,371	6,183	—	80,554
Investments in unconsolidated businesses	5,817	85	—	5,902
Wireless licenses	42,629	—	—	42,629
Goodwill	837	—	4,083(f)	4,920
Other intangible assets, net	4,520	1,036	1,881(g)	7,437
Other assets	19,697	621	(456)(e)	19,862
Total assets	\$ 164,882	\$ 16,761	\$ 1,970	\$ 183,613
Liabilities and Shareowners' Investment				
Current liabilities				
Debt maturing within one year	\$ 3,716	\$ 22	\$ —	\$ 3,738
Accounts payable, accrued liabilities and other	19,043	5,431	(156)(a)	24,318
Deferred income taxes	—	598	(598)(e)	—
Liabilities related to assets held for sale	400	—	—	400
Total current liabilities	23,159	6,051	(754)	28,456
Long-term debt	35,471	5,900	296(h)	41,667
Deferred income taxes	21,811	18	711(i)	22,540
Employee benefit obligations and other liabilities	21,707	670	—	22,377
Minority interest	24,754	—	—	24,754
Shareowners' investment				
Series preferred stock	—	—	—	—
Common stock	277	3	13(j)	293
Contributed capital	25,387	8,327	(2,504)(k)	31,210
Reinvested earnings (accumulated deficit)	13,621	(4,004)	4,004(l)	13,621
Accumulated other comprehensive loss	(1,222)	(32)	32(m)	(1,222)
Common stock in treasury, at cost	(229)	—	—	(229)
Deferred comp.-empl. stock ownership plans/other	146	(172)	172(n)	146
Total shareowners' investment	37,980	4,122	1,717	43,819

Total liabilities and shareowners' investment	\$	164,882	\$	16,761	\$	1,970	\$	183,613
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See notes to unaudited pro forma condensed consolidated financial statements.

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UNAUDITED PRO FORMA CONDENSED CONSOLIDATED

STATEMENT OF INCOME

For the Year Ended December 31, 2004

	Verizon	MCI	Pro Forma Adjustments	Pro Forma Consolidated
	(dollars in millions, except per share amounts)			
Operating Revenues	\$ 71,283	\$ 20,690	\$ (2,264)(a)	\$ 89,709
Operating Expenses				
Cost of services and sales (exclusive of items shown below)	23,168	13,225	(2,264)(a)	34,129
Selling, general & administrative expense	20,975	5,219	—	26,194
Depreciation and amortization expense	13,910	1,924	367(b)	16,201
Impairment charges	113	3,513	—	3,626
Total Operating Expenses	58,166	23,881	(1,897)	80,150
Operating Income (Loss)	13,117	(3,191)	(367)	9,559
Equity in earnings (loss) of unconsolidated businesses	1,691	(39)	—	1,652
Income from other unconsolidated businesses	75	9	—	84
Other income and (expense), net	22	115	(27)(c)	110
Interest expense	(2,384)	(402)	—	(2,786)
Minority interest	(2,409)	—	—	(2,409)
Income (Loss) Before Provision for Income Taxes and Discontinued Operations	10,112	(3,508)	(394)	6,210
Income tax provision	(2,851)	(520)	158(d)	(3,213)
Income (Loss) Before Discontinued Operations	\$ 7,261	\$ (4,028)	\$ (236)	\$ 2,997
Basic Earnings (Loss) Per Common Share				
Income (loss) before discontinued operations	\$ 2.62	\$ (12.56)		\$ 1.02
Weighted-average shares outstanding (in millions)	2,770	321		2,934
Diluted Earnings (Loss) Per Common Share				
Income (loss) before discontinued operations	\$ 2.59	\$ (12.56)		\$ 1.02
Weighted-average shares outstanding (in millions)	2,831	321		2,995

See notes to unaudited pro forma condensed consolidated financial statements.

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NOTES TO UNAUDITED PRO FORMA CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Merger and Basis of Presentation

At the effective time of the closing of the merger, each outstanding share of MCI common stock issued and outstanding immediately prior to that date, other than the 43.4 million shares purchased by Verizon pursuant to the stock purchase agreement with entities affiliated with Carlos Slim Helu (see Note 2), will be converted into the right to receive a number of shares of Verizon common stock equal to the greater of the following exchange ratios: (a) 0.5743 and (b) the quotient obtained by dividing \$20.40 by the Verizon average stock price. The merger agreement also provides for the distribution by MCI, after MCI stockholder approval of the merger and prior to the closing of the merger, of a special cash dividend to MCI stockholders in the amount of up to \$5.60 per share. If less than the full amount of the special cash dividend is paid, the remainder, without interest, will be paid as a per share cash amount MCI stockholders will receive in connection with the merger. If the exchange ratio is greater than 0.5743, Verizon has the right to reduce the exchange ratio to an amount no less than 0.5743 and, instead, pay a per share cash amount equal to the product of (x) the amount by which Verizon has reduced the exchange ratio and (y) the Verizon average stock price. The consideration MCI stockholders will receive is subject to a potential downward purchase price adjustment for certain liabilities, which include certain MCI bankruptcy claims, including tax claims, as well as certain international tax liabilities. For a description of these bankruptcy claims, see “The Merger Agreement—Potential Downward Purchase Price Adjustment for Specified Liabilities” on page 99.

Verizon will account for the merger as a purchase under U.S. GAAP. Under the purchase method of accounting, the assets and liabilities of MCI will be recorded as of the merger date at their respective fair values and consolidated with those of Verizon. The reported consolidated financial condition and results of operations of Verizon after completion of the merger will reflect these fair values.

The merger is subject to customary closing conditions, including the approval of MCI stockholders and regulatory approvals. Subject to these conditions, our target is to close the merger in late 2005 or early 2006.

2. Purchase Price

The following is a preliminary estimate of the purchase price for MCI:

		(dollars and shares in millions)
Number of shares of MCI common stock estimated to be outstanding (1)	286.3	
Exchange ratio	.5743	
Number of shares of Verizon common stock issued to holders of MCI common stock	164.4	
Multiplied by assumed price per share of Verizon common stock	\$ 35.52\$	5,839
Cash portion of purchase consideration paid to entities affiliated with Carlos Slim Helu (\$25.79 x 43.4) (2)		1,121
Special cash dividends prior to merger (\$5.60 x 286.3) (3)		1,603
Estimated transaction costs		60
Estimated purchase price	\$	8,623

For the purpose of this pro forma analysis, the above estimated purchase price has been allocated based on a preliminary estimate of the fair value of assets and liabilities to be acquired. There has been no downward purchase price adjustment assumed for the specified liabilities, as described in the merger agreement.

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**NOTES TO UNAUDITED PRO FORMA CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS—Continued**

(dollars in millions)

Estimated Purchase Price

Net book value of net assets acquired as of March 31, 2005	\$	4,122
Less: MCI's existing intangible assets		(1,036)
Adjusted book value of net assets acquired		3,086
Remaining allocation:		
Identifiable intangible assets at fair value (4)		2,917
Deferred taxes on identifiable intangible assets (4)		(1,167)
Goodwill (4)		4,083
Increase in long-term debt to fair value (5)		(296)
Restructuring costs (6)		—
Estimated purchase price	\$	8,623

- (1) Assumes issuance of shares of MCI common stock contingently issuable to unsecured creditors and unvested restricted stock. In addition, since the amount of any potential downward purchase price adjustment for certain liabilities (see Note 1) will not be determined until the closing of the merger in late 2005 or early 2006, and actual payment experience compared to MCI's estimates nearer to the closing of the merger will determine any adjustment, the pro forma condensed consolidated financial statements do not reflect an amount for this adjustment.
- (2) On April 9, 2005, Verizon announced that it had entered into an agreement with eight entities affiliated with Carlos Slim Helu to purchase 43.4 million shares of MCI common stock for \$25.72 per share in cash plus an additional cash amount of 3% per annum from April 9, 2005 until the closing of the purchase of those shares. The transaction closed on May 17, 2005 and the additional cash payment was made through May 13, 2005. Under the agreement, Verizon will also pay the Slim entities an adjustment at the end of one year in an amount per MCI share 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 excess amount per Verizon share of \$26.98. Since the amount of this adjustment is dependent on a future price of Verizon's common stock, the pro forma condensed consolidated financial statements do not reflect an amount for this adjustment. However, each \$1.00 increase in Verizon's common stock price above \$35.52 would increase the payment to the Slim entities by \$31 million.
- (3) Represents a special cash dividend to be paid by MCI in a maximum amount of \$5.60 per share of MCI common stock as soon as practicable following the date the MCI stockholder approval for the merger is obtained. This special cash dividend is a part of the total consideration MCI stockholders will receive as described in the merger agreement, and is payable by Verizon in the event the dividend is not fully paid as a special cash dividend (see Note 1).
- (4) Given the high volume of customer contracts, the relatively short contract terms, as well as where customers are in the current

terms, and uncertainty about customer contract terms and other identifiable intangible assets at the time the closing is targeted to occur (see Note 1), sufficient information is not available at this time to provide specifics with regard to intangible assets, valuations and appraisal methodologies. However, for purposes of estimating the impact of amortization of identifiable intangible assets, including customer contracts and relationships, patents and trademarks, we have assumed 50% of the total of all acquired intangible assets, before related deferred taxes, will be attributed to amortizable intangible assets and 50% will be attributed to goodwill. Amortizable intangible assets are assumed to be amortized on a straight-line basis over a remaining life of five years.

In connection with the preparation of the unaudited pro forma condensed consolidated financial statements, sample information about current MCI customer contract terms was correlated with Verizon and other comparison company transactions to determine if an accurate estimate of the allocation of the resulting intangible assets could be made, given the circumstances discussed in the preceding paragraph. We

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NOTES TO UNAUDITED PRO FORMA CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS—Continued

determined that while an accurate estimate of the intangible asset allocation was not feasible without performing an extensive valuation similar to the valuation that will be performed once the merger is closed, an allocation of 50% to amortizable intangible assets was a reasonable and, in our view, conservative assumption and any range of estimates would not provide any significantly different results from the pro forma information presented. After calculating deferred taxes on the amortizable intangible asset, using Verizon's statutory income tax rate of 40%, the remaining intangible asset was allocated to goodwill.

For purposes of the unaudited pro forma condensed consolidated financial statements, the estimated allocation to acquired identifiable intangible assets is expected to be within the following general categories:

- Customer contracts and relationships.
- Rights of way contracts, patents and other intangible assets.

These estimates will be adjusted if the final identifiable intangible asset valuation, which is expected to be complete within 12 months from the completion of the merger, generates amounts that differ from the \$2,917 million estimate, which is amortizable over five years.

In accordance with the requirements of SFAS No. 142, "Goodwill and Other Intangible Assets," any goodwill and any acquired indefinite-lived intangibles associated with the merger will not be amortized.

- (5) The fair value of the long-term debt was determined based on quoted market prices of MCI's Senior Notes as of March 31, 20
- (6) Certain restructuring and other charges will be recorded subsequent to the merger 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 unaudited pro forma condensed consolidated financial statements.

3. Accounting Policies and Financial Statement Classifications

For purposes of the unaudited pro forma condensed consolidated financial statements, certain reclassifications were made to MCI's financial statements to conform to those classifications used by Verizon. Reclassifications primarily relate to the following:

- Equity in loss of unconsolidated businesses in miscellaneous income, net to equity in earnings (loss) of unconsolidated businesses
- Dividends and gains from sales of cost method investments in miscellaneous income, net to income (loss) from other unconsolidated

businesses

- Accounts payable, accrued access costs, accrued interest and other current liabilities to accounts payable, accrued liabilities and other

Upon completion of the merger, Verizon will perform a detailed analysis of MCI's accounting policies and financial statement classifications. As a result of that analysis, it may become necessary to make additional reclassifications to the consolidated financial statements.

The expected useful lives of MCI's property, plant and equipment are as follows:

Transmission equipment (including conduit)	4 to 30 years
Telecommunications equipment	5 to 9 years
Furniture, fixtures, buildings and other	4 to 39 years
Software	3 to 6 years

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**NOTES TO UNAUDITED PRO FORMA CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS—Continued**

4. Intercompany Transactions

Transactions between Verizon and MCI are primarily limited to local, access and other telecommunications services provided by Verizon to MCI and long distance services provided by MCI to Verizon as well as reciprocal compensation paid by Verizon to MCI.

Upon completion of the merger, transactions that occurred in connection with these services would be considered intercompany transactions. All significant intercompany balances and transactions related to these arrangements have been eliminated from the unaudited pro forma condensed consolidated financial statements.

5. Pro Forma Adjustments

Adjustments included in the column under the heading “Pro Forma Adjustments” primarily relate to the following:

(a) To eliminate balances and transactions between Verizon and MCI, which upon completion of the merger, would be considered intercompany balances and transactions. These transactions would result in the elimination of certain service revenues and cost of services, accounts receivable and accounts payable and accrued liabilities balances, based on inquiries of Verizon and MCI financial systems. In addition, the accounts payable and accrued liabilities adjustment includes estimated transaction costs of \$60 million, based on inquiries of service providers and internal estimates of other merger-related incremental costs.

(b) To record amortization of the portion of the purchase price allocated to amortizable intangible assets:

	Three months ended March 31, 2005	Year ended December 31, 2004
	(dollars in millions)	
Amortization of acquired intangible assets	\$ 146	\$ 583
Amortization on intangible assets recorded by MCI	(41)	(216)
Total pro forma adjustment	\$ 105	\$ 367

Amortization of acquired intangible assets is based on a five-year life (see Note 2).

(c) To record the payment of the cash portion of the merger consideration of \$2,724 million (see Note 2) and the related impact on interest income, based on an interest rate of 1% per annum.

(d) To reflect the impact of income taxes on the pro forma adjustments, utilizing Verizon’s statutory tax rate of 40%.

(e) To reclassify MCI’s non-current deferred income tax assets to non-current deferred tax liabilities, see (i) below, and current deferred income tax liability to prepaid expenses and other in order to reflect the net current and net non-current deferred taxes in the appropriate consolidated balance sheet accounts.

(f) To record the estimated amount of goodwill, based on the assumption that identifiable intangible assets, including customer contracts and relationships, patents and trademarks, were allocated 50% of the total of all acquired intangible assets and 50% was attributed to goodwill (see Note 2 for a more complete discussion of the intangible asset allocation methodology).

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**NOTES TO UNAUDITED PRO FORMA CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS—Continued**

(g) To record the following identifiable intangible asset adjustments:

	As of
	March 31, 2005 (dollars in millions)
Elimination of MCI's existing identifiable intangible assets	\$ (1,036)
Acquired identifiable amortizable intangible assets (see Note 2)	2,917
Total pro forma adjustment	\$ 1,881

(h) To record an increase in long-term debt to reflect the difference between the book value and fair value of long-term debt. The fair value of the long-term debt was determined based on quoted market prices of MCI's Senior Notes as of March 31, 2005.

(i) To record a deferred tax liability for the acquired identifiable amortizable intangible assets, net of the reclassification of MCI's non-current deferred tax asset:

	As of
	March 31, 2005 (dollars in millions)
Reclassification of MCI's non-current deferred tax asset	\$ (456)
Deferred tax liability on acquired identifiable amortizable intangible assets (see Note 2)	1,167
Total pro forma adjustment	\$ 711

(j) To record the following common stock adjustments:

	As of
	March 31, 2005 (dollars in millions)
Elimination of MCI common stock (\$.01 par value)	\$ (3)
Issuance of Verizon common stock (\$.10 par value)	16
Total pro forma adjustment	\$ 13

(k) To record the following contributed capital balances:

As of

	March 31, 2005 (dollars in millions)	
Elimination of MCI's contributed capital	\$	(8,327)
Verizon contributed capital from the issuance of common stock		5,823
Total pro forma adjustment	\$	(2,504)

(l) To eliminate MCI's accumulated deficit.

(m) To eliminate MCI's accumulated other comprehensive loss balance.

(n) To eliminate MCI's deferred stock-based compensation balance.

The unaudited pro forma consolidated basic and diluted earnings per share for the three months ended March 31, 2005 and the year ended December 31, 2004 are based on the consolidated basic and diluted weighted average shares of Verizon and MCI. The historical basic and diluted weighted average shares of MCI were converted at an assumed exchange ratio of 0.5743.

The unaudited pro forma condensed consolidated financial statements are presented for illustrative purposes only and do not reflect the realization of potential cost savings, any related restructuring costs or the impact of

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NOTES TO UNAUDITED PRO FORMA CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS—Continued

a change in control and other similar provisions included in MCI agreements (see the following paragraph for additional information). Certain cost savings may result from the merger; however, there can be no assurance that these cost savings will be achieved. Cost savings, if achieved, could result from, among other things, the reduction of overhead expenses, including employee levels and the elimination of duplicate facilities and capital expenditures. The unaudited pro forma balance sheet reflects the merger as if it had been effective on March 31, 2005. The unaudited pro forma condensed consolidated statements of income reflect the merger as if it had been effective on January 1, 2004.

The closing of the merger will constitute a “change of control” under MCI’s outstanding 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. In addition, under the MCI Severance Plan for Vice Presidents and Above, eligible employees who are terminated by MCI without “cause” or terminate their employment for “good reason” within 24 months of a “change in control” are entitled to a severance payment in the amount of 12 months of base salary (for vice presidents) or 12 months of base salary plus target bonus (for senior vice presidents and above). Also, MCI’s management restricted stock plan provides for immediate vesting of and lapse of all restrictions on all outstanding stock awards if a participant is terminated without “cause” within two years after a “change in control” (as these terms are defined in the plan). On April 15, 2005, MCI’s board of directors approved the adoption of a broad-based retention program to help ensure the retention of key employees. All employees, other than Mr. Capellas and members of MCI’s executive leadership team (which includes MCI’s named executive officers), are eligible to participate in the retention program.

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VERIZON

Verizon is one of the world's leading providers of communications services, employing approximately 212,000 people. Verizon is the largest provider of wireline communications in the United States, with approximately 52 million access lines. Verizon's domestic wireline telecommunications business provides local telephone services in 28 states and Washington, D.C. and nationwide long-distance and other communications products and services. These services include voice and data transport, enhanced and custom calling features, network access, directory assistance, private lines and public telephones, long distance services, customer premises equipment distribution, data solutions and systems integration, billing and collections, Internet access services and inventory management services.

Verizon Wireless is the most profitable wireless communications provider in the U.S. in terms of operating income. Verizon Wireless has the second largest customer base of any U.S. wireless provider, with 45.5 million wireless subscribers as of March 31, 2005, and provides wireless voice and data services across the United States. Approximately 273 million people reside in areas of the U.S. in which Verizon Wireless has FCC licenses to offer its services and approximately 246 million people reside in areas covered by its service. This coverage includes approximately 90% of the population in its licensed areas and 49 of the 50 and 97 of the 100 most populated U.S. metropolitan areas. Verizon Wireless was formed in April 2000 in connection with the combination of the U.S. wireless operations and interests of Verizon and Vodafone Group Plc. Verizon owns a controlling 55% interest in Verizon Wireless and Vodafone owns the remaining 45% interest.

Verizon is a world leader in print and online directory publishing and a content provider for electronic communications products and services. Its multi-platform business comprises print publishing services, including SuperPages directories, online directory and search services through superpages.com, and SuperPages On The Go, which is Verizon's directory and information service on wireless telephones. Verizon's information services business operations are principally in the United States. The information services business provides sales, publishing and other related services for approximately 1,700 directory titles in 45 states, Washington D.C, five countries and a Commonwealth outside the United States. This includes approximately 1,200 Verizon directory titles with a circulation of approximately 124 million copies in the U.S. and approximately nine million copies internationally.

Verizon's international presence includes wireline and wireless communications operations and investments, primarily to the Americas. Verizon also maintains investments in Europe. Verizon's international segment manages approximately five million access lines and provides wireless services to approximately 28 million customers.

Verizon was formerly known as Bell Atlantic Corporation, which was incorporated in 1983 under the laws of the State of Delaware. Verizon began doing business as Verizon Communications on June 30, 2000, when a Bell Atlantic Corporation subsidiary merged with GTE Corporation, and changed its legal name to Verizon Communications Inc. on September 22, 2000.

In 2004, Verizon's operating revenues were \$71.3 billion, up 5.7 percent from 2003. Reported net income for 2004 was \$7.8 billion. In the first quarter of 2005, Verizon's operating revenues were \$18.2 billion, up 6.6% from the first quarter of 2004. Reported net income for the first quarter of 2005 was \$1.8 billion.

This proxy statement and prospectus incorporates important business and financial information about Verizon from other documents that are not included in or delivered with this proxy statement and prospectus. For a listing of the documents incorporated by reference in this proxy statement and prospectus, see "Where You Can Find More Information" beginning on page 142.

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MCI

MCI, Inc., a Delaware corporation (formerly known as WorldCom, Inc., a public corporation organized in 1983 under the laws of Georgia), serves as a holding company for its direct and indirect domestic subsidiaries and foreign affiliates (collectively referred to as MCI). Prior to and including December 31, 2003, all operations of the business resulted from the operations of WorldCom.

MCI is one of the world's leading global communication companies, providing a broad range of services in over 200 countries on six continents. 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 employed approximately 40,000 full- and part-time employees.

In March 2004, MCI realigned its operations into three new business segments and began operating under these segments in the second quarter of 2004. Effective with the realignment, MCI's business segments are as follows:

- **Enterprise Markets** serves Global Accounts, Government Markets, and System Integrators. Global Accounts provides communications and network solutions to large multinational corporations requiring complex international network services. Government Markets provides similar services to various government agencies. System Integrators serves customers through partnerships with third-party network solutions providers. In all cases, these services include local-to-global business data, Internet, voice services and managed network services.
- **U.S. Sales & Service** serves MCI's Mass Markets business, which includes subscription-based residential and certain small business accounts, and transactional products including 10-10-987, 10-10-220, 1-800-COLLECT, MCI Prepaid card, and MCI's Commercial Accounts business, which serves small to large business accounts. Commercial Accounts also includes MCI's SkyTel business, which provides wireless email, interactive two-way messaging, wireless telemetry services and traditional text and numeric paging to customers throughout the U.S.
- **International & Wholesale Markets** serves MCI's domestic and international wholesale accounts, as well as retail and government customers in Europe, the Middle East and Africa, the Asia Pacific region, Latin America and Canada. The segment provides telecommunications services, which include voice, data, Internet and managed network services.

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).

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THE SPECIAL MEETING OF MCI STOCKHOLDERS

This section contains information from MCI for MCI stockholders about the special meeting of MCI stockholders MCI has called to consider the adoption of the merger agreement and approval of the merger. Together with this proxy statement and prospectus, MCI is also sending you a notice of the special meeting of MCI stockholders and a form of proxy that is being solicited by MCI's board of directors for use at the special meeting of MCI stockholders. **The information and instructions contained in this section are addressed to MCI stockholders and all references to "you" in this section should be understood to be addressed to MCI stockholders .**

Date, Time and Place of the Special Meeting of MCI Stockholders

This proxy statement and prospectus is being furnished by MCI's board of directors in connection with the solicitation of proxies from holders of MCI common stock for use at the special meeting of MCI stockholders to be held at [] on [], 2005, beginning at [] a.m., Eastern Daylight Time, and at any adjournment or postponement of the special meeting of MCI stockholders.

Purpose of the Special Meeting of MCI Stockholders

The special meeting of MCI stockholders will be held to consider and vote upon a proposal to adopt the merger agreement and approve the merger, a proposal to authorize MCI's board of directors to act in its discretion with respect to any other business that may properly come before the special meeting and a proposal to authorize MCI's board of directors to act in its discretion with respect to any adjournments or postponements at the special meeting to permit further solicitation of proxies for the merger.

Record Date and Outstanding Shares

MCI's board of directors has fixed the close of business on [], 2005, as the record date. Only stockholders of record of MCI common stock on the books of MCI as of the close of business on the record date will be entitled to notice of, and to vote at, the special meeting of MCI stockholders and any postponements or adjournments of the special meeting of MCI stockholders. On [], 2005, there were [] shares of MCI common stock issued and outstanding held by [] stockholders of record. The number of record stockholders does not include persons whose stock is held in nominee or "street name" accounts through brokers.

Quorum Requirement

A majority of all shares of MCI common stock outstanding on the record date, represented in person or by proxy, constitutes a quorum for the transaction of business at the special meeting of MCI stockholders. 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. Abstentions and shares of MCI common stock voted by a bank or broker holding shares of MCI common stock for a beneficial owner are counted as present and entitled to vote for purposes of determining a quorum.

If a quorum is not present at the special meeting of MCI stockholders, MCI intends to adjourn or postpone the meeting to solicit additional proxies.

Vote Required

Each holder of MCI common stock will be entitled to one vote, in person or by proxy, for each share of MCI common stock registered in the holder's name on the books of MCI as of the record date on any matter submitted for the vote of MCI's stockholders. The proposal for the adoption of the merger

agreement and approval of the merger will be approved if a majority of the outstanding shares of MCI common stock entitled to vote at the special meeting of MCI stockholders are voted in favor of the adoption of the merger agreement and approval of the merger.

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With respect to the proposal to adopt the merger agreement and approve the merger, failure to vote, abstentions and broker non-votes will not be considered to have been voted in favor of the proposal and will have the same effect as a vote against the proposal.

A “broker non-vote” occurs on a proposal when a broker is not permitted to vote on that proposal without instruction from the beneficial owner of the shares and no instruction is given by the beneficial owner. A broker is not permitted to vote on the proposal to adopt the merger agreement and approve the merger without instruction from the beneficial owner of the shares of MCI common stock held by the broker. Therefore, if your shares of MCI common stock are held in an account at a brokerage firm or bank, and you do not provide the broker or bank with instructions on how to vote the shares of MCI common stock which you beneficially own in accordance with the instructions received from the brokerage firm or bank, a broker non-vote will occur with respect to those shares of MCI common stock.

Shares Beneficially Owned as of the Record Date

To our knowledge, none of MCI’s stockholders have entered into voting agreements with Verizon. Consistent with the terms of the arrangement under which 43.4 million shares of MCI common stock are held in trust for the benefit of Verizon, the trustee will vote these shares of MCI common stock acquired by Verizon on May 17, 2005 as directed by Verizon on the approval of the merger, the election of MCI directors and other matters that could be expected to further or hinder the approval of the merger. With respect to other matters, the trustee has agreed to grant MCI a proxy to vote the shares of MCI common stock held by the trustee in the same proportion as the remaining shares of MCI are voted. Based on the number of shares of MCI common stock outstanding as of [], 2005, the record date for the special meeting of MCI stockholders, MCI’s directors and executive officers and their affiliates, as a group, beneficially owned or had the right to vote an aggregate of [] shares of MCI common stock, which would represent approximately [] percent of all outstanding shares of MCI common stock entitled to vote at the special meeting of MCI stockholders. MCI’s officers and directors have informed MCI that they intend to vote their shares of MCI common stock in favor of the proposal to adopt the merger agreement and approve the merger. As of the record date, Verizon’s directors and executive officers 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 the MCI stockholders. Verizon has agreed to vote the 43.4 million shares referred to above (and any other shares of MCI common stock that it acquires) in favor of the proposal to adopt the merger agreement and approve the merger so long as this adoption and approval is then recommended by MCI’s board of directors.

Voting at the Special Meeting of MCI Stockholders

If you are an MCI stockholder of record on the record date and you attend the special meeting of MCI stockholders, you may vote in person by completing a ballot at the special meeting of MCI stockholders even if you already have signed, dated and returned a proxy card. If your shares of MCI common stock are held in the name of a broker or nominee, you may not vote your shares of MCI common stock in person at the special meeting of MCI stockholders unless you obtain a signed proxy from the record holder giving you the right to vote the shares of MCI common stock.

Proxies

MCI stockholders may grant their proxies by mail by completing the enclosed proxy card, and signing, dating and returning it in the enclosed envelope. We recommend you do so by [], 2005 to help ensure timely delivery. We have arranged for MCI stockholders who are stockholders of record to have the option to submit their proxies by using the telephone or the Internet. The laws of Delaware, under which MCI is incorporated, specifically permit electronically transmitted proxies, provided that each proxy

contains or is submitted with information that enables the inspectors of election to determine that the proxy was authorized by the stockholder.

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Instructions for voting by using the telephone or the Internet are printed on the proxy voting instructions attached to the proxy card. In order to vote via the Internet, please have your proxy card available so you can input the required information from the card. The proxy card shows the Internet website address. When you log on to the Internet website address, you will receive instructions on how to proceed with voting your shares. The telephone and Internet voting procedures are designed to authenticate votes cast by use of a personal identification number. These procedures allow MCI stockholders to appoint a proxy to vote their shares of MCI common stock, and to confirm that their instructions have been properly recorded.

An MCI stockholder whose shares of MCI common stock are held in the name of a broker or nominee should follow the instructions provided by that broker or nominee on how to direct the voting of the stockholder's shares of MCI common stock.

How Proxies will be Voted. All shares of MCI common stock represented by proxies properly executed and received by MCI before or at the special meeting of MCI stockholders will be voted in accordance with the instructions indicated on the proxies. If the proxy is properly completed, signed and returned but no instructions are indicated, the shares of MCI common stock will be voted **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.

Revoking Your Proxy. If you grant a proxy in respect of your shares of MCI common stock and then attend the special meeting of MCI stockholders, your attendance at the special meeting of MCI stockholders, or at any adjournment or postponement of the special meeting of MCI stockholders, will not automatically revoke your proxy. You can, however, revoke a proxy at any time prior to its exercise by:

- delivering to MCI's corporate secretary a written notice of revocation before the special meeting of MCI stockholders (or, if the special meeting of MCI stockholders, is adjourned or postponed, before the adjourned or postponed meeting is actually held);
- delivering to MCI's corporate secretary a later-dated, duly executed proxy (including a proxy by telephone or the Internet) before the special meeting of MCI stockholders (or, if the special meeting of MCI stockholders is adjourned or postponed, before the adjourned or postponed meeting is actually held);
- revoking the proxy in accordance with the telephone or Internet voting procedures described in the proxy voting instructions attached to the proxy card; or
- attending the special meeting of MCI stockholders and voting in person at the special meeting of MCI stockholders.

If your shares of MCI common stock are held in the name of a broker or nominee, you may change your vote by submitting new voting instructions to your broker or nominee.

Solicitation of Proxies

Proxies may be solicited by mail, personal interview, telephone, facsimile and electronic mail by MCI's

directors, officers and employees on a part-time basis and for no additional compensation. MCI will bear the costs it incurs in the solicitation of proxies under this proxy statement and prospectus, including amounts paid in reimbursement to banks, brokerage firms, custodians, nominees and others for their expenses in forwarding soliciting material to the beneficial owners of MCI common stock.

MCI has retained MacKenzie Partners, Inc. to assist it with the solicitation of proxies and to verify certain records related to the solicitations. MCI has agreed to pay MacKenzie Partners, Inc. a fee of \$[] in

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addition to its out-of-pocket expenses for services rendered and to indemnify MacKenzie Partners, Inc. against certain liabilities arising out of MacKenzie Partners, Inc.'s engagement (except for those resulting from MacKenzie Partners, Inc.'s gross negligence or intentional misconduct).

Other Business

MCI's board of directors currently is not aware of any business to be acted upon at the special meeting of MCI stockholders other than as described in this proxy statement and prospectus. If, however, other matters that MCI is not aware of a reasonable time before the date of this proxy statement and prospectus are properly brought before the special meeting of MCI stockholders or any adjournments or postponements of the special meeting of MCI stockholders in the absence of instructions to the contrary, persons appointed as proxies will have discretion to vote or act on those matters in their best judgment. A specific proposal has been included on the proxy card to authorize MCI's board of directors to act in its discretion with respect to any adjournments or postponements to permit further solicitation of proxies for the merger.

Communications by MCI's Stockholders with MCI

Any written revocation of a proxy or other communications in connection with this proxy statement and prospectus and requests for additional copies of this proxy statement and prospectus or the proxy card should be addressed to MCI Investor Relations, 22001 Loudoun County Parkway, Ashburn, Virginia 20147. If you have any questions or need further assistance in voting your shares of MCI common stock, please call MCI Investor Relations at (866) 642-0211.

Appraisal Rights

MCI stockholders who do not vote to adopt the merger agreement and approve the merger and who otherwise comply with the applicable requirements of the DGCL may have the right to receive an appraisal of the value of their shares of MCI common stock in connection with the merger rather than receive the merger consideration. See "The Merger—Appraisal Rights" beginning on page 89. In addition, the text of the DGCL Section 262 is included as Appendix E to this proxy statement and prospectus.

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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, 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 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 “MCI AV” and “MCI A,” 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)		
	High	Low	High	Low	High	Low	(Ticker: MCIP)(3)		
							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 with 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 “MCIAY,” 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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The information above shows only historical comparisons. No assurances can be given as to the market prices of Verizon common stock or MCI common stock at any time before the closing of the merger or as to the market price of Verizon common stock at any time following the closing of the merger.

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 by 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, and that there has been no downward purchase price adjustment. 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 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	MCI Common Stock Per Share Equivalent Giving Effect to the Special Cash Dividend(1)
			Equivalent(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 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 its quarterly dividend to \$0.405 per share. 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).

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After adoption of the merger agreement and approval of the merger by the MCI stockholders and prior to the closing of the merger, and upon approval by MCI's board of directors, MCI will declare and pay a special cash dividend constituting all its remaining excess cash in an amount up to \$5.60 per share less the per share amount of any dividend declared by MCI between February 14, 2005 and the closing of the merger (but excluding the \$0.40 per share dividend by MCI on March 15, 2005). The merger agreement provides that MCI will not pay regular quarterly dividends after the date on which the special cash dividend is paid.

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COMPARISON OF RIGHTS OF VERIZON STOCKHOLDERS AND MCI STOCKHOLDERS

Following the closing of the merger, the stockholders of MCI will become stockholders of Verizon, and the Verizon certificate of incorporation and the Verizon bylaws will govern the rights of former MCI stockholders. The rights of Verizon stockholders are currently governed by Delaware law, Verizon's restated certificate of incorporation and Verizon's bylaws. The rights of MCI stockholders are currently governed by Delaware law, MCI's certificate of incorporation and MCI's bylaws. Both companies are Delaware corporations; therefore, many of the rights of MCI stockholders will be similar to their rights as Verizon stockholders.

MCI has, since November, 2002, had the oversight of a corporate monitor, pursuant to a permanent injunction entered by the United States District Court for the Southern District of New York against MCI's predecessor company on November 26, 2002. As part of the corporate monitor's oversight, the corporate monitor developed corporate governance principles and processes entitled "Restoring Trust," to which MCI's predecessor company and MCI were subject. MCI's certificate of incorporation was adopted to put into effect the provisions of the Restoring Trust and carry out aspects of MCI's plan of reorganization. As a result, MCI's certificate of incorporation contains certain provisions implementing Restoring Trust that are not, and will not be, reflected in Verizon's restated certificate of incorporation.

The following is a summary of material differences between the rights of MCI stockholders and the rights of Verizon stockholders. It is not a complete statement of the provisions affecting, and the differences between, the rights of MCI stockholders and Verizon stockholders. The summary is qualified in its entirety by reference to Delaware law, Verizon's restated certificate of incorporation, Verizon's bylaws, MCI's certificate of incorporation and MCI's bylaws.

	Rights of Verizon Stockholders	Rights of MCI Stockholders
<i>Authorized Capital Stock</i>	The authorized capital stock of Verizon consists of 4,250,000,000 shares of Verizon common stock, par value \$0.10 per share, and 250,000,000 shares of Verizon preferred stock, par value \$0.10 per share.	The authorized capital stock of MCI consists of 3,000,000,000 shares of MCI common stock, par value \$0.01 per share.
	Verizon's restated certificate of incorporation authorizes Verizon to issue "blank check" preferred stock, the rights, preferences and limitations of which may be fixed by Verizon's board of directors.	Under MCI's certificate of incorporation, MCI is not permitted to issue non-voting equity securities.
<i>Size of the Board of Directors</i>	Under the restated certificate of incorporation, the number of directors on Verizon's board of directors is set at 22 but is subject to the right of the board of directors to increase or decrease that number.	The number of directors on MCI's board of directors is set by the certificate of incorporation as not less than eight nor more than 12. The bylaws further specify that the exact number shall be determined by MCI's board of directors.
	Verizon's board of directors currently consists of 11 directors.	MCI's board of directors currently consists of nine directors.

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	Rights of Verizon Stockholders	Rights of MCI Stockholders
<i>Nomination of Directors for Election</i>	Verizon's bylaws allow stockholders to nominate candidates for election to Verizon's board of directors at the annual stockholders' meeting. Stockholder nominations, other than those made by or at the direction of Verizon's board of directors, must be made pursuant to timely notice in writing to the secretary of the corporation.	<p>MCI's bylaws provide that nominations of persons for election to MCI's board of directors may be made at any meeting of stockholders only (a) pursuant to the corporation's notice of meeting, (b) by or at the direction of MCI's board of directors or (c) by any of MCI stockholder who was a stockholder of record at the time of giving of notice, who is entitled to vote at the meeting and who complies with the notice procedures set forth in the bylaws.</p> <p>Each calendar year, at least one independent director who has not served as a director of MCI or any subsidiary for the last five years shall be elected or appointed as a director. The Nominating and Corporate Governance Committee reviews potential nominees and solicits nominations for vacancies from MCI's ten largest stockholders (or any greater number as may be necessary to represent at least 15% of the outstanding shares of MCI) pursuant to the procedures set forth in a Corporate Policy.</p> <p>In the absence of an agreement between those stockholders and the Nominating and Corporate Governance Committee on the nominees for vacancies, the procedure for nomination of a director by those stockholders shall be set forth in a Corporate Policy to be adopted by the Nominating and Corporate Governance Committee.</p> <p>MCI solicited nominations for director from all its stockholders via 8-K and its Web site in 2004-2005 and received no nominations.</p>

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	Rights of Verizon Stockholders	Rights of MCI Stockholders
<i>Director Independence and Qualifications</i>	Verizon’s restated certificate of incorporation and bylaws do not provide for director independence or set forth specific board qualification requirements.	MCI’s certificate of incorporation and bylaws provide for the independence of all directors (other than the CEO) and require the CEO and other directors to meet a number of qualifications and requirements relating to skills, experiences and expertise.
<i>Board Committees</i>	Verizon’s restated certificate of incorporation and bylaws provide that Verizon’s board of directors may establish committees that shall have and may exercise the power and authority of the board of directors (with certain exceptions).	Note: the chief executive officer cannot serve as the chairman of MCI’s board of directors. MCI’s certificate of incorporation and bylaws establish and delegate certain authority to an Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee and Risk Management Committee.
<i>Stockholder Action Without a Meeting</i>	Verizon’s restated certificate of incorporation requires that unanimous stockholder consent is required for any action by written consent.	MCI’s bylaws allow stockholder action by written consent of holders of shares with the minimum number of votes that would be necessary to authorize or take the same action at a meeting at which all shares entitled to vote thereon were present and voted.
<i>Calling Special Meetings of Stockholders</i>	Verizon’s bylaws provide that a special meeting of stockholders may be called at any time by the chairman of the board or a majority of the board of directors. Verizon’s stockholders do not have the ability to call a special meeting of the stockholders.	MCI’s bylaws provide that special meetings of the stockholders may be called at any time by the board of directors at either its own initiative or at the written request of holders of a majority of all MCI shares entitled to vote at the meeting.
<i>Indemnification</i>	Verizon’s restated certificate of incorporation provides that Verizon shall indemnify any person who was or is an authorized representative of Verizon, and who was or is a party, or is threatened to be made a party to any corporate or third party proceeding, by reason of the fact that the person was or is an authorized representative of Verizon, against expenses, judgments, fines and amounts paid in settlement actually	MCI’s certificate of incorporation provides that MCI shall indemnify any director of MCI, and shall have the power to indemnify any officer or employee of MCI who is not a director, who was or is a party or is threatened to be made a party to, or testifies in, any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative in nature, by reason of the fact that the

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Rights of Verizon Stockholders

and reasonably incurred by the person in connection with the proceeding if the person acted in good faith and in a manner that the person reasonably believed to be in, or not opposed to, the best interests of Verizon.

Additionally, expenses actually and reasonably incurred in defending a third party or corporate proceeding shall be paid on behalf of an authorized representative by Verizon in advance of the final disposition of the proceeding and within 30 days of receipt by the secretary of (i) an application from the authorized representative setting forth the basis for indemnification, and (ii) if required by law at the time an application is made, an undertaking by or on behalf of the authorized representative to repay any amount if it shall ultimately be determined that the authorized representative is not entitled to be indemnified. The financial ability of any authorized representative to make a repayment contemplated by the certificate of incorporation shall not be a prerequisite to the making of an advance.

Expenses incurred by other employees and agents may be so paid upon the terms and conditions, if any, as Verizon's board of directors deems appropriate.

Rights of MCI Stockholders

person is or was a director, officer or employee of MCI, or is or was serving at the request of MCI as a director, officer or employee of another corporation, partnership, joint venture, employee benefit plan, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with the action, suit or proceeding if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of MCI, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the person's conduct was unlawful, to the full extent permitted by law, and MCI may adopt bylaws or enter into agreements with any of these persons for the purpose of providing for this indemnification.

To the extent that an officer or employee of MCI who is not a director has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to above, or in defense of any claim, issue or matter therein, that person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by the person in connection therewith.

Expenses incurred by an officer, director or employee in defending or testifying in a civil, criminal, administrative or investigative action, suit or proceeding shall (in the case of a director of MCI) and may (in the case of an officer or employee of MCI who is not a director of MCI) be paid by MCI in advance of the final disposition of the action, suit or proceeding upon receipt of an undertaking by or on behalf of the officer, director or employee to repay the amount if it shall ultimately be determined that the officer, director

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	Rights of Verizon Stockholders	Rights of MCI Stockholders
<i>Amendment of Bylaws</i>	Verizon's bylaws provide that the bylaws may be altered, amended or repealed or new bylaws may be adopted either (1) by vote of the stockholders at a duly organized annual or special meeting of stockholders in accordance with the certificate of incorporation, or (2) by vote of a majority of the entire board of directors at any regular or special meeting of directors if this power is conferred upon the board of directors by the certificate of incorporation.	or employee is not entitled to be indemnified by MCI against the expenses as authorized by the certificate of incorporation and MCI may adopt bylaws or enter into agreements with these persons for the purpose of providing for these advances. MCI's certificate of incorporation and bylaws provide that the board of directors shall have power to adopt, amend or repeal bylaws, but any bylaws adopted by the board of directors may be amended and repealed by the stockholders. The stockholders may prescribe that any bylaw made by them shall not be altered, amended or repealed by the board of directors.
<i>Stockholder Rights Plan</i>	Verizon does not currently have a stockholder rights plan.	Under the MCI rights plan, each stockholder receives one right for each share of MCI common stock held. Ten days after public announcement that a bidder had acquired beneficial ownership of 15% or more of MCI's stock, or ten business days after the announcement of an offer that would result in a 15% holder, each right entitles the holder (other than the 15% holder, whose rights automatically become void) to buy common stock at half price—that is to pay the exercise price of the rights (\$75) and to receive a number of shares of MCI common stock with a market price (determined as provided in the rights agreement) of twice that amount. Redemption. MCI's board of directors has the power, until ten days after someone becomes a 15% holder, to remove this potential dilution of the 15% holder by redeeming the rights (at \$0.001 per right), or amending the rights plan.

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Rights of Verizon Stockholders

Rights of MCI Stockholders

Sunset. The rights plan is set to expire on the date of MCI's 2007 annual meeting. If stockholders approve a resolution for the continuation of the rights plan at the 2007 meeting, the rights plan will instead expire on the fifth anniversary of the adoption of the agreement, or April 20, 2009. MCI's board of directors may amend the rights plan without stockholder approval, but the board of directors may not amend this final expiration date without stockholder approval.

Qualifying Offer Exception. The MCI rights plan contains a qualifying offer exception, which means that if a bidder makes an offer that meet certain fair price and other conditions, the rights will not be triggered and the bidder will not be diluted.

The merger with Verizon will not trigger the rights plan or cause the dilution described above because, pursuant to an exception in the rights plan, Verizon is not deemed to be an "Acquiring Person" under the rights plan since the merger with Verizon was approved by MCI's board of directors prior to (i) the announcement of the transaction and (ii) the point at which Verizon will cross the 15% ownership threshold.

Subsequent to April 20, 2005, MCI's organizational documents contain no supermajority voting requirement for stock splits.

Supermajority for Stock Splits

Verizon's organizational documents contain no supermajority voting requirement for stock splits.

Compensation

Verizon's organizational documents do not contain compensation limitations.

MCI's certificate of incorporation contains limits on annual executive compensation, severance payments and perquisites.

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Rights of Verizon Stockholders

Rights of MCI Stockholders

The certificate of incorporation prohibits MCI from granting stock options to employees prior to April 20, 2009. Any stock options granted and all other forms of equity-based compensation must be expensed on MCI's profit and loss statement.

The certificate of incorporation requires director compensation to be paid exclusively in cash, and directors are required to make purchases of common stock of MCI representing 25% of the annual cash compensation actually received by directors for board service.

Auditor Requirements

Verizon's organizational documents do not contain auditor requirements.

MCI's certificate of incorporation requires MCI to change its Independent Auditor not less than once every ten years and solicit audit proposals from independent registered public accounting firms not less than once every five years.

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LEGAL MATTERS

The validity of the shares of Verizon common stock offered by this proxy statement and prospectus will be passed upon for Verizon by William P. Barr, its Executive Vice President and General Counsel. As of April 30, 2005, Mr. Barr was the beneficial owner of approximately 13,055 shares of Verizon common stock and had options to purchase an aggregate of 1,336,900 shares of Verizon common stock which are exercisable currently or within the next 60 days. Debevoise & Plimpton LLP will pass upon certain federal income tax considerations of the merger for Verizon.

Davis Polk & Wardwell will pass upon certain federal income tax considerations of the merger for MCI.

EXPERTS

The consolidated financial statements of Verizon incorporated by reference in Verizon's Annual Report (Form 10-K) for the year ended December 31, 2004 (including the schedule appearing therein), and Verizon management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2004 included therein, have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in its reports therein, included and incorporated by reference therein, and incorporated herein by reference. Such financial statements and management's assessment have been incorporated herein by reference in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

The consolidated financial statements of MCI and its subsidiaries as of December 31, 2004 and 2003, and for each of the years in the three-year period ended December 31, 2004, and management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2004 have been incorporated by reference herein in reliance upon the reports of KPMG LLP, independent registered public accounting firm, and Deloitte Touche Tohmatsu Auditores Independentes, independent registered accounting firm of Embratel Participações S.A., whose financial statements are consolidated with those of MCI as of December 31, 2003 and for each of the two years in the period then ended as stated in their report thereon, incorporated by reference in this proxy statement and prospectus, and upon the authority of said firms as experts in accounting and auditing.

The financial statements of Embratel Participações S.A. (consolidated with those of MCI) as of December 31, 2003 and for each of the two years in the period ended December 31, 2003 which are not presented separately in MCI's Annual Report on Form 10-K for the year ended December 31, 2004 have been audited by Deloitte Touche Tohmatsu Auditores Independentes, an independent registered accounting firm of Embratel Participações S.A., as stated in its report therein, and incorporated by reference in this proxy statement and prospectus.

The report of KPMG LLP dated March 15, 2005, except for paragraph 8 of Note 22, as to which the date is May 23, 2005, with respect to the consolidated financial statements discussed above, is qualified due to the omission of earnings per share disclosures as required by SFAS, No. 128, "Earnings Per Share," for the years ended December 31, 2003 and 2002. The report also contains explanatory paragraphs that describe: MCI's filing for reorganization under Chapter 11 of the United States Bankruptcy Code discussed in Note 5 to the consolidated financial statements and MCI's adoption of fresh-start reporting pursuant to the American Institute of Certified Public Accountants Statement of Position 90-7, "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code," as of December 31, 2003 as further described in Note 4 to the consolidated financial statements. As a result, the consolidated financial statements of the successor company are presented on a different basis than those of the predecessor company and, therefore, are not comparable in all respects. In addition, the report indicates that MCI adopted new accounting pronouncements as discussed in Note 2 to the consolidated financial statements as follows: in 2003, SFAS No. 143, "Accounting for Asset Retirement Obligations"; in 2002, SFAS No. 142, "Goodwill and Other

Intangible Assets” and SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets.”

The report of KPMG LLP dated March 15, 2005, on management’s assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting as of

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December 31, 2004, expresses the opinion that MCI did not maintain effective internal control over financial reporting as of December 31, 2004 because of the effect of a material weakness on the achievement of the objectives of the control criteria and contains an explanatory paragraph that states that a material weakness has been identified and included in management's assessment related to its internal control over accounting for income taxes due to a lack of personnel with adequate expertise in income tax accounting matters, a lack of documentation, insufficient historical analysis and ineffective reconciliation procedures. Because of these deficiencies, there is more than a remote likelihood that a material misstatement in MCI's annual or interim financial statements due to errors in accounting for income taxes could occur and not be prevented or detected by its internal control over financial reporting.

OTHER MATTERS

As of the date of this proxy statement and prospectus, MCI's board of directors does not know of any other matters that will be presented for consideration at the special meeting of MCI stockholders other than as described in this proxy statement and prospectus. If any other matters that MCI is not aware of a reasonable time before the date of this proxy statement and prospectus come before the special meeting of MCI stockholders, or any adjournments or postponements of the special meeting of MCI stockholders, including a postponement or adjournment to permit further solicitation of proxies for the merger, and are voted upon, the enclosed proxies will confer discretionary authority on the individuals named as proxies to vote the shares of MCI common stock represented by the proxies as to any other matters. The individuals named as proxies intend to vote in accordance with their best judgment as to any other matters.

WHERE YOU CAN FIND MORE INFORMATION

Verizon and MCI file annual, quarterly and special reports, proxy statements and other information with the SEC under the Exchange Act. You may read and copy any of this information at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. The SEC also maintains an Internet Web site that contains reports, proxy and information statements, and other information regarding issuers, including Verizon and MCI, who file electronically with the SEC. The address of that site is www.sec.gov. The information contained on the SEC's Web site is expressly not incorporated by reference in this proxy statement and prospectus.

Verizon has filed with the SEC a registration statement of which this proxy statement and prospectus forms a part. The registration statement registers the shares of Verizon common stock to be issued to MCI stockholders in connection with the merger. The registration statement, including the attached exhibits and schedules, contains additional relevant information about Verizon common stock. The rules and regulations of the SEC allow Verizon and MCI to omit certain information included in the registration statement from this proxy statement and prospectus.

In addition, the SEC allows Verizon and MCI to disclose important information to you by referring you to other documents filed separately with the SEC. This information is considered to be a part of this proxy statement and prospectus, except for any information that is superseded by information included directly in this proxy statement and prospectus.

This proxy statement and prospectus incorporates by reference the documents listed below that Verizon has previously filed or will file with the SEC. They contain important information about Verizon, its financial condition and other matters.

- Annual Report on Form 10-K for the year ended December 31, 2004;

- Quarterly Report on Form 10-Q for the quarter ended March 31, 2005;

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- Current Reports on Form 8-K, filed on January 12, 2005, January 21, 2005, January 28, 2005, February 17, 2005, February 22, 2005, March 2, 2005, March 4, 2005, March 7, 2005, March 9, 2005, March 24, 2005, March 29, 2005, April 1, 2005, April 4, 2005, April 11, 2005, April 28, 2005 and May 2, 2005;
- Definitive Proxy Statement on Schedule 14A, filed on March 21, 2005; and
- the description of Verizon's common stock contained in Verizon's S-3 filed on September 23, 2003, File No. 333-109028 and any amendment or report filed with the SEC for the purpose of updating this description.

In addition, Verizon incorporates by reference any future filings it makes with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this proxy statement and prospectus and prior to the date of the special meeting of MCI stockholders. These documents are considered to be a part of this proxy statement and prospectus, effective as of the date each of the documents are filed. In the event of conflicting information in these documents, the information in the latest filed document should be considered correct.

You can obtain any of the documents listed above from the SEC, through the SEC's Web site at the address described above or Verizon will provide you with copies of these documents without charge upon oral or written request to:

Verizon Communications Inc.

1095 Avenue of the Americas

New York, New York 10036

Telephone: (212) 395-2121

Telecopier: (212) 597-2518

Attention: Investor Relations

These documents are available from Verizon without charge, excluding any exhibits to them unless the exhibit is specifically listed as an exhibit to the registration statement of which this proxy statement and prospectus forms a part.

This proxy statement and prospectus also incorporates by reference the documents listed below that MCI has previously filed or will file with the SEC. They contain important information about MCI, its financial condition and other matters.

- Annual Report on Form 10-K for the year ended December 31, 2004 (including those portions of MCI, Inc.'s definitive proxy statement for the annual meeting of stockholders filed on April 20, 2005 incorporated by reference therein);
- Quarterly Report on Form 10-Q for the quarter ended March 31, 2005;

- Current Reports on Form 8-K, filed on February 16, 2005, February 17, 2005, March 2, 2005, March 4, 2005, March 10, 2005, March 16, 2005, March 24, 2005, March 29, 2005, April 1, 2005, May 2, 2005, May 17, 2005 and May 26, 2005;
- the description of MCI's common stock contained in MCI's Form 8-A filed on April 21, 2004 and any amendment or report filed with the SEC for the purpose of updating this description; and
- the description of MCI's common stock purchase rights in MCI's registration statement on Form 8-A, filed on April 21, 2004.

In addition, MCI incorporates by reference any future filings it makes with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this proxy statement and prospectus and prior to the date of the special meeting of MCI stockholders. These documents are considered to be a part of this proxy statement and prospectus, effective as of the date each of the documents are filed. In the event of conflicting information in these documents, the information in the latest filed document should be considered correct.

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You can obtain any of the documents listed above from the SEC, through the SEC's Web site at the address described above or MCI will provide you with copies of these documents without charge upon oral or written request to:

MCI, Inc.

22001 Loudoun County Parkway

Ashburn, Virginia 20147

Telephone: (703) 886-5111

Telecopier: (703) 886-0866

Attention: Corporate Secretary

These documents are available from MCI without charge, excluding any exhibits to them unless the exhibit is specifically listed as an exhibit to the registration statement of which this proxy statement and prospectus forms a part.

If you are a stockholder of MCI and would like to request documents, please do so by [], 2005 to receive them before the special meeting of MCI stockholders. If you request any documents from Verizon or MCI, Verizon or MCI will mail them to you by first class mail, or another equally prompt means, within one business day after Verizon or MCI receives your request.

This proxy statement and prospectus is a prospectus of Verizon and is a proxy statement of MCI for the special meeting of MCI stockholders. Neither Verizon nor MCI has authorized anyone to give any information or make any representation about the merger or about Verizon or MCI which is different from, or in addition to, that contained in this proxy statement and prospectus and in the materials that Verizon or MCI has incorporated by reference in this proxy statement and prospectus. Therefore, if anyone does give you information of this sort, you should not rely on it. The information contained in this proxy statement and prospectus speaks only as of the date of this proxy statement and prospectus unless the information specifically indicates that another date applies.

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Annex A

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

The following copy of the merger agreement includes all exhibits and schedules except for the disclosure letters that Verizon delivered to MCI and MCI delivered to Verizon concurrently with entering into the merger agreement. Verizon and MCI agree to furnish supplementally to the SEC, upon request, a copy of each disclosure letter. Verizon and MCI do not believe that the disclosure letters contain any information that is material to the investment decision presented by the merger, other than information that has already been publicly disclosed, including elsewhere in this document. For further discussion of the disclosure letters, see “The Merger Agreement.”

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4.9	Litigation
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Annex A

Composite Copy

**AGREEMENT AND PLAN OF MERGER,
DATED AS OF FEBRUARY 14, 2005,
AS AMENDED AS OF MARCH 4, 2005, MARCH 29, 2005 AND MAY 1, 2005,
AMONG
VERIZON COMMUNICATIONS INC.,
ELI ACQUISITION, LLC
AND
MCI, INC.**

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AGREEMENT AND PLAN OF MERGER

This 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 (this “*Agreement*”), is among VERIZON COMMUNICATIONS INC., a Delaware corporation (“*Parent*”), ELI ACQUISITION, LLC, a Delaware limited liability company and a direct, wholly owned subsidiary of Parent (“*Merger Sub*”), and MCI, INC., a Delaware corporation (the “*Company*” and, collectively with Parent and Merger Sub, the “*parties*”).

RECITALS

WHEREAS, the respective Boards of Directors of the Company, Parent and Merger Sub have deemed it advisable and in the best interests of their respective companies and stockholders that the Company and Parent engage in a business combination;

WHEREAS, in furtherance thereof, the respective Boards of Directors of the Company, Parent and Merger Sub have approved and declared advisable this Agreement and the merger of the Company with and into Merger Sub (the “*Merger*”) in accordance with the applicable provisions of the Delaware General Corporation Law (the “*DGCL*”), and the Delaware Limited Liability Company Act (the “*LLC Act*”) and upon the terms and subject to the conditions set forth in this Agreement; and

WHEREAS, it is intended that, for U.S. federal income tax purposes, the Merger (to the extent effected as a merger of the Company with and into Merger Sub and not pursuant to the alternative merger structure set forth in Section 1.9) shall qualify as a reorganization under Section 368(a) of the Code;

NOW, THEREFORE, in consideration of the foregoing and their respective representations, warranties, covenants and agreements set forth in this Agreement, and intending to be legally bound hereby, the parties agree as follows:

ARTICLE I

THE MERGER; CERTAIN RELATED MATTERS

Section 1.1 *The Merger*. Upon the terms and subject to the conditions set forth in this Agreement, at the Effective Time, the Company shall be merged with and into Merger Sub and the separate corporate existence of the Company shall thereupon cease. Merger Sub shall be the surviving entity in the Merger (with respect to all post-Closing periods, the “*Surviving Entity*”). At the Effective Time, the effect of the Merger shall be as provided in this Agreement, the Certificate of Merger and the applicable provisions of the DGCL and the LLC Act. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time, all the property, rights, privileges, powers and franchises of the Company and Merger Sub shall vest in the Surviving Entity, and all debts, liabilities and duties of the Company and Merger Sub shall become the debts, liabilities and duties of the Surviving Entity.

Section 1.2 *Closing*. The closing of the Merger (the “*Closing*”) shall, subject to the fulfillment or waiver of the conditions set forth in Article VII, take place at the offices of Debevoise & Plimpton LLP, 919 Third Avenue, New York, New York, at 9:00 a.m., New York City time, on the third Business Day after all of the conditions set forth in Article VII have been fulfilled or waived (other than those conditions that by their nature are to be satisfied at the Closing) in accordance with this Agreement or at such other place and time and/or on such other date as the Company and Parent may agree in writing (the “*Closing Date*”).

Section 1.3 *Effective Time*. Subject to the provisions of this Agreement, as soon as practicable on the Closing Date, the parties hereto shall file a certificate of merger as contemplated by the DGCL and the LLC Act

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(the “*Certificate of Merger*”), together with any required related certificates, with the Secretary of State of the State of Delaware, in such form as required by, and executed in accordance with, the DGCL and the LLC Act. The Merger shall become effective at such time as the Certificate of Merger is duly filed with such Secretary of State on the Closing Date, or at such later time as Parent and the Company shall agree and specify in the Certificate of Merger. As used herein, the “*Effective Time*” shall mean the time at which the Merger shall become effective.

Section 1.4 *Certificate of Formation*. The certificate of formation of Merger Sub, as in effect immediately prior to the Effective Time, shall be the certificate of formation of the Surviving Entity until thereafter changed or amended as provided therein or by the LLC Act or applicable Law (the “*Certificate of Formation*”), except that the Certificate of Formation shall be amended to provide that the name of the Surviving Entity shall become MCI, LLC.

Section 1.5 *By-Laws*. The by-laws (if any) of Merger Sub in effect immediately prior to the Effective Time shall be the by-laws of the Surviving Entity (the “*By-Laws*”) until thereafter amended as provided therein or by applicable Law.

Section 1.6 *Directors*. The directors of Merger Sub immediately prior to the Effective Time shall, from and after the Effective Time, be the directors of the Surviving Entity until their successors have been duly elected or appointed and qualified or until their earlier death, resignation or removal in accordance with the Certificate of Incorporation and the By-Laws.

Section 1.7 *Officers*. The officers of the Company immediately prior to the Effective Time shall, from and after the Effective Time, be the officers of the Surviving Entity until their successors have been duly elected or appointed and qualified or until their earlier death, resignation or removal in accordance with the Certificate of Incorporation and the By-Laws.

Section 1.8 *Effect on Capital Stock*.

(a) At the Effective Time, by virtue of the Merger and without any action on the part of the holder thereof, each share of Company Common Stock issued and outstanding immediately prior to the Effective Time (excluding any Company Restricted Shares and Excluded Shares) shall be converted into the right to receive (*i*) a number (the “*Exchange Ratio*”) of validly issued, fully paid and non-assessable shares of Parent Common Stock equal to the greater of (*A*) 0.5743 and (*B*) the quotient obtained by dividing \$20.40 by the Average Parent Stock Price (the “*Stock Consideration*”) and (*ii*) an amount in cash equal to \$5.60 *minus* the per share amount of any dividends declared by the Company during the period beginning on the date of this Agreement and ending on the Closing Date (the “*Per Share Cash Amount*”), without interest, together with any cash in lieu of fractional shares of Parent Common Stock to be paid pursuant to Section 2.5 (such shares and cash, the “*Base Merger Consideration*”). Notwithstanding the foregoing, if the Exchange Ratio is greater than 0.5743, then Parent shall have the right, in its absolute discretion, to reduce the Exchange Ratio to an amount no less than 0.5743 and, in such case, the Per Share Cash Amount shall be increased by an amount (rounded to the nearest hundredth of a cent) equal to the product of (*x*) the amount by which Parent has reduced the Exchange Ratio and (*y*) the Average Parent Stock Price. The Exchange Ratio and the Per Share Cash Amount determined above shall be subject to adjustment pursuant to Section 1.10 (as so adjusted, the “*Merger Consideration*”). For purposes of this Agreement, “*Average Parent Stock Price*” shall mean the average of the volume weighted averages of the trading prices of Parent Common Stock, as such prices are reported on the NYSE Composite Transactions Tape (as reported by Bloomberg Financial Markets or such other source as the parties shall agree in writing), for the 20 trading days ending on the third trading day immediately preceding the Effective Time.

(b) As a result of the Merger and without any action on the part of the holders thereof, at the Effective Time, all shares of Company Common Stock (other than Company Restricted Shares and Excluded Shares)

shall cease to be outstanding and shall be canceled and retired, and each certificate that immediately prior to the Effective Time represented any such shares of Company Common Stock (the “*Certificates*”) shall thereafter represent only

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the right to receive the Merger Consideration with respect to the shares of Company Common Stock (other than Company Restricted Shares and Excluded Shares) formerly represented thereby, and any dividends or other distributions to which the holders thereof are entitled pursuant to Section 2.3.

(c) Each Excluded Share at the Effective Time shall, by virtue of the Merger and without any action on the part of the holder thereof, cease to be outstanding and shall be canceled and retired and no stock of Parent or other consideration shall be delivered in exchange therefor.

(d) At the Effective Time, each limited liability company interest of Merger Sub issued and outstanding immediately prior to the Effective Time shall continue to be issued and outstanding and shall constitute the only issued and outstanding interests of the Surviving Entity.

Section 1.9 *Alternative Merger Structure* . Notwithstanding any other provision of this Agreement, if (i) either of the conditions specified in Section 7.4 fails to be duly satisfied or waived or (ii) at any time prior to the Effective Time, Parent reasonably determines in good faith that effecting the Merger as a merger of the Company into Merger Sub with Merger Sub surviving would result in a material risk of materially adverse regulatory or other materially adverse consequences, the transactions contemplated herein shall be effected (subject to other conditions contained herein) by merging the Company with a Delaware corporation wholly owned by Parent, with the Company as the surviving corporation (the “ *Alternative Merger* ”). In such event, the conversion of the outstanding Company securities will occur as provided in this Article, and following the Effective Time all outstanding stock of the surviving corporation will be owned by Parent. The other provisions of this Agreement will continue to apply in the event of the Alternative Merger, *mutatis mutandis* .

Section 1.10 *Adjustment for Specified Included Liabilities at Closing*.

(a) *Determination of Remaining Specified Included Liabilities Amount* . At such time as either Company or Parent reasonably believes in good faith that the Closing Date will occur within 120 days, such party may deliver notice (a “ *Trigger Notice* ”) to the other party requesting commencement of the procedure set forth in this Section 1.10 to determine the best estimate of the amount of cash in U.S. dollars (the “ *Remaining Specified Included Liabilities Amount* ”) that will actually be required, from and after the Closing Date, to satisfy in full all remaining Specified Included Liabilities. Promptly after delivery of the Trigger Notice, (i) the Company shall deliver to Parent a schedule setting forth all Specified Included Liabilities and the status thereof and (ii) the parties will agree on and jointly engage an independent valuation firm reasonably satisfactory to Parent and the Company to act as arbitrator with respect to the Bankruptcy Claims (other than any claims relating to Taxes) (the “ *Bankruptcy Claims Valuation Firm* ”), and PricewaterhouseCoopers LLP to act as arbitrator with respect to any claims related to Taxes (the “ *Specified Tax Liabilities Valuation Firm* ” and, together with the Bankruptcy Claims Valuation Firm, the “ *Neutral Valuation Firms* ”), pursuant to Section 1.10(c) and 1.10(d) in the event the parties are unable to agree on the Remaining Specified Included Liabilities Amount; *provided* that if the parties are unable to agree on a Bankruptcy Claims Valuation Firm within 30 days of delivery of the Trigger Notice, then either party may request that the American Arbitration Association select an independent valuation firm to act as arbitrator and the firm so selected shall be the Bankruptcy Claims Valuation Firm. If PricewaterhouseCoopers LLP is unavailable or declines to serve as the Specified Tax Liabilities Valuation Firm, then either party may request the American Arbitration Association to select an independent accounting firm to serve as the Specified Tax Liabilities Valuation Firm, and the firm so selected shall be the Specified Tax Liabilities Valuation Firm.

(b) *Best Efforts* . Parent and the Company shall, during the period following the delivery of the Trigger Notice until such date as all conditions to Closing under Article VII (other than Section 7.1(f)) are satisfied or waived, use their best efforts to reach agreement on the Remaining Specified Included Liabilities Amount, including giving full access to all relevant information, with due consideration being given to

privilege issues and techniques for resolving them. If Parent and the Company agree on the calculation of the Remaining Specified Included Liabilities Amount, then such Remaining Specified Included Liabilities Amount shall become final and binding on the parties.

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(c) *Submission to Neutral Valuation Firms* . If Parent and the Company are unable to agree on the calculation of the Remaining Specified Included Liabilities Amount within 60 days of the date of the Trigger Notice, the parties will refer the matter to the Neutral Valuation Firms and will make submissions to the Neutral Valuation Firms so that the Neutral Valuation Firms are in a position to make a final determination of the Remaining Specified Included Liabilities Amount within the period set forth in Section 1.10(d). Parent and Company shall cooperate and assist the Neutral Valuation Firms in their review of the Remaining Specified Included Liabilities and the calculation of the Remaining Specified Included Liabilities Amount, including giving full access to all relevant information, with due consideration being given to privilege issues and techniques for resolving them.

(d) *Determination by Neutral Valuation Firms* . If Parent and the Company are unable to agree on the calculation of the Remaining Specified Included Liabilities Amount by such date as all conditions to Closing under Article VII (other than Section 7.1(f)) are satisfied or waived, each of Parent and the Company will, at a mutually agreed time within three Business Days following such date, simultaneously submit to the Neutral Valuation Firms its final proposal (which proposal shall specify the items as to which the parties have been able to agree pursuant to Section 1.10(b) and such party's proposal as to the items in dispute) as to (i) the Remaining Specified Included Liabilities Amount (to the extent relating to non-Tax Bankruptcy Claims) (the “ *Bankruptcy Claims Proposals* ”) and (ii) the Remaining Specified Included Liabilities Amount (to the extent relating to Tax claims) (the “ *Specified Tax Liabilities Proposals* ”), *provided, however* , that the Specified Tax Liabilities Proposals shall not be translated into U.S. dollars. Within 10 Business Days of such final submissions, (x) the Bankruptcy Claims Valuation Firm will select one of the two Bankruptcy Claims Proposals as being most representative of the Remaining Specified Included Liabilities Amount (to the extent relating to Bankruptcy Claims) and (y) the Specified Tax Liabilities Valuation Firm will select one of the two Specified Tax Liabilities Proposals as being most representative of the Remaining Specified Included Liabilities Amount (to the extent relating to Tax claims), and the amounts so selected shall be final and binding on the parties. In making such determination, the Neutral Valuation Firms shall consider only those items or amounts as to which the parties have been unable to agree pursuant to Section 1.10(b).

(e) *Paid Specified Included Liabilities Amount* . Five days prior to the anticipated Closing Date, the Company shall provide to Parent a schedule of the Paid Specified Included Liabilities Amount and detailing each item comprising the Paid Specified Included Liabilities Amount, together with reasonable supporting documentation.

(f) *Postponement of Closing* . If applicable, the Closing Date shall be postponed to the Business Day following the final determination of the Remaining Specified Included Liabilities Amount pursuant to the procedures set forth in Section 1.10(d). In addition, if the Closing Date does not occur within a period of 90 days from the date on which the Final Remaining Specified Included Liabilities Amount was determined, the Specified Included Liabilities Amount shall be redetermined pursuant to the procedures set forth in this Section 1.10.

(g) *Adjustments to the Merger Consideration* . Upon determination of the Specified Included Liabilities Amount, the Base Merger Consideration shall be adjusted as follows: If the Specified Included Liabilities Amount is greater than \$1,775,000,000, then the Per Share Cash Amount shall be reduced by an amount equal to the quotient obtained by dividing (x) the difference between the Specified Included Liabilities Amount and \$1,775,000,000 by (y) the sum of (A) the number of shares of Company Common Stock issued and outstanding immediately prior to the Effective Time and (B) the number of shares reserved for issuance pursuant to the Chapter 11 Plan that are unissued immediately prior to the Effective Time (which number shall not exceed 5,375,000 *minus* the number of shares so issued after the date hereof); *provided* that if, pursuant to the foregoing adjustment, the Per Share Cash Amount would otherwise be less than zero (the amount by which the Per Share Cash Amount would otherwise be less than zero, the “ *Incremental Amount* ”), the Per Share Cash Amount shall be reduced to zero, and there shall be a further adjustment

made to the Exchange Ratio such that the Exchange Ratio following such adjustment shall be equal to the product of (*x*) the Exchange Ratio prior to such adjustment and (*y*) the quotient obtained by dividing (1) the Aggregate Base Merger Consideration *minus* the Aggregate Incremental Amount by (2) the Aggregate Base Merger Consideration. For the avoidance of doubt, if the

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Specified Included Liabilities Amount is \$1,775,000,000 or less, there shall be no adjustment made to the Base Merger Consideration.

For the purposes hereof, the “*Aggregate Base Merger Consideration*” shall equal \$20.40 multiplied by the sum of (*x*) the number of shares of Company Common Stock issued and outstanding immediately prior to the Effective Time and (*y*) the number of shares reserved for issuance pursuant to the Chapter 11 Plan that are unissued immediately prior to the Effective Time (which number shall not exceed 5,375,000 *minus* the number of shares so issued after the date hereof).

Section 1.11 *Treatment of Company Restricted Shares and Other Equity-Based Awards.*

(a) *Restricted Shares* . At the Effective Time, by virtue of the Merger and without any action on the part of the holder thereof, each then outstanding Company Restricted Share shall be converted into (*i*) that number of restricted shares of Parent Common Stock (“*Parent Restricted Shares*”) equal to the Exchange Ratio, as adjusted pursuant to Section 1.10(g), *plus* (*ii*) a cash payment to the holder of any Company Restricted Share of an amount equal to the Per Share Cash Amount. Notwithstanding the fact that part of each holder’s Company Restricted Shares will be settled in cash as provided in the immediately preceding sentence, each Parent Restricted Share issued pursuant to this Section 1.11(a) will have, and be subject to, the same terms and conditions as in effect immediately prior to the Effective Time with respect to the corresponding Company Restricted Shares (and shall bear a legend containing the same restrictions on transferability).

(b) *Other Equity-Based Awards* . As of the Effective Time, by virtue of the Merger and without any action on the part of the holder thereof, each then outstanding equity-based award (other than Company Restricted Shares or rights under the ESPP) providing for a cash or stock payment measured by the value of Company Common Stock (an “*Other Company Equity-Based Award*”) shall be deemed to refer to (or be measured by) (*i*) the number of shares of Parent Common Stock equal to the result determined by multiplying such number of shares of Company Common Stock covered by the Other Company Equity-Based Award by the Exchange Ratio as adjusted pursuant to Section 1.10(g), *plus* (*ii*) a cash payment to the holder of any Other Company Equity-Based Award in an amount equal to the product of the Per Share Cash Amount and the number of shares of Company Common Stock covered by such Other Company Equity-Based Award. Notwithstanding the fact that part of each holder’s Other Company Equity-Based Award will be settled in cash as provided in the immediately preceding sentence, the rights of any person with respect to Parent Common Stock under each Other Company Equity-Based Award shall be on the same terms, conditions and restrictions, if any, as were applicable to such Other Company Equity-Based Award immediately prior to the Effective Time.

(c) *ESPP* . The Company shall establish a date on or before December 31, 2005 as the final purchase date under the terms of the Company’s Employee Stock Purchase Plan (the “*ESPP*”), and shall cause all accumulated cash balances standing to the credit of each participant under the ESPP on such final purchase date to be applied to purchase the number of shares of Company Common Stock that could be purchased with such amounts on such date pursuant to the ESPP. The Company shall take any and all actions necessary or appropriate to cause the ESPP to terminate on such final purchase date, after giving effect to the purchases of Company Common Stock contemplated by this Section 1.11(c), and shall not thereafter offer any plan, program or arrangement for the purchase of shares of Company Common Stock. Each participant who would otherwise have been entitled to receive a fractional share of Company Common Stock, after giving effect to the purchase of Company Common Stock contemplated by this Section 1.11(c), shall receive, in lieu thereof, a cash disbursement (without interest) of such participant’s contributions credited to his or her account and not applied to such purchase.

Section 1.12 *Certain Adjustments* . If, between the date of this Agreement and the Effective Time, the outstanding Parent Common Stock or Company Common Stock shall have been changed into a different

number of shares or different class by reason of any reclassification, recapitalization, stock split, split-up, combination or exchange of shares, or a stock dividend or dividend payable in any other securities shall be declared with a record date within such period, or any similar event shall have occurred, the Exchange Ratio and the Per Share Cash Amount shall be appropriately adjusted to provide to the holders of Company Common Stock the same economic effect as contemplated by this Agreement prior to such event.

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Section 1.13 *Appraisal Rights* . No holder of Dissenting Shares (a “ *Dissenting Stockholder* ”) shall be entitled to any Merger Consideration or dividends or other distributions pursuant to Section 2.3 in respect of such Dissenting Shares unless and until such holder shall have failed to perfect or shall have effectively withdrawn or lost such holder’s right to seek appraisal of its Dissenting Shares under the DGCL, and any Dissenting Stockholder shall be entitled to receive only the payment provided by Section 262 of the DGCL with respect to the Dissenting Shares owned by such Dissenting Stockholder. If any Person who otherwise would be deemed a Dissenting Stockholder shall have failed properly to perfect or shall have effectively withdrawn or lost the right to seek appraisal with respect to any Dissenting Shares, such Dissenting Shares shall thereupon be treated as though such Dissenting Shares had been converted into the Merger Consideration pursuant to Section 1.8. The Company shall give Parent (*i*) prompt notice of any written demands for appraisal, attempted withdrawals of such demands, and any other instruments served pursuant to applicable Law received by the Company relating to stockholders’ rights of appraisal and (*ii*) the opportunity to direct all negotiations and proceedings with respect to demand for appraisal under the DGCL. The Company shall not, except with the prior written consent of Parent, voluntarily make any payment with respect to any demands for appraisals of Dissenting Shares, offer to settle or settle any such demands or approve any withdrawal of any such demands.

Section 1.14 *Associated Rights* . References in Article I and Article II of this Agreement to Company Common Stock shall include, unless the context requires otherwise, the associated Company Rights.

ARTICLE II

EXCHANGE OF CERTIFICATES

Section 2.1 *Exchange Fund* . Prior to the Effective Time, Parent shall appoint a commercial bank or trust company reasonably acceptable to the Company to act as exchange agent hereunder for the purpose of exchanging Certificates for the Merger Consideration (the “ *Exchange Agent* ”). At or prior to the Effective Time, Parent shall deposit with the Exchange Agent, in trust for the benefit of holders of shares of Company Common Stock, certificates representing the Parent Common Stock issuable pursuant to Section 1.8 in exchange for outstanding shares of Company Common Stock and an amount of cash representing the aggregate cash consideration payable pursuant to Section 1.8. Parent agrees to make available, or to cause the Surviving Entity to make available, to the Exchange Agent from time to time as needed, cash sufficient to make cash payments for the cash consideration pursuant to Section 1.8, in lieu of fractional shares pursuant to Section 2.5 and any dividends and other distributions pursuant to Section 2.3. Any cash and certificates of Parent Common Stock deposited with the Exchange Agent shall hereinafter be referred to as the “ *Exchange Fund* .”

Section 2.2 *Exchange Procedures* . Promptly after the Effective Time, the Surviving Entity shall cause the Exchange Agent to mail to each holder of record of one or more Certificates (*a*) a letter of transmittal that shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon proper delivery of the Certificates to the Exchange Agent, which letter shall be in customary form and have such other provisions as Parent may reasonably specify and which letter shall be reasonably acceptable to the Company prior to the Effective Time and (*b*) instructions for effecting the surrender of such Certificates in exchange for the Merger Consideration. Upon surrender of a Certificate to the Exchange Agent together with such letter of transmittal, duly executed and completed in accordance with the instructions thereto, and such other documents as may reasonably be required by the Exchange Agent, the holder of such Certificate shall be entitled to receive in exchange therefor (*i*) one or more shares of Parent Common Stock which shall be in uncertificated book-entry form unless a physical certificate is requested and which shall represent, in the aggregate, the whole number of shares that such holder has the right to receive pursuant to Section 1.8 (after taking into account all shares of Company Common Stock then held by such holder) and (*ii*) a check in the amount equal to any cash that such holder has the right to receive pursuant to the provisions of Section 1.8 and this Article II, consisting of the cash consideration pursuant to

Section 1.8, cash in lieu of any fractional shares of Parent Common Stock, as the case may be, pursuant to Section 2.5 and dividends and other distributions pursuant to Section 2.3. No interest will be

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paid or will accrue on any cash payable pursuant to Section 1.8, Section 2.3 or Section 2.5. In the event of a transfer of ownership of Company Common Stock that is not registered in the transfer records of the Company, one or more shares of Parent Common Stock evidencing, in the aggregate, the proper number of shares of Parent Common Stock and a check in the proper amount of any cash consideration pursuant to Section 1.8, cash in lieu of any fractional shares of Parent Common Stock pursuant to Section 2.5 and any dividends or other distributions to which such holder is entitled pursuant to Section 2.3, may be issued with respect to such Company Common Stock, as the case may be, to such a transferee if the Certificate representing such shares of Company Common Stock is presented to the Exchange Agent, accompanied by all documents required to evidence and effect such transfer and to evidence that any applicable stock transfer taxes have been paid.

Section 2.3 Distributions with Respect to Unexchanged Shares . All shares of Parent Common Stock to be issued pursuant to the Merger (which shall exclude shares issued pursuant to the Bankruptcy Court Order) shall be deemed issued and outstanding as of the Effective Time. No dividends or other distributions declared or made in respect of the Parent Common Stock shall be paid to the holder of any Certificate until the holder of such Certificate shall surrender such Certificate in accordance with this Article II. Subject to applicable Law, following surrender of any such Certificate, there shall be paid to such holder of shares of Parent Common Stock issuable in exchange therefor, without interest, (a) promptly after the time of surrender the number of whole shares of Parent Common Stock issuable in exchange therefor pursuant to this Article II, together with the cash consideration payable pursuant to Section 1.8, cash in lieu of a fractional share of Parent Common Stock to which such holder is entitled pursuant to Section 2.5 and the amount of dividends or other distributions with a record date after the Effective Time theretofore paid with respect to such whole shares of Parent Common Stock and (b) at the appropriate payment date the amount of dividends or other distributions with a record date after the Effective Time but prior to such surrender and a payment date subsequent to such surrender payable with respect to such shares of Parent Common Stock.

Section 2.4 No Further Ownership Rights in Company Common Stock . All shares of Parent Common Stock issued and cash paid upon conversion of shares of Company Common Stock in accordance with the terms of this Article II (including any cash paid pursuant to Section 2.3 or Section 2.5) shall be deemed to have been issued or paid in full satisfaction of all rights pertaining to the shares of Company Common Stock previously represented by such Certificates.

Section 2.5 No Fractional Shares of Parent Common Stock.

(a) No certificates or scrip or shares of Parent Common Stock representing fractional shares of Parent Common Stock or book-entry credit of the same shall be issued upon the surrender for exchange of Certificates and such fractional share interests will not entitle the owner thereof to vote or to have any rights of a stockholder of Parent.

(b) Notwithstanding any other provision of this Agreement, each holder of shares of Company Common Stock exchanged pursuant to the Merger who would otherwise have been entitled to receive a fractional share of Parent Common Stock (after taking into account all Certificates delivered by such holder) shall receive, in lieu thereof, cash (without interest) in an amount equal to the product of (i) such fractional part of a share of Parent Common Stock multiplied by (ii) the closing price for a share of Parent Common Stock on the New York Stock Exchange, Inc. (“ NYSE ”) Composite Transactions Tape on the Closing Date.

(c) As promptly as practicable after the determination of the amount of cash, if any, to be paid to holders of fractional interests, the Exchange Agent shall so notify Parent, and Parent shall deposit or cause the Surviving Entity to deposit such amount with the Exchange Agent and shall cause the Exchange Agent to forward payments to such holders of fractional interests subject to and in accordance with the terms hereof.

Section 2.6 *Termination of Exchange Fund* . Any portion of the Exchange Fund that remains undistributed to the holders of Certificates for six months after the Effective Time shall be delivered to Parent or otherwise on the instruction of Parent, and any holders of the Certificates who have not theretofore complied with this Article II

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shall thereafter look only to Parent for the Merger Consideration with respect to the shares of Company Common Stock formerly represented thereby to which such holders are entitled pursuant to Section 1.8 and Section 2.3, cash in lieu of fractional shares of Parent Common Stock to which such holders are entitled pursuant to Section 2.5 and any dividends or distributions with respect to shares of Parent Common Stock to which such holders are entitled pursuant to Section 2.3, the cash consideration to which such holders are entitled pursuant to Section 1.8. Any such portion of the Exchange Fund remaining unclaimed by holders of shares of Company Common Stock five years after the Effective Time (or such earlier date immediately prior to such time as such amounts would otherwise escheat to or become property of any Governmental Entity) shall, to the extent permitted by applicable Law, become the property of the Surviving Entity free and clear of any claims or interest of any Person previously entitled thereto.

Section 2.7 *No Liability* . None of Parent, Merger Sub, the Company, the Surviving Entity or the Exchange Agent shall be liable to any Person in respect of any Merger Consideration from the Exchange Fund delivered to a public official or Governmental Entity pursuant to any applicable abandoned property, escheat or similar Law.

Section 2.8 *Investment of the Exchange Fund* . The Exchange Agent shall invest any cash included in the Exchange Fund as directed by Parent on a daily basis; *provided* that no such gain or loss thereon shall affect the amounts payable to the stockholders of the Company pursuant to Article I or this Article II. Any interest and other income resulting from such investments shall promptly be paid to Parent.

Section 2.9 *Lost Certificates* . If any Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such Certificate to be lost, stolen or destroyed and, if required by the Surviving Entity, the posting by such Person of a bond in such reasonable amount as the Surviving Entity may direct as indemnity against any claim that may be made against it with respect to such Certificate, the Exchange Agent shall deliver in exchange for such lost, stolen or destroyed Certificate the applicable Merger Consideration with respect to the shares of Company Common Stock formerly represented thereby, any cash in lieu of fractional shares of Parent Common Stock to which such holders are entitled pursuant to Section 2.5 and any dividends and distributions with respect to shares of Parent Common Stock to which such holders are entitled pursuant to Section 2.3.

Section 2.10 *Withholding Rights* . Each of the Surviving Entity and Parent shall be entitled to deduct and withhold from the consideration otherwise payable pursuant to this Agreement to any holder of shares of Company Common Stock, Company Restricted Shares or any other equity rights in the Company such amounts as it is required to deduct and withhold with respect to the making of such payment under the Code and the rules and regulations promulgated thereunder, or any provision of state, local or non-U.S. Law and shall further be entitled to sell Parent Common Stock otherwise payable pursuant to this Agreement to satisfy any such withholding requirement. To the extent that amounts are so withheld by the Surviving Entity or Parent, as the case may be, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the holder of the shares of Company Common Stock in respect of which such deduction and withholding was made by the Surviving Entity or Parent, as the case may be.

Section 2.11 *Further Assurances* . After the Effective Time, the officers and directors of the Surviving Entity will be authorized to execute and deliver, in the name and on behalf of the Company or Merger Sub, any deeds, bills of sale, assignments or assurances and to take and do, in the name and on behalf of the Company or Merger Sub, any other actions and things to vest, perfect or confirm of record or otherwise in the Surviving Entity any and all right, title and interest in, to and under any of the rights, properties or assets acquired or to be acquired by the Surviving Entity as a result of, or in connection with, the Merger.

Section 2.12 *Stock Transfer Books* . The stock transfer books of the Company shall be closed immediately upon the Effective Time and there shall be no further registration of transfers of shares of Company Common Stock thereafter on the records of the Company. At or after the Effective Time, any Certificates

presented to the Exchange Agent or Parent for any reason shall be converted into the right to receive the Merger Consideration

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with respect to the shares of Company Common Stock formerly represented thereby (including any cash in lieu of fractional shares of Parent Common Stock to which the holders thereof are entitled to pursuant to Section 2.5 and any dividends or other distributions to which the holders thereof are entitled pursuant to Section 2.3).

Section 2.13 *Affiliates* . Notwithstanding anything to the contrary herein, to the fullest extent permitted by Law, no certificates representing shares of Parent Common Stock or cash shall be delivered to a Person who may be deemed an “affiliate” of the Company in accordance with Section 6.13 hereof for purposes of Rule 145 under the Securities Act, until such Person has executed and delivered an Affiliate Agreement to Parent.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

Except as otherwise disclosed to Parent in a letter (the “*Company Disclosure Letter*”) delivered to it by the Company on May 1, 2005 (with specific reference to the representations and warranties in this Article III to which the information in such letter relates, subject to Section 9.3(b)) or as set forth in the Company SEC Documents filed prior to the date hereof or in the Company’s Form 10-K for the year ended December 31, 2004 (excluding any disclosures included in any such Company SEC Document or such Form 10-K that are predictive or forward-looking in nature), the Company represents and warrants to Parent and Merger Sub as follows:

Section 3.1 *Organization* . The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority to own, lease and operate its properties and assets and to carry on its business as now being conducted. The Company delivered or has made available to Parent and Merger Sub true, correct and complete copies of its certificate of incorporation and by-laws, as amended and in effect on the date of this Agreement.

Section 3.2 *Subsidiaries* .

(a) Exhibit 21.1 to the Company’s Annual Report on Form 10-K for the year ended December 31, 2003 includes all the Subsidiaries of the Company (individually, a “*Company Subsidiary*” and collectively, the “*Company Subsidiaries*”), which as of the date thereof were “Significant Subsidiaries” (as defined in Rule 1-02 of Regulation S-X of the SEC). Each Company Subsidiary is a corporation, limited liability company or partnership, as the case may be, duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, as the case may be, and has all requisite corporate, limited liability company or partnership power and authority, as the case may be, to own, lease and operate its properties and assets and to carry on its business as now being conducted, except where the failure to be so organized, validly existing, qualified or in good standing, or to have such power or authority, would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect. The Company has made available to Parent true, correct and complete copies of the certificate of incorporation, the by-laws, and all other organizational documents of each Company Subsidiary, as amended and in effect on the date of this Agreement.

(b) Except as set forth in Section 3.2(b) of the Company Disclosure Letter or in Exhibit 21.1 to the Company’s Annual Report on Form 10-K for the year ended December 31, 2003, the Company is, directly or indirectly, the record and beneficial owner of all of the outstanding shares of capital stock or other equity interests of each of the Significant Subsidiaries, free and clear of any Liens. All of such shares and other equity interests so owned by the Company are validly issued, fully paid and nonassessable (and no such shares have been issued in violation of any preemptive or similar rights).

Section 3.3 *Capitalization* .

(a) As of the date of this Agreement, the authorized capital stock of the Company consists of 3,000,000,000 shares of Company Common Stock.

(b) At the close of business on February 11, 2005, (*i*) 321,422,248 shares of Company Common Stock were issued and outstanding and (*ii*) no shares of Company Common Stock were held in treasury by the Company.

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(c) The Company has delivered or made available to Parent a complete and correct copy of the Rights Agreement as in effect on the date hereof.

(d) Section 3.3(d) of the Company Disclosure Letter contains a schedule as of February 9, 2005 setting forth the aggregate number of shares of Company Common Stock relating to outstanding awards of Company Restricted Shares and Other Company Equity-Based Awards. As soon as practicable (but not later than 20 Business Days) after the date hereof, the Company shall provide Parent with a copy of the form of agreement related to each such award. Each of the Company's equity compensation plans (the "*Company Stock Plans*"), are set forth in Section 3.3(d) of the Company Disclosure Letter. As of February 11, 2005, 5,005,144 shares of Company Common Stock were reserved for issuance pursuant to the Chapter 11 Plan. Except as set forth above, at the close of business on February 11, 2005 no shares of capital stock of the Company were issued, reserved for issuance or outstanding. All issued and outstanding shares of Company Common Stock are duly authorized, validly issued, fully paid and nonassessable.

(e) There are no preemptive or similar rights on the part of any holder of any class of securities of the Company or any Company Subsidiary. Neither the Company nor any Company Subsidiary has outstanding any bonds, debentures, notes or other obligations the holders of which have the right to vote (or which are convertible into or exercisable for securities having the right to vote) with the stockholders of the Company or any such Company Subsidiary on any matter submitted to shareholders or a separate class of holders of capital stock. Except as set forth in Sections 3.3(d) or 3.3(e) of the Company Disclosure Letter and other than the rights to purchase Company Common Stock outstanding under the terms of the ESPP, as of the date of this Agreement, there are no options, warrants, calls, rights, convertible or exchangeable securities, "phantom" stock rights, stock appreciation rights, stock-based performance units, commitments, contracts, arrangements or undertakings of any kind to which the Company or any of the Company Subsidiaries is a party or by which any of them is bound (*i*) obligating the Company or any of the Company Subsidiaries to issue, deliver, sell or transfer or repurchase, redeem or otherwise acquire, or cause to be issued, delivered, sold or transferred or repurchased, redeemed or otherwise acquired, any shares of capital stock of the Company or any Company Subsidiary, any additional shares of capital stock of, or other equity interests in, or any security convertible or exercisable for or exchangeable into any capital stock of, or other equity interest in, the Company or any Company Subsidiary, (*ii*) obligating the Company or any Company Subsidiary to issue, grant, extend or enter into any such option, warrant, call, right, security, commitment, contract, arrangement or undertaking or (*iii*) that give any Person the right to receive any economic benefit or right similar to or derived from the economic benefits and rights accruing to holders of capital stock of, or other equity interests in, the Company or any Company Subsidiary. As of the date of this Agreement, there are no outstanding contractual obligations of the Company or any of the Company Subsidiaries to repurchase, redeem or otherwise acquire any shares of capital stock of, or other equity interests in, the Company or any of the Company Subsidiaries. There are no proxies, voting trusts or other agreements or understandings to which the Company is a party or is bound with respect to the voting of the capital stock of, or other equity interests in, the Company.

Section 3.4 *Authorization* .

(a) The Company has all requisite corporate power and authority to execute and deliver this Agreement, to perform its obligations hereunder and, subject to receipt of approval by the holders of a majority of the outstanding shares of Common Stock entitled to vote in accordance with the DGCL and the Company's Constituent Documents (the "*Company Stockholder Approval*"), to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement and the consummation of the Merger and the other transactions contemplated hereby have been duly and validly authorized by all necessary corporate action, and no other corporate proceedings on the part of the Company are necessary for it to authorize this Agreement or to consummate the transactions contemplated hereby, except for the adoption of this Agreement and the transactions contemplated hereby by Company Stockholder Approval. This Agreement has been duly and validly executed and delivered by the Company and, assuming due

authorization, execution and delivery by Parent and Merger Sub, is a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles.

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(b) The Board of Directors of the Company, at a meeting duly called and held, duly and unanimously adopted resolutions (*i*) approving this Agreement, the Merger and the other transactions contemplated by this Agreement, (*ii*) determining that the terms of the Merger and the other transactions contemplated by this Agreement are fair to and in the best interests of the Company and its stockholders, (*iii*) recommending that the Company's stockholders adopt this Agreement and (*iv*) declaring that this Agreement is advisable.

Section 3.5 Takeover Statute, No Restrictions on the Merger.

(a) Except as set forth in Section 3.5(a) of the Company Disclosure Letter, no state "fair price," "moratorium," "control share acquisition" or similar anti-takeover statute is applicable to the Merger or the other transactions contemplated by this Agreement.

(b) The Board of Directors has taken all necessary action to render the restrictions on business combinations contained in Section 203 of the DGCL hereby inapplicable to this Agreement and the transactions contemplated by this Agreement.

Section 3.6 Rights Agreement . The Board of Directors of the Company has taken all necessary action to render the Rights Agreement inapplicable to the Merger and the transactions contemplated hereby, and neither the execution and delivery of this Agreement nor the consummation of any of the transactions contemplated hereby will result in the occurrence of a Distribution Date, as defined in the Rights Agreement, or otherwise cause the Company Rights to become exercisable by the holders thereof.

Section 3.7 Consents and Approvals; No Violations.

(a) The execution and delivery of this Agreement by the Company does not and the consummation by the Company of the transactions contemplated hereby will not (*i*) conflict with any provisions of the Company's Constituent Documents or, except as, individually or in the aggregate, would not reasonably be expected to have a Company Material Adverse Effect, the certificate of incorporation or by-laws or any other organizational documents of any Company Subsidiary; (*ii*) violate any Law or Order (assuming compliance with the matters set forth in Section 3.7(b)); (*iii*) result in any violation or default or loss of a benefit under, or permit the acceleration or termination of any obligation under, any mortgage, indenture, lease, agreement or other instrument, permit, concession, grant, franchise or license; (*iv*) result in the creation or imposition of any Lien upon any properties or assets of the Company or any Company Subsidiary; or (*v*) cause the suspension or revocation of any permit, license, governmental authorization, consent or approval necessary for the Company or any Company Subsidiary to conduct its business as currently conducted, except, in the case of clauses (ii), (iii) (iv) and (v), as, individually or in the aggregate, has not had and would not reasonably be expected to result in a Company Material Adverse Effect and as would not reasonably be expected to materially delay or impair the consummation of the Merger.

(b) No consent, approval, order or authorization of, or declaration, registration or filing with, or notice to any Governmental Entity is required to be made or obtained by the Company or any Company Subsidiary in connection with the execution or delivery of this Agreement by the Company or the consummation by the Company of the transactions contemplated hereby, except for (*i*) compliance by the Company with the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (" *HSR Act* "), and such foreign antitrust and competition law requirements described in Section 3.7(b)(i) of the Company Disclosure Letter; (*ii*) the filing of the Certificate of Merger with the Secretary of State of the State of Delaware in accordance with the DGCL, (*iii*) the filings with the Securities and Exchange Commission (" *SEC* ") of (*A*) the Proxy Statement and Prospectus in accordance with Regulation 14A promulgated under the Exchange Act, (*B*) the registration statement on Form S-4 promulgated under the Securities Act and (*C*) such reports under and such other compliance with the Exchange Act and the Securities Act and the rules and regulations thereunder as may be required in connection with this Agreement and the transactions

contemplated hereby, (*iv*) with or to the Federal Communications Commission (the “ *FCC* ”), (*v*) with or to those State public service or public utility commissions or similar State regulatory bodies set forth in Section 3.7(b)(v) of the Company Disclosure Letter (“ *State Commissions* ”); (*vi*) with or to those foreign Governmental Entities regulating competition and telecommunications businesses or the use of radio spectrum or regulating or limiting investment set forth in Section 3.7(b)(vi) of the Company Disclosure

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Letter; (*vii*) with or to those State agencies or departments or local governments that have issued competitive access provider or other telecommunications franchises or any other similar authorizations; and (*viii*) any consent, approval, order or authorization of, or declaration, registration or filing with, or notice to any Governmental Entity (other than any of the foregoing addressed in clauses (i) through (vii) above), the failure to make or obtain would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect.

(c) The representations contained in Section 3.7(a) and 3.7(b) are true without taking into account the possibility of effecting the transactions under this Agreement in the form of the Alternative Merger.

(d) Effecting the transactions contemplated hereby in the form of the Merger will not be materially more burdensome to Parent and its Subsidiaries taken as a whole, or the Company and its Subsidiaries taken as a whole as compared to effecting such transactions in the form of the Alternative Merger.

Section 3.8 *SEC Reports; Company Financial Statements.*

(a) The Company and each Company Subsidiary has filed or furnished all reports, schedules, forms, statements and other documents required to be filed or furnished by it with or to the SEC since April 20, 2004 (the “ *Company SEC Documents* ”). As of its respective date, each of the Company SEC Documents, including any financial statements or schedules included or incorporated by reference therein, complied when filed or furnished and as amended in all material respects with the requirements of the Exchange Act or the Securities Act and the rules and regulations of the SEC promulgated thereunder applicable to such Company SEC Documents, and did not, and any Company SEC Documents filed with the SEC subsequent to the date hereof will not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or incorporated by reference therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

(b) The Company Financial Statements have been derived from the accounting books and records of the Company and the Company Subsidiaries and have been prepared in accordance with United States generally accepted accounting principles (“ *GAAP* ”) applied on a consistent basis throughout the periods presented, except as otherwise noted therein and subject, in the case of the unaudited interim financial statements, to the absence of notes. The consolidated balance sheets (including the related notes) included in the Company Financial Statements present fairly in all material respects the financial position of the Company and the Company Subsidiaries as at the respective dates thereof, and the consolidated statements of income, consolidated statements of shareholders’ equity and consolidated statements of cash flows (in each case including the related notes) included in such Company Financial Statements present fairly in all material respects the results of operations, shareholders’ equity and cash flows of the Company and the Company Subsidiaries for the respective periods indicated, in each case subject to normal year-end adjustments that have not been and are not expected to be material in amount.

Section 3.9 *Absence of Undisclosed Liabilities* . The Company and the Company Subsidiaries do not have any liabilities or obligations, known or unknown, contingent or otherwise, except (*a*) Specified Included Liabilities, (*b*) liabilities and obligations in the respective amounts reflected on or reserved against in the consolidated balance sheet of the Company and the Company Subsidiaries included in the Company Financial Statements (or readily apparent in the notes thereto), (*c*) liabilities and obligations incurred in a commercially reasonable manner consistent with industry practice since the date of such balance sheet, and (*d*) liabilities and obligations that would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect.

Section 3.10 *Form S-4; Proxy Statement/Prospectus* . None of the information supplied or to be supplied by the Company for inclusion or incorporation by reference in (*i*) the registration statement on Form S-4 to be filed with the SEC by Parent in connection with the issuance of shares of Parent Common Stock in

the Merger (the “*Form S-4*”) will, at the time the Form S-4 is filed with the SEC or at any time it is supplemented or amended or at the time it becomes effective under the Securities Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the

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circumstances under which they are made, not misleading, or (*ii*) the Proxy Statement/Prospectus will, at the date mailed to stockholders of the Company and at the time of the Company Stockholder Meeting to be held in connection with the Merger, contain any untrue statement of a fact or omit to state any fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading.

Section 3.11 *Absence of Certain Changes* . Except for liabilities incurred in connection with this Agreement or the transactions contemplated hereby, for the period beginning September 30, 2004 until the date hereof, (*i*) the Company and the Company Subsidiaries have conducted their respective businesses only in a commercially reasonable manner consistent with industry practice; (*ii*) there has not been any declaration, setting aside or payment of any dividend or other distribution in cash, stock or property in respect of the Company's capital stock, other than regular quarterly dividends and the \$0.40 per share dividend declared on February 11, 2005; (*iii*) there has not been any action taken by the Company or any of the Company Subsidiaries that, if taken during the period from the date of this Agreement through the Effective Time, would constitute a material breach of Section 5.1; and (*iv*) except as required by GAAP, there has not been any change by the Company in its accounting principles, practices or methods. Since September 30, 2004 until the date hereof, there have not been any changes, circumstances or events that, individually and in the aggregate, have had or would reasonably be expected to result in a Company Material Adverse Effect.

Section 3.12 *Litigation* . Except as set forth in Section 3.12 of the Company Disclosure Letter, there is no suit, action, proceeding, claim, review or investigation (whether at law or in equity, before or by any Governmental Entity or before any arbitrator) pending, affecting or, to the knowledge of the Company, threatened in writing against the Company or any of the Company Subsidiaries, or their respective properties or rights that, individually and in the aggregate for any such matters premised on common legal theories and similar facts, would reasonably be expected to result in a Company Material Adverse Effect. Except as set forth in Section 3.12 of the Company Disclosure Letter, there is no Order of any Governmental Entity or arbitrator outstanding against the Company or any of the Company Subsidiaries which would, individually or in the aggregate, reasonably be expected to result in a Company Material Adverse Effect.

Section 3.13 *Compliance with Laws*.

(a) Each of the Company and the Company Subsidiaries is, and since April 20, 2004, has been in compliance in all material respects with applicable Laws and, to the knowledge of the Company, is not under investigation with respect to, and has not been threatened to be charged with or given notice of, any material violation of any Law, in each case except for such failures to be in compliance, such investigations or such violations as would not, individually or in the aggregate, reasonably be expected to result in a Company Material Adverse Effect.

(b) Since December 31, 2003 (or such later date, if the Company only became subject to the applicable provisions, rules and regulations subsequent to December 31, 2003), the principal executive officer and the principal financial officer of the Company have complied in all material respects with (*i*) the applicable provisions of the Sarbanes-Oxley Act of 2002 and the related rules and regulations promulgated under such Act (the “*Sarbanes-Oxley Act*”) and under the Exchange Act and (*ii*) the applicable listing and corporate governance rules and regulations of Nasdaq. The principal executive officer and the principal financial officer of the Company have made all certifications required by Sections 302 and 906 of the Sarbanes-Oxley Act with respect to each Company SEC Document filed by the Company. For purposes of the preceding sentence, “principal executive officer” and “principal financial officer” shall have the meanings given to such terms in the Sarbanes-Oxley Act. Except as permitted by the Exchange Act, including Sections 13(k)(2) and (3), since the enactment of the Sarbanes-Oxley Act, neither the Company nor any of its Affiliates has directly or indirectly extended or maintained credit, arranged for the extension of credit,

renewed an extension of credit or materially modified an extension of credit in the form of personal loans to any executive officer or director (or equivalent thereof) of the Company or any Company Subsidiaries.

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(c) The Company has (*i*) implemented disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) to ensure that material information relating to the Company is made known to the management of the Company by others within those entities, and (*ii*) has disclosed, based on its most recent evaluation, to the Company's outside auditors and the audit committee of the Board of Directors of the Company (*A*) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial data and (*B*) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

(d) The Company has prepared a plan to comply with the requirements of Section 404 of the Sarbanes-Oxley Act on the date by which they must comply with such requirements. The Company is not aware of any reason it will not comply with the requirements of Section 404 of the Sarbanes-Oxley Act on the applicable compliance date.

(e) The Company has delivered to Parent copies of any written notifications it has received to date since December 31, 2003 of a (*i*) "significant deficiency" or (*ii*) "material weakness" in the Company's internal controls. For purposes of this Agreement, the terms " *significant deficiency* " and " *material weakness* " shall have the meanings assigned to them in the Statements of Auditing Standards No. 60, as in effect on the date hereof.

Section 3.14 *Taxes* .

(a) The Company and each Company Subsidiary have (*i*) duly and timely filed with the appropriate Governmental Entities all Tax Returns required to be filed by it in respect of any material Taxes, which Tax Returns were true, correct and complete in all material respects, (*ii*) duly and timely paid in full all Taxes shown as due on such Tax Returns, (*iii*) duly and timely paid in full or withheld, or established adequate reserves in accordance with GAAP for, all material Taxes that are due and payable by it, (*iv*) established reserves in accordance with GAAP that are adequate for the payment of all material Taxes not yet due and payable with respect to the results of operations of the Company and each Company Subsidiary through the date of this Agreement and (*v*) complied in all material respects with all laws applicable to the withholding and payment over of Taxes and has timely withheld and paid over to, or, where amounts have not been so withheld, established an adequate reserve under GAAP for the payment to, the respective proper Governmental Entities all material amounts required to be so withheld and paid over.

(b) There (*i*) is no deficiency, claim, audit, suit, proceeding, request for information or investigation now pending, outstanding or threatened against or with respect to the Company or any Company Subsidiary in respect of any material Taxes or material Tax Returns, and (*ii*) are no requests for rulings or determinations in respect of any material Taxes or material Tax Returns pending between the Company or any Company Subsidiary and any authority responsible for such Taxes or Tax Returns.

(c) The federal income Tax Returns of the Company and the Company Subsidiaries have been examined by the Internal Revenue Service (or the applicable statutes of limitation for the assessment of federal income Taxes for such periods have expired) for all periods through and including December 31, 1991, and no material deficiencies were asserted as a result of such examinations that have not been resolved and fully paid.

(d) Neither the Company nor any Company Subsidiary has any material liability as a result of being a party to any material tax sharing, tax indemnity or other agreement or arrangement with any entity not included in the most recent Company Financial Statements.

(e) None of the Company or any of the Company Subsidiaries has any liability for material Taxes as a

result of having been a member of any affiliated group within the meaning of Section 1504(a) of the Code, or any similar affiliated or consolidated group for tax purposes under state, local or foreign law (other than a group the common parent of which is the Company), or has any liability for the Taxes of any Person (other than the Company and the Company Subsidiaries) under Treasury Regulations Section 1.1502-6 or any similar provision of state, local or foreign law, or as a transferee or successor, by contract or otherwise.

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(f) There are no material adjustments under Section 481 of the Code (or similar or analogous provision of state, local or foreign law) for income tax purposes applicable to or required to be made by the Company or any of the Company Subsidiaries as a result of changes in methods of accounting or other events occurring on or before the date hereof.

(g) There are no Liens on any of the assets or properties of the Company or any Company Subsidiary that arose in connection with any failure (or alleged failure) to pay any material Tax.

(h) Neither the Company nor any Company Subsidiary has participated in a “listed transaction” within the meaning of Treasury Regulations §1.6011-4(b)(2) that has not been properly disclosed pursuant to such Regulation on a Tax Return previously made available to Parent.

Section 3.15 *ESPP*. No officer, employee, director, consultant, or other service provider to the Company or any of the Company Subsidiaries has any outstanding options to purchase any capital stock of the Company or any of the Company Subsidiaries, other than the rights to purchase Company Common Stock outstanding under the terms of the Company’s ESPP.

Section 3.16 *Sufficiency of Real Property, etc.* The Owned Real Property and the Leased Real Property (collectively, the “*Real Property*”) constitute all the fee and leasehold interests in real property required for the conduct of the Business as currently conducted. Except in any such case as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect, all buildings, structures, fixtures and improvements included within the Real Property (the “*Improvements*”) are in good repair and operating condition, subject only to ordinary wear and tear, and are adequate and suitable for the purposes for which they are presently being used or held for use, and to the knowledge of the Company, there are no facts or conditions affecting any of the Improvements that, in the aggregate, would reasonably be expected to interfere with the current use, occupancy or operation thereof.

Section 3.17 *Right-of-Way Agreements and Network Facilities.*

(a) Except in any such case as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect, (*i*) each right-of-way agreement, license agreement or other agreement permitting or requiring the Company or any of its Subsidiaries to lay, build, operate, maintain or place cable, wires, conduits or other equipment and facilities over land, underwater or underground (each, a “*Right-of-Way Agreement*”) is valid, legally binding, enforceable and in full force and effect, and none of the Company or any of its Subsidiaries is in breach of or default under any Right-of-Way Agreement, (*ii*) no event has occurred which, with notice or lapse of time, would constitute a breach or default by any of the Company or its Subsidiaries or permit termination, modification or acceleration by any third party thereunder and (*iii*) no third party has repudiated or has the right to terminate or repudiate any Right-of-Way Agreement.

(b) To the knowledge of the Company, the Company is not in violation of any Laws which, individually or in combination with any others, would materially and adversely affect the ability of the Company or any of its Subsidiaries to use any of the rights associated with the Right-of-Way Agreements, taken as a whole, in the manner and scope in which such rights are now being used.

(c) Except in any such case as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect:

(i) All Owned Network Facilities and Leased Network Facilities: (*x*) are in good working order and condition (“*Good Condition*”) individually and in combination; (*y*) are, individually and in combination, operated, installed, and maintained by the Company, the Company Subsidiaries, or their contractors in a manner that is in compliance with (*a*) generally accepted industry standards for the United States

telecommunications and foreign telecommunications industries (the latter with respect to Owned Network Facilities and Leased Network Facilities outside the United States) (together “*Industry Standards*”), (*b*) performance requirements in service agreements with customers of Company and its Subsidiaries (“*Customer Requirements*”), and (*c*) all Laws, and (*z*) comply, individually and in combination, with applicable performance standards. The Company

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and the Company Subsidiaries will maintain or cause Owned Network Facilities and Leased Network Facilities, individually and in combination, to be maintained in Good Condition and in compliance with Performance Standards, Industry Standards, Customer Requirements, and all Laws through the Closing Date.

(ii) The Company owns, free of liens and other encumbrances, other than Permitted Liens, all right, title, and interest in Owned Network Facilities and will maintain the same through the Closing Date. No third Person can revoke or otherwise encumber or interfere with such right, title, and interest.

(iii) (x) Each Network Facility Agreement is valid, legally binding, enforceable and in full force and effect, and none of the Company or any of the Company Subsidiaries is in breach of or default under any Network Facility Agreement, (y) no event has occurred which, with notice or lapse of time, would constitute a breach or default by any of the Company or the Company Subsidiaries or permit termination, revocation, other interference with performance of, modification or acceleration by any third party of any Network Facility Agreement, and (z) no third Person has repudiated, revoked, terminated, or otherwise interfered with performance of or has the right to terminate, repudiate, revoke, or otherwise interfere with the performance of any Network Facility Agreement.

Section 3.18 *Brokers* . No Persons other than Greenhill & Co., LLC (“ *Greenhill* ”), Lazard Frères & Co. LLC (“ *Lazard* ”) and J. P. Morgan Securities Inc. (“ *JPMorgan* ,” and collectively with Greenhill and Lazard, the “ *Company Financial Advisors* ”) are entitled to any brokerage, financial advisory, finder’s or similar fee or commission payable by any party hereto in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Company or any Company Subsidiary. The Company has furnished to Parent and Merger Sub a true, correct and complete copy of each agreement between the Company, any Company Subsidiary and each Company Financial Advisor relating to the Merger and the other transactions contemplated by this Agreement.

Section 3.19 *Employee Benefit Plans and Related Matters; ERISA*.

(a) As soon as practicable (but not later than 20 Business Days) after the date hereof, the Company shall provide Parent with a schedule that sets forth a complete and correct list of the Company Benefit Plans. With respect to each such Company Benefit Plan, on or before the date such schedule is provided, the Company shall provide to Parent a complete and correct copy of such Company Benefit Plan, if written, or a description of such Company Benefit Plan if not written, and to the extent applicable, (i) all trust agreements, insurance contracts or other funding arrangements, (ii) the most recent actuarial and trust report for both ERISA funding and financial statement purposes, (iii) the most recent Form 5500 with all attachments required to have been filed with the IRS or the Department of Labor or any similar report filed with any comparable governmental authority in any non-U.S. jurisdiction having jurisdiction over any Company Benefit Plan and all schedules thereto, (iv) the most recent IRS determination letter, (v) all current summary plan descriptions, (vi) all material communications received from or sent to the IRS, the Pension Benefit Guaranty Corporation or the Department of Labor, (vii) the most recent actuarial study of any pension, disability, post-employment life or medical benefits provided under any such Company Benefit Plan, (viii) all current employee handbooks and manuals, (ix) statements or other communications regarding withdrawal or other multiemployer plan liabilities (or similar liabilities pertaining to any non-U.S. employee benefit plan sponsored by the Company or any Company Subsidiary, if any), (x) all amendments and modifications to any such Company Benefit Plan or related document and (xi) in the case of any such Company Benefit Plan that is maintained primarily for the benefit of employees whose employment is principally outside the United States, information that is substantially comparable (taking into account differences arising from differences in applicable law and practices) to the information required to be provided in the foregoing subclauses of this Section 3.19(a).

(b) *Qualification* . Each Company Benefit Plan intended to be qualified under section 401(a) of the Code,

and the trust (if any) forming a part thereof, has received a favorable determination letter from the IRS, and no event has occurred or circumstance exists since the date of such determination that would adversely affect such qualification. To the knowledge of the Company, each Company Benefit Plan that is maintained outside of the United States meets the conditions to qualify for tax exempt status, if applicable, or for such other favorable classification available in respect of such Company Benefit Plan under applicable Law. All amendments and

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actions required to bring each Company Benefit Plan into material conformity with the applicable provisions of ERISA, the Code and other applicable Law have been made or taken, except to the extent such amendments or actions are not required by Law to be made or taken until after the Closing Date. Each Company Benefit Plan has been operated in all material respects in accordance with applicable Law.

(c) *Liability* . There has been no event or circumstance that has resulted in any material liability to the Company or any of the Company Subsidiaries under or pursuant to Title I or IV of ERISA, the penalty, excise Tax or joint and several liability provisions of the Code relating to employee benefit plans or any applicable provision of Law in any jurisdiction outside of the United States. There has not been any event or circumstance that could reasonably be expected to result in any material liability (other than for the payment of benefits in a commercially reasonable manner consistent with industry practice) in respect of the Company Benefit Plans. Except as is otherwise reflected in the Financial Statements, there are no “unfunded benefits liabilities” in respect of any Company Benefit Plan that is a defined benefit or similar type plan.

(d) *Acceleration or Increases in Compensation* . There is no contract, agreement, plan or arrangement to which the Company or any of the Company Subsidiaries is a party covering any employee, former employee, officer, director, shareholder or contract worker of the Company or any of the Company Subsidiaries, which, individually or collectively, could give rise to the payment of any material amount that would not be deductible pursuant to Section 280G of the Code or would otherwise result in the acceleration of payment of any benefits or a material increase in the amount of benefits (including, without limitation, any indemnity or redundancy pay) payable, whether pursuant to the terms of any such Company Benefit Plan, at Law, by contract or otherwise, the entering into, or the consummation of the transactions contemplated by, this Agreement.

(e) *Independent Contractors* . The Company and each of the Company Subsidiaries has properly classified all individuals (including but not limited to independent contractors and leased employees) under applicable Law, except where failure to properly classify such person would not result in material employment or benefit liability to the Company or the Company Subsidiaries. Any person (other than the non-employee members of the Company’s board of directors) providing services to the Company or any of the Company Subsidiaries who has not been classified as an employee is not eligible to participate in any Company Benefit Plan and is not entitled to receive any benefits or other compensation under or pursuant to any such Company Benefit Plan in respect of such non-employee service.

Section 3.20 *Employees, Labor Matters* . As soon as practicable (but not later than 20 Business Days) after the date hereof, the Company shall provide Parent with a schedule that sets forth a complete and correct list of each collective bargaining agreement to which any of the Company or any of the Company Subsidiaries is party or by which any such entity may be bound. Since April 20, 2004, there has not occurred nor, to the knowledge of the Company has there been threatened, any material strike, slowdown, picketing, work stoppage, concerted refusal to work overtime or other similar labor activity or organizing campaign with respect to any employees of the Company or any of the Company Subsidiaries. There are no material labor disputes currently subject to any grievance procedure, arbitration or litigation and there is no representation petition pending or, to the knowledge of the Company, threatened with respect to any employee of the Company or any of the Company Subsidiaries.

Section 3.21 *Intellectual Property Rights* . Except as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect:

(a) The Company and the Company Subsidiaries are the exclusive owners of all Owned Intellectual Property that is issued as a patent, the subject of a patent application, registered or subject to an application for registration, free and clear of any Liens other than Permitted Liens. The Owned Intellectual Property, together with the Intellectual Property used pursuant to the Intellectual Property Licenses, constitutes all of

the Intellectual Property necessary to the conduct of the Business as currently conducted. Immediately after the Effective Time, the Company and the Company Subsidiaries shall own or have licensed to them all the Company Intellectual Property, in each case free from Liens other than Permitted Liens, on the same terms and conditions as in effect prior to the Effective Time. “ *Owned Intellectual Property* ” means all material Intellectual Property owned by the Company or any of the Company Subsidiaries.

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(b) To the knowledge of the Company, the conduct of the Business does not infringe or otherwise conflict with the rights of any Person in respect of any Intellectual Property. To the knowledge of the Company, none of the Company Intellectual Property is being infringed or otherwise used or being made available for use by any Person without a license or permission from the Company. None of the Company Intellectual Property is subject to any outstanding Order by or with any court, tribunal, arbitrator or other Governmental Entity.

(c) The Company or one of the Company Subsidiaries has taken all actions reasonably necessary to ensure full ownership (including by assignment from employees and from other Persons performing services for the Company or any Company Subsidiary), protection and enforceability of the Owned Intellectual Property under any applicable Law (including making and maintaining in full force and effect all necessary filings, registrations and issuances). Each of the Company and each Company Subsidiary has taken all actions reasonably necessary to maintain the secrecy of all non-public Intellectual Property, including Trade Secrets, used in the Business (including requiring the execution of valid and enforceable confidentiality agreements by employees or any other Person to whom such non-public Intellectual Property is made available). To the knowledge of the Company, none of the Company or any Company Subsidiary is using or enforcing any Owned Intellectual Property in a manner that would reasonably be expected to result in the cancellation or unenforceability of such Owned Intellectual Property or Trade Secret.

Section 3.22 *Contracts* .

(a) Except as listed in Section 3.22(a) of the Company Disclosure Letter, and except for Company Benefit Plans, neither the Company nor any Company Subsidiary is a party to or bound by, as of the date hereof:

(i) any agreement relating to Indebtedness (other than agreements among direct or indirect wholly owned Company Subsidiaries) in excess of \$10,000,000;

(ii) any joint venture, partnership, limited liability company or other similar agreements or arrangements relating to the formation, creation, operation, management or control of any partnership or joint venture material to the Company or any of its Subsidiaries in which the Company or any Company Subsidiary owns any interest valued at more than \$10,000,000 without regard to percentage voting or economic interest (unless pursuant to such agreement or arrangement the Company and/or the Company Subsidiaries, as the case may be, do not have a future funding obligation likely to require funding of more than \$10,000,000 in the aggregate);

(iii) any agreement or series of related agreements, including any option agreement, relating to the acquisition or disposition of any material business or material real property (whether by merger, sale of stock, sale of assets or otherwise);

(iv) any material agreement other than an agreement with respect to compensation or similar arrangements not involving a director of the Company or one of the officers of the Company for purposes of Section 16 of the Exchange Act and any agreement entered into in a commercially reasonable manner consistent with industry practice with (A) any Person directly or indirectly owning, controlling or holding with power to vote, 5% or more of the outstanding voting securities of the Company or any Company Subsidiary, (B) any Person 5% or more of the outstanding voting securities of which are directly or indirectly owned, controlled or held with power to vote by the Company or any Company Subsidiary or (C) any current or former director or officer of the Company or any Company Subsidiary;

(v) any agreement (including any exclusivity agreement) that purports to limit or restrict in any material respect either the type of business in which the Company or the Company Subsidiaries (or, after the Effective Time, Parent or its Subsidiaries) may engage or the manner or locations in which any of them

may so engage in any business including any covenant not to compete or could require the disposition of any material assets or line of business of the Company or the Company Subsidiaries;

(vi) any sales, distribution, agency or other similar agreement providing for the sale by the Company or any Company Subsidiary of materials, supplies, goods, services, equipment or other assets that are material to the Company and the Company Subsidiaries taken as a whole and involving payments to the Company in excess of \$17,500,000 annually;

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(vii) any agreement relating to any material interest rate, currency or commodity derivatives or hedging transaction;

(viii) any agreement (including keepwell agreement) under which (A) any Person (other than the Company or a Company Subsidiary) has directly or indirectly guaranteed any liabilities or obligations of the Company or any Company Subsidiary or (B) the Company or any Company Subsidiary has directly or indirectly guaranteed liabilities or obligations of any other Person (other than the Company or a Company Subsidiary) (in each case other than endorsements for the purpose of collection in a commercially reasonable manner consistent with industry practice), unless such guarantor obligation is less than \$10,000,000;

(ix) any material “take-or-pay” agreements; or

(x) any agreement the termination or breach of which or the failure to obtain consent in respect of is likely to have a Company Material Adverse Effect.

(b) The agreements, commitments, arrangements and plans listed or required to be listed in Section 3.22(a) of the Company Disclosure Letter are referred to herein as the “ *Company Contracts* .” Each Company Contract is a valid and binding agreement of the Company or a Company Subsidiary, as the case may be, and is in full force and effect, and none of the Company, any Company Subsidiary or, to the knowledge of the Company, any other party thereto is in default or breach in any material respect under the terms of any such Company Contract. True, correct and complete copies of (i) each such Company Contract (including all modifications and amendments thereto and waivers thereunder) and (ii) all form contracts, agreements or instruments used in and material to the Business have been made available to Parent.

Section 3.23 *Environmental Laws and Regulations* . Except as disclosed in Section 3.23 of the Company Disclosure Letter or as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect:

(a) The Company and each Company Subsidiary has complied and is in compliance in all material respects with all applicable Environmental Laws and has obtained and is in compliance in all material respects with all Environmental Permits.

(b) No notice of violation, notification of liability, demand, request for information, citation, summons or order has been received by the Company or any Company Subsidiary, no complaint has been filed, no penalty or fine has been assessed, and no investigation, action, claim, suit or proceeding is pending or, to the knowledge of the Company, threatened by any Person involving the Company or any Company Subsidiary relating to or arising out of any Environmental Law.

(c) No Hazardous Substances are or were located and no disposal or Releases of Hazardous Substances have occurred at, on, above, under or from any properties currently or, to the knowledge of the Company at the time of the cessation of such ownership, lease, operation or use, formerly owned, leased, operated or used by the Company, any Company Subsidiary or any predecessors in interest that, in each case, has resulted in or would reasonably be expected to result in any material cost, liability or obligation of the Company or any Company Subsidiary under any Environmental Law.

(d) Neither the Company nor any Company Subsidiary, nor, to the knowledge of the Company, any other Person, has caused or taken any action that could reasonably be expected to result in any material liability or obligation relating to (i) the environmental conditions at, on, above, under, or about any properties or assets currently or formerly owned, leased, operated or used by the Company or any Company Subsidiary or any of their respective predecessors in interest, or (ii) the past or present use, management, handling, transport, treatment, generation, storage, disposal, Release or threatened Release of Hazardous Substances.

(e) The Company has provided to Parent all material environmental site assessments, audits, investigations and studies in the possession, custody or control of the Company or any Company Subsidiary relating to properties or assets currently or formerly owned, leased, operated or used by the Company or any Company Subsidiary.

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(f) Neither the Company nor any Company Subsidiary has been in businesses other than those related to the provision of telecommunication services that would reasonably be expected to present environmental issues of a materially different scope or magnitude than those presented in the provision of telecommunication services. Without limiting the generality of the foregoing, neither the Company nor any Company Subsidiary has operated or currently operates: (i) any manufacturing facilities; (ii) any facilities that are or have been permitted under the Resource Conservation and Recovery Act; or (iii) any business that manages the hazardous wastes of any unrelated party. The representations contained in this Section 3.23(f) shall not be deemed to be breached unless the operation or ownership of such other business or businesses has resulted in any material cost, liability or obligation of the Company or any Company Subsidiary under any Environmental Law.

Section 3.24 *Insurance Coverage* . The Company and the Company Subsidiaries maintain policies of insurance in such amounts and against such risks as are customary in the industries in which the Company and the Company Subsidiaries operate. Except as would not reasonably be expected to have a Company Material Adverse Effect, all such insurance policies are in full force and effect and will not in any way be affected by, or terminate or lapse by reason of, this Agreement or the consummation of any of the transactions contemplated hereby.

Section 3.25 *Consent Decrees* . Section 3.25 of the Company Disclosure Letter sets forth a list of all material consent decrees to which the Company and the Company Subsidiaries are subject and any material voluntary agreements with any state or federal agency that impose any continuing duties on the Company, including any additional reporting or monitoring requirements.

Section 3.26 *Foreign Corrupt Practices and International Trade Sanctions* . Neither the Company, nor any Company Subsidiaries, nor any of their respective directors, officers, agents, employees or any other Persons acting on their behalf has, in connection with the operation of their respective businesses, (i) used any corporate or other funds for unlawful contributions, payments, gifts or entertainment, or made any unlawful expenditures relating to political activity to government officials, candidates or members of political parties or organizations, or established or maintained any unlawful or unrecorded funds in violation of Section 104 of the Foreign Corrupt Practices Act of 1977, as amended, or any other similar applicable foreign, Federal or state Law, (ii) paid, accepted or received any unlawful contributions, payments, expenditures or gifts, or (iii) violated or operated in noncompliance with any export restrictions, anti-boycott regulations, embargo regulations or other applicable domestic or foreign Laws, in each case, except as is not, individually or in the aggregate, reasonably likely to have a Company Material Adverse Effect.

Section 3.27 *Compliance with Governance Requirements* . The Company is in compliance in all material respects with the permanent injunction entered by the United States District Court for the Southern District of New York against the Company's predecessor company on November 26, 2002 and such court's related June 11, 2003 and December 17, 2003 orders.

Section 3.28 *Opinions of Financial Advisors* . The Company has received opinions from Greenhill, Lazard and JPMorgan, dated as of May 1, 2005, to the effect that, as of the date of such opinions and subject to the procedures followed, and the qualifications and limitations set forth therein, the Merger Consideration (without giving effect to any adjustment pursuant to Section 1.10) and the Special Cash Dividend, taken together, are fair, from a financial point of view to the holders of shares of Company Common Stock.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF PARENT AND MERGER SUB

Except as otherwise disclosed to the Company in a letter (the "*Parent Disclosure Letter*") delivered to it

by Parent and Merger Sub prior to the execution of this Agreement (with specific reference to the representations and warranties in this Article IV to which the information in such letter relates) or as set forth in the Parent SEC

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Documents filed prior to the date hereof or in Parent's Form 10-K for the year ended December 31, 2004 (excluding any disclosures included in any such Parent SEC Document or such Form 10-K that are predictive or forward-looking in nature), Parent and Merger Sub represent and warrant to the Company as follows:

Section 4.1 *Organization* . Each of Parent and Merger Sub is duly organized, validly existing and in good standing under the laws of the State of Delaware. Each of Parent and Merger Sub have all requisite corporate power and authority to own, lease and operate its properties and assets and to carry on its business as currently conducted.

Section 4.2 *Capitalization* .

(a) Parent owns all right, title and interest in and to all the outstanding membership interests of Merger Sub free and clear of any Liens.

(b) As of the date of this Agreement, the authorized capital stock of Parent consists of 4,250,000,000 shares of Parent Common Stock and 250,000,000 shares of preferred stock, par value \$ 0.10 per share (“*Parent Preferred Stock*”). At the close of business on February 11, 2005, (*i*) 2,774,865,381 shares of Parent Common Stock were issued and outstanding, (*ii*) no shares of Parent Preferred Stock were issued and outstanding, (*iii*) 5,623,033 shares of Parent Common Stock were held in treasury by Parent, and (*iv*) 200,000,000 shares of Parent Common Stock were reserved for issuance pursuant to Parent's stock option plans. Except as set forth above, as of February 11, 2005, no shares of capital stock of Parent were issued, reserved for issuance or outstanding. All issued and outstanding shares of Parent Common Stock and Parent Preferred Stock are, and all shares of Parent Common Stock that may be issued pursuant to the exercise of outstanding options will be, when issued in accordance with the terms thereof, duly authorized, validly issued, fully paid and nonassessable and subject to no preemptive or similar rights.

(c) There are no preemptive or similar rights on the part of any holder of any class of securities of the Parent or any of its Significant Subsidiaries. Neither the Parent nor any of its Significant Subsidiaries has outstanding any bonds, debentures, notes or other obligations the holders of which have the right to vote (or which are convertible into or exercisable for securities having the right to vote) with the stockholders of the Parent or any such Significant Subsidiary on any matter submitted to shareholders or a separate class of holders of capital stock. Except as set forth in Section 4.2(c) of the Parent Disclosure Letter, as of the date of this Agreement, there are no options, warrants, calls, rights, convertible or exchangeable securities, “phantom” stock rights, stock appreciation rights, stock-based performance units, commitments, contracts, arrangements or undertakings of any kind to which the Parent or any of the Significant Subsidiaries is a party or by which any of them is bound (*i*) obligating the Parent or any of the Significant Subsidiaries to issue, deliver, sell or transfer or repurchase, redeem or otherwise acquire, or cause to be issued, delivered, sold or transferred or repurchased, redeemed or otherwise acquired, any shares of the capital stock of the Parent or any Significant Subsidiary, any additional shares of capital stock of, or other equity interests in, or any security convertible or exercisable for or exchangeable into any capital stock of, or other equity interest in, the Parent or any Significant Subsidiary, (*ii*) obligating the Parent or any Significant Subsidiary to issue, grant, extend or enter into any such option, warrant, call, right, security, commitment, contract, arrangement or undertaking or (*iii*) that give any Person the right to receive any economic benefit or right similar to or derived from the economic benefits and rights accruing to holders of capital stock of, or other equity interests in, the Parent or any Significant Subsidiary. As of the date of this Agreement, there are no outstanding contractual obligations of the Parent or any of the Significant Subsidiaries to repurchase, redeem or otherwise acquire any shares of capital stock of, or other equity interests in, the Parent or any of the Significant Subsidiaries.

Section 4.3 *Authorization* . Parent and Merger Sub have all requisite corporate and limited liability company power and authority to execute and deliver this Agreement and to perform its obligations

hereunder and, to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement and the consummation of the Merger and the other transactions contemplated hereby have been duly and validly authorized by all necessary actions of Parent and Merger Sub, and no other corporate or limited liability company proceedings on the part of Parent or Merger Sub, as the case may be, are necessary for Parent or Merger Sub to

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authorize this Agreement and to consummate the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by each of Parent and Merger Sub and, assuming due authorization, execution and delivery by the Company, is a legal, valid and binding obligation of each of Parent and Merger Sub, enforceable against each of Parent and Merger Sub in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles.

Section 4.4 *Consents and Approvals; No Violations.*

(a) The execution and delivery of this Agreement by Parent and Merger Sub do not and the consummation by Parent and Merger Sub of the transactions contemplated hereby will not (*i*) conflict with any provision of the certificate of incorporation or by-laws or any other organizational documents of Parent or Merger Sub, (*ii*) violate any Law or Order (assuming compliance with the matters set forth in Section 4.4(b)); (*iii*) result in any violation of or default or loss of a benefit under, or permit the acceleration or termination of any obligation under, any mortgage, indenture, lease, agreement or other instrument, permit, concession, grant, franchise, license or result in the creation or imposition of any Lien upon any properties or assets of the Parent or any Parent Subsidiary; or (*iv*) cause the suspension or revocation of any permit, license, governmental authorization, consent or approval necessary for each of Parent and Merger Sub to conduct its business as currently conducted, except, in the case of clauses (ii) or (iii), for such violations that, in the aggregate, have not had and would not reasonably be expected to result in a Parent Material Adverse Effect and as would not reasonably be expected to materially delay or impair the consummation of the Merger.

(b) No consent, approval, order or authorization of, or declaration, registration or filing with, or notice to any Governmental Entity is required to be made or obtained by Parent or Merger Sub in connection with the execution and delivery of this Agreement by Parent and Merger Sub or the consummation by Parent or Merger Sub of the transactions contemplated hereby, except for (*i*) compliance by Parent and Merger Sub with the HSR Act and such foreign antitrust and competition law requirements set forth in Section 4.4(b)(i) of the Parent Disclosure Letter, (*ii*) the filing of the Certificate of Merger with the Secretary of State of the State of Delaware in accordance with the DGCL, (*iii*) the filing with the SEC of (*A*) the Proxy Statement and Prospectus in accordance with Regulation 14A promulgated under the Exchange Act, (*B*) the registration statement on Form S-4 promulgated under the Securities Act and (*C*) such reports under and such other compliance with the Exchange Act and the Securities Act and the rules and regulations thereunder as may be required in connection with this Agreement and the transactions contemplated hereby, (*iv*) the reports, filings, registrations, consents, approvals, permits, authorizations and/or notices with or to the FCC, (*v*) the reports, filings, registrations, consents, approvals, permits, authorizations and/or notices with or to the State Commissions set forth in Section 4.4(b)(v) of the Parent Disclosure Letter; and (*vi*) the reports, filings, registrations, consents, approvals, permits, authorizations and/or notices with or to those foreign Governmental Entities regulating competition and telecommunications businesses or the use of radio spectrum or regulating or limiting investment set forth in Section 4.4(b)(vi) of the Parent Disclosure Letter.

Section 4.5 *SEC Reports; Financial Statements.*

(a) Parent has filed or furnished, as applicable, all reports, schedules, forms, statements and other documents required to be filed or furnished with or by it to the SEC since December 31, 2003 (the “ *Parent SEC Documents* ”). As of its respective date, each of the Parent SEC Documents, complied when filed or furnished and as amended in all material respects with the requirements of the Exchange Act or the Securities Act and the rules and regulations of the SEC promulgated thereunder applicable to such Parent SEC Documents, and did not, and any Parent SEC Documents filed with the SEC subsequent to the date hereof will not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

(b) The consolidated financial statements of Parent and its consolidated Subsidiaries included in the Parent SEC Documents have been derived from the accounting books and records of Parent and its consolidated Subsidiaries and have been prepared in accordance with GAAP applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto). The consolidated balance sheets included in such

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consolidated financial statements present fairly in all material respects the consolidated financial position of Parent and its consolidated Subsidiaries as at the respective dates thereof and the consolidated statements of income and consolidated statements of cash flows included in such consolidated financial statements present fairly in all material respects the results of operations and cash flows of Parent and its consolidated Subsidiaries for the respective periods indicated.

Section 4.6 *Absence of Undisclosed Liabilities* . Parent and its Subsidiaries do not have any liabilities or obligations, known or unknown, contingent or otherwise, except (a) liabilities and obligations in the respective amounts reflected on or reserved against in the consolidated balance sheet of the Parent and its Subsidiaries included in the Parent Financial Statements (or readily apparent in the notes thereto), (b) liabilities and obligations incurred in the ordinary course of business, consistent with past practice, since the date of such balance sheet, and (c) liabilities and obligations that would not, individually or in the aggregate, reasonably be expected to have a Parent Material Adverse Effect.

Section 4.7 *Form S-4; Proxy Statement/Prospectus* . None of the information supplied or to be supplied by Parent or Merger Sub for inclusion or incorporation by reference in the Proxy Statement/Prospectus, at the date such Proxy Statement is first mailed to stockholders of the Company, and at the time of the Company Stockholders Meeting, will contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading. None of the information contained or incorporated by reference in the Form S-4, at the time the Form S-4 is filed with the SEC, at any time it is amended or supplemented and at the time the Form S-4 becomes effective under the Securities Act, will contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading, except that no representation is made by Parent or Merger Sub with respect to statements made in the Form S-4 based on information supplied by the Company in writing for inclusion in the Form S-4. The Form S-4 will comply as to form in all material respects with all Laws.

Section 4.8 *Absence of Certain Changes* . Except for liabilities incurred in connection with this Agreement or the transactions contemplated hereby and except as set forth in Schedule 4.8 of the Parent Disclosure Letter, for the period beginning September 30, 2004 until the date hereof, the Parent and its Subsidiaries have conducted their respective businesses only in the ordinary course consistent with past practice. Except as disclosed in the Parent SEC Documents filed prior to the date of this Agreement, since December 31, 2003, there have not been any changes, circumstances or events that, individually and in the aggregate, have had or would reasonably be expected to result in a Parent Material Adverse Effect.

Section 4.9 *Litigation* . Except as set forth in Section 4.9 of the Parent Disclosure Letter, there is no suit, action, proceeding, claim, review or investigation (whether at law or in equity, before or by any Governmental Entity or before any arbitrator) pending, affecting or, to the knowledge of the Parent, threatened against the Parent or any of its Subsidiaries, or their respective properties or rights that, individually and in the aggregate for any such matters premised on common legal theories and similar facts, would reasonably be expected to result in a Parent Material Adverse Effect. Except as set forth in Section 4.9 of the Parent Disclosure Letter, there is no Order of any Governmental Entity or arbitrator outstanding against Parent or any of its Subsidiaries which would, individually or in the aggregate, reasonably be expected to result in a Parent Material Adverse Effect.

Section 4.10 *Compliance with Laws* . Each of the Parent and its Subsidiaries is, and since December 31, 2003, has been in compliance with all applicable Laws and, to the knowledge of the Parent, is not under investigation with respect to, and has not been threatened to be charged with or given notice of, any violation of any Law, in each case except for such failures to be in compliance, such investigations or such violations as would not, individually or in the aggregate, reasonably be expected to result in a Parent Material Adverse Effect.

Section 4.11 *Brokers* . No Person other than Bear, Stearns & Co. Inc. (the “ *Parent Financial Advisor* ”) is entitled to any brokerage, financial advisory, finder’s or similar fee or commission payable by Parent or Merger Sub in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Parent or Merger Sub.

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ARTICLE V

COVENANTS RELATING TO CONDUCT OF BUSINESS

Section 5.1 *Covenants of the Company* . From the date of this Agreement until the Effective Time, unless Parent shall otherwise consent in writing or except as set forth in Section 5.1 of the Company Disclosure Letter or as otherwise expressly provided for in this Agreement, the Company shall, and shall cause each of the Company Subsidiaries to, conduct its business in a commercially reasonable manner consistent with industry practice, and shall use its commercially reasonable efforts to preserve intact its business organization and goodwill and relationships with customers, suppliers and others having business dealings with it, to keep available the services of its current officers and key employees and to maintain its current rights and franchises, in each case, consistent with industry practice. In addition to and without limiting the generality of the foregoing, except as expressly set forth in Section 5.1 of the Company Disclosure Letter or as otherwise expressly provided for in this Agreement or as required by applicable Law, from the date hereof until the Effective Time, without the prior written consent of Parent, the Company shall not, and shall not permit any Company Subsidiary to:

- (a) adopt or propose any change in the Company's certificate of incorporation or by-laws;
- (b) (*i*) declare, set aside, make or pay any dividend or other distribution (whether in cash, stock or property) in respect of any of its capital stock, other than (*x*) pursuant to Section 6.16 of this Agreement, (*y*) regular quarterly cash dividends consistent with past practice (which in no event shall exceed \$1,947,000,000 in the aggregate since February 1, 2005) which are paid prior to the Special Cash Dividend or (*z*) dividends or distributions by wholly owned Company Subsidiaries, (*ii*) split, combine or reclassify any of its capital stock or issue or propose or authorize the issuance of any other securities (including options, warrants or any similar security exercisable for, or convertible into, such other security) in respect of, in lieu of, or in substitution for, shares of its capital stock, (*iii*) repurchase, redeem or otherwise acquire any shares of the capital stock of the Company or any Company Subsidiary, or any other equity interests or any rights, warrants or options to acquire any such shares or interests, other than pursuant to the Company Stock Plans and the redemption of Company Rights;
- (c) issue, sell, grant, pledge or otherwise encumber any shares of its capital stock or other securities (including any options, warrants or any similar security exercisable for or convertible into such capital stock or similar security) (other than (*i*) issuances of Company Common Stock (and the associated Company Rights) in connection with the ESPP, Company Restricted Shares or Other Equity-Based Awards, in each case, in accordance with their terms (*it being understood* that grants of Company Restricted Shares and Other Equity-Based Awards after the date hereof shall be in accordance with Schedule 5.1(g) of the Disclosure Letter), (*ii*) issuances by a wholly owned Company Subsidiary of capital stock to such Company Subsidiary's parent or another wholly owned Company Subsidiary, (*iii*) issuances in accordance with the Rights Agreement; and (*iv*) issuances pursuant to the Chapter 11 Plan;
- (d) merge or consolidate with any Person (other than the Company or a wholly owned Company Subsidiary) or acquire a material amount of the assets or equity of any other Person (other than the Company or a Company Subsidiary), other than (*i*) acquisitions disclosed on the Section 5.1(d) of the Company Disclosure Letter and (*ii*) acquisitions the fair market value of the total consideration (including the value of indebtedness acquired or assumed) for which does not exceed \$50,000,000 for any individual acquisition, or \$100,000,000 in the aggregate;
- (e) sell, lease, license, subject to a Lien, other than a Permitted Lien, encumber or otherwise surrender, relinquish or dispose of any assets, property or rights (including capital stock of a Company Subsidiary) except (*i*) pursuant to existing written contracts or commitments (the terms of which have been disclosed in writing to Parent prior to the date hereof), (*ii*) sales of network capacity in the ordinary course

consistent with past practice, (*iii*) sales of assets listed on Schedule 9.12 or (*iv*) in an amount not in excess of \$50,000,000 in the aggregate;

(f) (*i*) make any loans, advances or capital contributions to, or investments in, any other Person other than (*x*) by the Company or any Company Subsidiary to or in the Company or any Company Subsidiary or (*y*) pursuant to any contract or other legal obligation existing at the date of this Agreement set forth on Section 5.1(f)

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of the Company Disclosure Letter, (*ii*) create, incur, guarantee or assume any Indebtedness, issuances of debt securities, guarantees, loans or advances not in existence as of the date of this Agreement, except Indebtedness incurred in the ordinary course of business not to exceed \$25,000,000 in the aggregate, Indebtedness in replacement of existing Indebtedness on customary commercial terms, and guarantees by the Company of Indebtedness of wholly owned Subsidiaries of the Company or guarantees by Subsidiaries of Indebtedness of the Company, or (*iii*) other than in the ordinary course of business consistent with past practice or as set forth in the Company's capital budget, a copy of which was delivered to Parent prior to the date hereof, make or commit to make any capital expenditure;

(g) amend or otherwise modify benefits under any Company Benefit Plan, accelerate the payment or vesting of benefits or amounts payable or to become payable under any Company Benefit Plan as currently in effect on the date hereof, fail to make any required contribution to any Company Benefit Plan, merge or transfer any Company Benefit Plan or the assets or liabilities of any Company Benefit Plan, change the sponsor of any Company Benefit Plan, or terminate or establish any Company Benefit Plan, except (*i*) as reasonably appropriate to reflect changes in applicable Law or generally accepted accounting principles, (*ii*) in the ordinary course of business, consistent with existing policies and practices, or (*iii*) as identified on Schedule 5.1(g) of the Disclosure Letter;

(h) grant any increase in the compensation or benefits of directors, officers, employees or consultants of the Company or any Company Subsidiary, *provided, however*, that the Company or any of its Subsidiaries may grant increases in base salaries in the ordinary course of business consistent with existing policies and practices (including pursuant to the Company's "focal point review" and the Company's salary administration program outlined on Schedule 5.1(g) of the Disclosure Letter), so long as such increases, in the aggregate, do not exceed 4% in any calendar year;

(i) enter into or amend or modify any severance, consulting, retention or employment agreement, plan, program or arrangement, (*i*) other than in the ordinary course of business, consistent with existing policies and practices or (*ii*) except as identified on Schedule 5.1(i) of the Disclosure Letter;

(j) hire or terminate the employment or contractual relationship of any officer, employee or consultant of the Company or any Company Subsidiary, as the case may be, other than hirings or terminations (*i*) in the ordinary course, consistent with existing policies and practices, (*ii*) identified on Schedule 5.1(i) of the Disclosure Letter or (*iii*) that, individually and in the aggregate, would not result in (*x*) in the case of hirings, a material increase in the number of persons providing services to the Company and its Subsidiaries in all such capacities, (*y*) in the case of hirings, a material increase in the aggregate payroll and other benefits costs to the Company or such Company Subsidiary (such increase to be determined, in the case of a hiring to replace an employee or other service provider in a pre-existing position based solely on the costs in excess of the costs associated with the replaced service provider), and (*z*) in the case of terminations, material liability to the Company or any of its Subsidiaries in excess of the costs savings, if any, directly derived from such terminations;

(k) settle or compromise any action, suit, claim, litigation, proceeding, arbitration, investigation, audit or controversy (each, a "*Proceeding*") or enter into any consent, decree, injunction or similar restraint or form of equitable relief in settlement of any material Proceeding other than (*i*) such settlements and compromises that (*A*) relate to Taxes (which are the subject of Section 5.1(l)), (*B*) relate to Bankruptcy Claims (which are the subject of Section 6.18), (*C*) are in the ordinary course consistent with past practice or (*D*) do not require payments by the Company in excess of \$10,000,000 and (*ii*) such consents, decrees, injunctions or similar restraints or forms of equitable relief that, individually or in the aggregate, are not material to the Company and the Company Subsidiaries, taken as a whole;

(l) (*i*) make or rescind any material election relating to Taxes, (*ii*) settle or compromise any Proceeding relating to Taxes (other than Taxes that relate to Bankruptcy Claims (which are the subject of Section

6.18)), (*iii*) make a request for a written ruling of a Taxing Authority relating to Taxes, other than any request for a determination concerning qualified status of any Company Benefit Plan intended to be qualified under Code Section 401(a), (*iv*) enter into a written and legally binding agreement with a Taxing Authority relating to material Taxes, or (*v*) except as required by Law, change any of its methods of reporting income or deductions

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for federal income tax purposes from those employed in the preparation of its federal income tax returns for the taxable year ending December 31, 2003;

(m) other than in the ordinary course of business consistent with past practice or the indenture amendments disclosed in Section 3.7 of the Company Disclosure Letter, (*i*) modify or amend in any material respect or terminate any Company Contract, (*ii*) enter into any successor agreement to an expiring Company Contract that changes the terms of the expiring Company Contract in a way that is materially adverse to the Company or any Company Subsidiary, or (*iii*) enter into any new agreement that would have been considered a Company Contract if it were entered into at or prior to the date hereof;

(n) enter into or renew or extend any agreements or arrangements that limit or otherwise restrict the Company or any of the Company Subsidiaries or any of their respective Affiliates or any successor thereto, or that could, after the Effective Time, limit or restrict Parent or any of its Affiliates (including the Surviving Entity) or any successor thereto, from engaging or competing in any line of business or in any geographic area, which agreements or arrangements, individually or in the aggregate, would reasonably be expected to have a Parent Material Adverse Effect, after giving effect to the Merger;

(o) change any method of accounting or accounting principles or practices by the Company or any Company Subsidiary, except for any such change required by a change in GAAP or by a Governmental Entity;

(p) terminate or cancel, or amend or modify in any material respect, any material insurance policies maintained by it covering the Company or the Company Subsidiaries or their respective properties which is not replaced by a comparable amount of insurance coverage;

(q) adopt or implement a plan of complete or partial liquidation, dissolution, restructuring, recapitalization or other reorganization of the Company or any of the Company Subsidiaries organized in jurisdictions other than the United States or any political subdivision thereof;

(r) take any actions or omit to take any actions that would or would be reasonably likely to (*i*) result in any of the conditions to the consummation of the Merger set forth in Article VII not being satisfied or (*ii*) materially impair the ability of the Company, Parent or Merger Sub to consummate the Merger in accordance with the terms hereof or materially delay such consummation; or

(s) agree or commit to do any of the foregoing.

Section 5.2 *Covenants of Parent* . From the date of this Agreement until the Effective Time, unless the Company shall otherwise consent in writing, or except as set forth in Section 5.2 of the Parent Disclosure Letter or as otherwise expressly provided for in this Agreement, Parent shall, and shall cause each of its Subsidiaries to, conduct its business in the ordinary course, consistent with past practice, and shall use all commercially reasonable efforts to preserve intact its business organization and goodwill and relationships with customers, suppliers and others having business dealings with it and maintain its current rights and franchises, subject to the terms of this Agreement. In addition to and without limiting the generality of the foregoing, except as expressly set forth in Section 5.2 of the Parent Disclosure Letter or as otherwise expressly provided for in this Agreement, from the date hereof until the Effective Time, without the prior written consent of the Company, Parent shall not, and shall not permit any Subsidiary of Parent to:

(a) adopt or propose any change in its certificate of incorporation or by-laws or other comparable organizational documents in a manner that would adversely affect the economic benefits of the Merger to the Company's stockholders;

(b) declare, set aside, make or pay any dividend or other distribution (whether in cash, stock or property) in

respect of any of its capital stock, except for dividends or distributions by wholly owned Subsidiaries of Parent for the declaration and payment of regular quarterly cash dividends or for any distribution of stock or property for which adjustment is made pursuant to Section 1.12;

(c) take or omit to take any action, including engaging in an acquisition of a business, that would be reasonably likely to prevent the consummation of the Merger by the Outside Date; or

(d) agree or commit to do any of the foregoing.

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Section 5.3 *Certain Actions* . If, in conformity with Section 5.2(c), Parent or any Subsidiary of Parent takes any action that is reasonably likely to materially delay the consummation of the Merger, including engaging in an acquisition of a business which is reasonably likely to result in its being materially more difficult to obtain any approval or authorization required in connection with the Merger under Laws, Parent or such Subsidiary shall, or shall authorize the Company or its Subsidiaries to, take all necessary Specified Efforts to consummate the Merger, notwithstanding anything to the contrary in Section 6.4(e). If such action results in a delay of the consummation of the Merger, then, during the period after which the Merger would otherwise have been consummated, Parent shall not be entitled to invoke the condition set forth in Section 7.2(f) or the condition set forth in Section 7.2(a), except to the extent the failure of such conditions to be satisfied is caused by a breach of a representation or warranty caused by the Company during such period.

ARTICLE VI

ADDITIONAL AGREEMENTS

Section 6.1 *Preparation of Proxy Statement.*

(a) As promptly as reasonably practicable following the date hereof, Parent and the Company shall prepare and file with the SEC mutually acceptable proxy materials that shall constitute the Proxy Statement/Prospectus (such proxy statement/prospectus, and any amendments or supplements thereto, the “*Proxy Statement/Prospectus*”) and Parent shall prepare and file the Form S-4. The Proxy Statement/Prospectus will be included in and will constitute a part of the Form S-4 as Parent’s prospectus. The Form S-4 and the Proxy Statement/Prospectus shall comply as to form in all material respects with the applicable provisions of the Securities Act and the Exchange Act and the rules and regulations thereunder.

(b) Each of Parent and the Company shall use commercially reasonable efforts to have the Form S-4 declared effective by the SEC as promptly as practicable after the date hereof and to keep the Form S-4 effective as long as is necessary to consummate the Merger and the transactions contemplated thereby.

(c) Parent and the Company shall, as promptly as practicable after receipt thereof, provide the other party copies of any written comments and advise the other party of any oral comments, with respect to the Proxy Statement/Prospectus received from the SEC. Parent shall provide the Company with a reasonable opportunity to review and comment on any amendment or supplement to the Form S-4 and any communications prior to filing such with the SEC, and will promptly provide the Company with a copy of all such filings and communications made with the SEC.

(d) The Company will use commercially reasonable efforts to cause the Proxy Statement/Prospectus to be mailed to the Company’s stockholders as soon as reasonably practicable after the Form S-4 is declared effective under the Securities Act. Parent shall take any action (other than qualifying to do business in any jurisdiction in which it is not now so qualified or to file a general consent to service of process) required to be taken under any applicable state securities laws in connection with the Share Issuance and the Company shall furnish all information concerning the Company and the holders of Company Common Stock as may be reasonably requested in connection with any such action. Each party will advise the other party, promptly after it receives notice thereof, of the time when the Form S-4 has become effective, the issuance of any stop order, the suspension of the qualification of the Parent Common Stock issuable in connection with the Merger for offering or sale in any jurisdiction, or any request by the SEC for amendment of the Proxy Statement/Prospectus or the Form S-4.

(e) If at any time prior to the Effective Time any information relating to Parent or the Company, or any of their respective Affiliates, officers or directors, should be discovered by Parent or the Company which should be set forth in an amendment or supplement to any of the Form S-4 or the Proxy

Statement/Prospectus so that any of such documents would not include any misstatement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the party that discovers such information shall promptly notify the other party hereto and, to the

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extent required by law, rules or regulations, an appropriate amendment or supplement describing such information shall be promptly filed with the SEC and disseminated to the stockholders of the Company.

Section 6.2 *Stockholders Meeting; Company Recommendation* . The Company shall duly take all lawful and commercially reasonable action to call, give notice of, convene and hold a meeting of its stockholders on a date as soon as reasonably practicable after the S-4 Registration Statement is declared effective (the “*Company Stockholders Meeting*”) for the purpose of obtaining the Company Stockholder Approval with respect to the adoption of this Agreement and shall take all lawful and commercially reasonable action to solicit the adoption of this Agreement by the Company Stockholder Approval; and the Board of Directors of the Company shall recommend adoption of this Agreement by the stockholders of the Company to the effect as set forth in Section 3.4(b) (the “*Company Recommendation*”), and shall not withdraw, modify or qualify (a “*Change*”) in any manner adverse to Parent such recommendation or make any statement in connection with the Company Stockholders Meeting inconsistent with such recommendation including, without limitation, approving or recommending a third party Takeover Proposal with respect to the Company or failing to recommend the adoption of this Agreement (collectively, a “*Change in the Company Recommendation*”); *provided* that the Board of Directors of the Company may make a Change in the Company Recommendation pursuant to Section 6.5(c).

Section 6.3 *Access to Information; Confidentiality* . Upon reasonable notice, the Company shall, and shall cause the Company Subsidiaries to, afford to the officers, directors, employees, accountants, counsel, financial advisors, consultants, financing sources and other advisors or representatives (collectively, “*Representatives*”) of Parent access during normal business hours to all of the Company’s and its Subsidiaries’ properties, books, records, contracts, commitments and personnel and shall furnish, and shall cause to be furnished, as promptly as practicable to Parent (*a*) a copy of each report, schedule and other document filed, furnished, published, announced or received by it during such period pursuant to the requirements of federal or state securities laws or a Governmental Entity, and (*b*) all other information as Parent may reasonably request; *provided* that the Company may restrict the foregoing access to the extent required by applicable Law and *provided, further* , that the foregoing shall not require the Company to permit any inspection, or to disclose any information, that in the reasonable judgment of the Company would result in the disclosure of any trade secrets of third parties or violate any of its obligations with respect to confidentiality if the Company shall have used reasonable best efforts to obtain the consent of such third party to such inspection or disclosure. In addition, the Company shall use best efforts to furnish, within twelve weeks of the date hereof, to Parent the items listed on Section 6.3 of the Company Disclosure Letter. The Company shall (*i*) keep Parent reasonably informed from time to time as to status and developments regarding any audit, investigation, claim, suit or other proceeding with respect to Taxes and (*ii*) provide to Parent, when available and prior to filing, drafts of any U.S. federal, U.K., French and German income Tax Returns relating to the Company or any Company Subsidiary. All information furnished pursuant to this Section 6.3 shall be subject to the confidentiality agreement, dated as of September 10, 2004, between the Company and Parent (the “*Confidentiality Agreement*”). No investigation pursuant to this Section 6.3 shall affect the representations, warranties or conditions to the obligations of the parties contained herein.

Section 6.4 *Commercially Reasonable Efforts*.

(a) Subject to the terms and conditions of this Agreement, each of the Company and Parent will use its commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable under this Agreement and applicable Laws and regulations to consummate the Merger and the other transactions contemplated by this Agreement in the most expeditious manner practicable after the date of this Agreement, including (*i*) preparing and filing as promptly as practicable all documentation to effect all necessary applications, notices, petitions, filings and other documents and to obtain as promptly as practicable all consents, clearances, waivers, licenses, orders, registrations, approvals, permits and authorizations necessary or advisable to be obtained from any third

party and/or any Governmental Entity in order to consummate the Merger or any of the other transactions contemplated by this Agreement and (*ii*) taking all reasonable steps as may be necessary to obtain all such material consents, clearances, waivers, licenses, registrations, permits, authorizations, orders and approvals. In furtherance and not in limitation of the foregoing,

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each of the Company and Parent agrees to make an appropriate filing of a Notification and Report Form pursuant to the HSR Act and any other Regulatory Law (as defined below) with respect to the transactions contemplated hereby as promptly as practicable after the date of this Agreement and to supply as promptly as practicable any additional information and documentary material that may be requested pursuant to the HSR Act and any other Regulatory Law and use commercially reasonable efforts to cause the expiration or termination of the applicable waiting periods under the HSR Act in the most expeditious manner practicable.

(b) To the extent permissible under applicable Law or any rule, regulation or restriction of a Governmental Entity, each of the Company and Parent shall, in connection with the efforts referenced above to obtain all requisite material approvals, clearances and authorizations for the transactions contemplated by this Agreement under the HSR Act or any other Regulatory Law, use its commercially reasonable efforts to (i) cooperate in all respects with each other in connection with any filing or submission and in connection with any investigation or other inquiry, including any proceeding initiated by a private party, (ii) promptly inform the other party of any communication received by such party from, or given by such party to, the Antitrust Division of the Department of Justice (the “ *DOJ* ”), the Federal Trade Commission (the “ *FTC* ”) or any other Governmental Entity and of any material communication received or given in connection with any proceeding by a private party, in each case regarding any of the transactions contemplated hereby, (iii) permit the other party, or the other party’s legal counsel, to review any communication given by it to, and consult with each other in advance of any meeting or conference with, the DOJ, the FTC or any such other Governmental Entity or, in connection with any proceeding by a private party, with any other Person and (iv) to the extent permitted by such Governmental Entity or other Person, give the other party the opportunity to attend and participate in such meetings and conferences. For purposes of this Agreement, “ *Regulatory Law* ” means the Communications Act of 1934, as amended, and the rules and regulations thereunder, the laws, rules, regulations and orders of the state public service or public utility commissions, or similar state regulatory bodies regulating telecommunications businesses or the use of radio spectrum, Sherman Act, as amended, the Clayton Act, as amended, the HSR Act, as amended, the Federal Trade Commission Act, as amended, and all other Federal, state and foreign, if any, statutes, rules, regulations, orders, decrees, administrative and judicial doctrines and other Laws that are designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade or lessening of competition.

(c) To the extent permissible under applicable Law or any rule, regulation or restriction of a Governmental Entity, each of the Company and Parent shall, in connection with the efforts referenced above, obtain all requisite material approvals, clearances and authorizations for the transactions contemplated by this Agreement and will use its commercially reasonable efforts to (i) cooperate in all respects with each other in connection with any filing or submission and in connection with any investigation or other inquiry and (ii) promptly inform the other party of any communication received by such party from, or given by such party to, the Governmental Entities regulating competition and telecommunications businesses or the use of radio spectrum or regulating or limiting investment and State agencies or departments or local governments that have issued competitive access provider or other telecommunications franchises or any other similar authorizations.

(d) If any objections are asserted with respect to the transactions contemplated hereby under any Regulatory Law or if any suit is instituted by any Governmental Entity or any private party challenging any of the transactions contemplated hereby as violative of any Regulatory Law, each of the Company and the Parent shall use its commercially reasonable efforts (which for these purposes shall include taking Specified Efforts (as defined below)) to resolve any such objections or challenge as such Governmental Entity or private party may have to such transactions under such Regulatory Law so as to permit consummation of the transactions contemplated by this Agreement.

(e) If necessary to obtain any consents, approvals, permits or authorizations or to remove any impediments

to the Merger or the transactions contemplated hereby relating to any Regulatory Law or to avoid the entry of, or to effect the dissolution of, any injunction, temporary restraining order or other order in any suit or proceeding relating to Regulatory Law, each of Parent and the Company shall cooperate with each other and take such lawful steps as shall be necessary or appropriate to secure such end (“*Specified Efforts*”); *provided* that neither Parent nor the Company shall be required to take any Specified Efforts to the extent that such Specified Efforts, individually or in the aggregate, would reasonably be expected to have a Specified Material Adverse Effect.

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“ *Specified Material Adverse Effect* ” means a Company Material Adverse Effect or a Parent Material Adverse Effect following the Effective Time (*provided, however*, that for purposes of determining whether any adverse effect upon Parent constitutes a Parent Material Adverse Effect for purposes of this definition of Specified Material Adverse Effect, Parent and its Subsidiaries, taken as a whole, shall be deemed to be a consolidated group of entities of the size and scale of the Company and its Subsidiaries, taken as a whole).

Section 6.5 *No Solicitation* .

(a) The Company shall not, nor shall it authorize or permit any of the Company Subsidiaries to, and the Company shall use its commercially reasonable efforts to cause its and its Subsidiaries’ respective Representatives not to, directly or indirectly (*i*) initiate or solicit or knowingly facilitate or encourage any inquiry or the making of any proposal that constitutes a Takeover Proposal (as defined in Section 6.5(e)), (*ii*) enter into any letter of intent, memorandum of understanding, merger agreement or other agreement, arrangement or understanding relating to any Takeover Proposal, or (*iii*) continue or otherwise 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 (*A*) constitutes any Takeover Proposal or (*B*) requires the Company to abandon, terminate or fail to consummate the Merger or any other transactions contemplated by this Agreement. Notwithstanding the foregoing, prior to the receipt of the Company Stockholder Approval, the Company may, in response to a *bona fide* written Takeover Proposal that was unsolicited and did not otherwise result from a breach of this Section 6.5(a), and subject to compliance with Section 6.5(c):

(x) furnish information with respect to the Company and the Company Subsidiaries to the Person making such Takeover Proposal and its Representatives pursuant to and in accordance with a confidentiality agreement containing terms and conditions no less restrictive than those contained in the Confidentiality Agreement, *provided* that such confidentiality agreement shall not be required to contain standstill provisions and shall not contain any provisions that would prevent the Company from complying with its obligation to provide the required disclosure to Parent pursuant to Section 6.5(b), and *provided further* that all such information provided to such Person has previously been provided to Parent or is provided to Parent prior to or concurrently with the time it is provided to such Person; and

(y) participate in discussions or negotiations with such Person or its Representatives regarding such Takeover Proposal;

provided, in each case, that the Board of Directors of the Company determines in good faith after consultation with its outside legal counsel and a financial advisor of nationally recognized reputation, that (*i*) the failure to furnish such information or participate in such discussions or negotiations could be reasonably expected to result in a breach of its fiduciary duties to the stockholders of the Company under applicable Law and (*ii*) such Takeover Proposal could reasonably be expected to lead to a Superior Proposal (as defined in Section 6.5(e)). The Company shall (*A*) immediately cease and cause to be terminated any existing activities, discussions or negotiations with any Persons or their Representatives conducted prior to the date of this Agreement with respect to any Takeover Proposal and will request the prompt return of any confidential information previously furnished to such Persons in connection therewith, and (*B*) use its commercially reasonable efforts promptly to inform its Representatives of the obligations undertaken in this Section 6.5. Without limiting the foregoing, any violation of the restrictions set forth in this Section 6.5 by any Representative of the Company or any of its Subsidiaries shall be deemed to be a breach of this Section 6.5 by the Company.

(b) As promptly as practicable after the receipt by the Company of any Takeover Proposal or any inquiry with respect to, or that could reasonably be expected to lead to, any Takeover Proposal, and in any case within 24 hours after the receipt thereof, the Company shall provide oral and written notice to Parent of (*i*)

such Takeover Proposal or inquiry, (*ii*) the identity of the Person making any such Takeover Proposal or inquiry, and (*iii*) the material terms and conditions of any such Takeover Proposal or inquiry (including any amendments or modifications thereto). The Company shall keep Parent fully informed on a current basis of the status of any such Takeover Proposal, including, without limitation, any changes to the terms and conditions thereof, and promptly provide Parent with copies of all Takeover Proposals (and modifications thereof) and related agreements, draft agreements and modifications thereof.

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(c) Neither the Board of Directors of the Company nor any committee thereof shall, directly or indirectly, (*i*) effect a Change in the Company Recommendation or (*ii*) approve any letter of intent, memorandum of understanding, merger agreement or other agreement, arrangement or understanding relating to any Takeover Proposal. Notwithstanding the foregoing, at any time prior to the Company Stockholder Approval, the Board of Directors of the Company may, in response to a Superior Proposal or an Intervening Event, effect a Change in the Company Recommendation, *provided* that the Board of Directors of the Company determines in good faith, after consultation with its outside legal counsel and a financial advisor of nationally recognized reputation, that the failure to do so would be reasonably expected to result in a breach of its fiduciary duties to the stockholders of the Company under applicable Law, and *provided, further*, that the Board of Directors of the Company may not effect such a Change in the Company Recommendation unless (*i*) the Board of Directors shall have first provided prior written notice to Parent that it is prepared to effect a Change in the Company Recommendation in response to a Superior Proposal or an Intervening Event, which notice shall, in the case of a Superior Proposal, attach the most current version of any written agreement relating to the transaction that constitutes such Superior Proposal, and, in the case of an Intervening Event, attach information describing such Intervening Event in reasonable detail, and (*ii*) Parent does not make, within five Business Days after the receipt of such notice (or, in the event of a Takeover Proposal that has been materially revised or modified, within three Business Days of such modification, if later), a proposal that the Board of Directors determines in good faith, after consultation with a financial advisor of nationally recognized reputation, is at least as favorable to the stockholders of the Company as such Superior Proposal or obviates the need for a Change in the Company Recommendation as a result of an Intervening Event, as the case may be. The Company agrees that, during the five Business Day period prior to its effecting a Change in the Company Recommendation, the Company and its Representatives shall negotiate in good faith with Parent and its Representatives regarding any revisions to the terms of the transaction contemplated by this Agreement proposed by Parent. Notwithstanding any Change in the Company Recommendation, Parent shall have the option, exercisable within five Business Days after such Change in the Company Recommendation, to cause the Board of Directors to submit this Agreement to the stockholders of the Company for the purpose of adopting this Agreement and approving the Merger. If Parent exercises such option, Parent shall not be entitled to terminate this Agreement pursuant to Section 8.1(c)(iii). If Parent fails to exercise such option, the Company may terminate this Agreement pursuant to and in accordance with Section 8.1(d)(ii).

(d) Nothing contained in this Section 6.5 shall prohibit the Company from complying with Rule 14d-9 and Rule 14e-2 promulgated under the Exchange Act in respect of any Takeover Proposal or making any disclosure to the stockholders of the Company if the Board of Directors determines in good faith, after consultation with its outside counsel, that the failure to make such disclosure could be reasonably expected to result in a breach of its fiduciary duties to the stockholders of the Company under applicable Law, *provided, however* that neither the Board of Directors of the Company nor any committee thereof shall, except as expressly permitted by Section 6.5(c), effect a Change in Company Recommendation or approve or recommend, or publicly propose to approve or recommend, a Takeover Proposal.

(e) For purposes of this Agreement:

“ *Intervening Event* ” shall mean an event, unknown to the Board of Directors of the Company as of the date hereof, which becomes known prior to the Company Stockholder Approval and which causes the Board of Directors to conclude in good faith, after consultation with its outside legal counsel and a financial advisor of nationally recognized reputation, that its failure to effect a Change in the Company Recommendation would be reasonably likely to result in a breach of its fiduciary duties to the stockholders of the Company under applicable Law.

“ *Takeover Proposal* ” means any proposal or offer in respect of (*i*) a merger, consolidation, business combination, share exchange, reorganization, recapitalization, liquidation, dissolution, or similar transaction involving (*x*) the Company or (*y*) any of the Company Subsidiaries which represent,

individually or in the aggregate, 15% or more of the Company's consolidated assets (any of the foregoing, a "*Business Combination Transaction*") with any Person other than Parent, Merger Sub or any Affiliate thereof (a "*Third Party*") in which such Third Party or the shareholders of the Third Party immediately prior to consummation of such Business Combination Transaction will own more than 15% of the Company's outstanding capital stock immediately

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following such Business Combination Transaction, including the issuance by the Company of more than 15% of any class of its voting equity securities as consideration for assets or securities of a Third Party, or (*ii*) any direct or indirect acquisition, whether by tender or exchange offer or otherwise, by any Third Party of 15% or more of any class of capital stock of the Company or of 15% or more of the consolidated assets of the Company and the Company Subsidiaries, in a single transaction or a series of related transactions.

“ *Superior Proposal* ” means any *bona fide* written proposal or offer made by a Third Party in respect of a Business Combination Transaction involving, or any transaction involving the purchase or acquisition of, (*i*) all or substantially all of the voting power of the Company’s capital stock or (*ii*) all or substantially all of the consolidated assets of the Company and the Company Subsidiaries, which transaction the Board of Directors determines in good faith, after consultation with its outside counsel and a financial advisor of nationally recognized reputation, (*x*) would be, if consummated, more favorable to the stockholders of the Company than the Merger and the Special Cash Dividend, taking into account all of the terms and conditions of such proposal and of this Agreement (including any proposal by Parent to amend the terms of this Agreement) as well as any other factors deemed relevant by the Board of Directors, and (*y*) is reasonably capable of being consummated on the terms so proposed, taking into account all financial, regulatory, legal and other aspects of such proposal.

Section 6.6 *Employee Matters.*

(a) Until the first anniversary of the Effective Time (the “ *Benefits Continuation Period* ”), the Surviving Entity shall pay or cause to be paid to each employee of the Company and the Company Subsidiaries who continues as an employee of the Company, the Company Subsidiaries or the Surviving Entity during the Benefits Continuation Period (the “ *Continuing Employees* ”) a base salary at a rate not less than the rate of such base salary in effect at the Effective Time. During the Benefits Continuation Period, the Surviving Entity shall provide or cause to be provided an incentive compensation opportunity not less than the incentive compensation opportunity in effect at the Effective Time. The Surviving Entity shall also provide or cause to be provided to any Continuing Employee during the Benefits Continuation Period medical benefits and other welfare benefit plans, programs and arrangements (*i*) that are substantially comparable to those provided under the Company Benefit Plans as in effect at the Effective Time; (*ii*) which are substantially comparable to those provided to management employees of the Parent or its Subsidiaries; or (*iii*) any combination of the foregoing; *provided* that (*x*) with respect to Continuing Employees who are subject to collective bargaining or employment agreements (including change in control agreements), compensation, benefits and payments shall be provided in accordance with such agreements, and the Surviving Entity expressly assumes such collective bargaining or employment agreements (including change in control agreements) and (*y*) during the Benefits Continuation Period, the Surviving Entity shall pay, subject to such terms and conditions as it shall establish, any such Continuing Employee whose employment is involuntarily terminated by the Parent, the Surviving Entity or any of their Subsidiaries without cause an amount of severance pay in cash equal to the amount of cash severance pay that would have been payable to such Continuing Employee under the terms of the severance plan maintained by the Company and its Subsidiaries and applicable to such Continuing Employee immediately prior to the date of this Agreement. The foregoing provisions of this Section 6.6 shall not be construed or interpreted to restrict in any way the Surviving Entity’s or Parent’s ability to amend, modify or terminate any Company Benefit Plan (including, without limitation, to change the entities who administer such Company Benefit Plans, or the manner in which such Company Benefits Plans are administered) to the extent not inconsistent with such foregoing restrictions or any other plan made available to the Continuing Employees or to terminate any person’s employment at any time or for any reason.

(b) The Surviving Entity shall (*i*) waive any applicable pre-existing condition exclusions and waiting periods with respect to participation and coverage requirements in any replacement or successor welfare benefit plan of the Surviving Entity that an employee of the Company or any of the Company Subsidiaries is eligible to participate in following the Effective Time to the extent such exclusions or waiting periods

were inapplicable to, or had been satisfied by, such employee immediately prior to the Effective Time under the relevant Company Benefit Plan in which such employee participated, (*ii*) provide each such employee with credit for any co-payments and deductible paid prior to the Effective Time (to the same extent such credit was given under the

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analogous Company Benefit Plan prior to the Effective Time) in satisfying any applicable deductible or out-of-pocket requirements and (*iii*) to the extent that any Continuing Employee is allowed to participate in any employee benefit plan of the Parent, the Surviving Entity or any of their Subsidiaries following the Effective Time, cause such plan to recognize the service of such Continuing Employee with the Company and the Company Subsidiaries prior to the Effective Time for purposes of eligibility to participate, vesting and benefit accrual (but not for benefit accrual under any defined benefit, retiree welfare or similar plan) to the same extent such service was recognized by the Company and the Company Subsidiaries under any similar Company Benefit Plan in which such Continuing Employee participated immediately prior to the Effective Time; *provided* that the foregoing shall not apply to the extent it would result in any duplication of benefits for the same period of service.

(c) With respect to matters described in this Section 6.6, the Company will consult with Parent (and consider in good faith the advice of Parent) prior to sending any written notices or other communication materials (including, without limitation, any postings to any website) to its employees or former employees of the Company or any Company Subsidiary. Prior to the Effective Time, the Company shall provide Parent with reasonable access to such employees or former employees for purposes of Parent providing notices or other communication materials regarding Parent compensation and benefit plans and the matters described in this Section 6.6; *provided* that such notices or other communication materials are approved in advance by the Company, which approval shall not be unreasonably withheld.

(d) The Company and each of its Subsidiaries shall (*i*) provide any and all notices to, (*ii*) make any and all filings or registrations with, and (*iii*) obtain any and all consents or approvals of, any labor organization, works council or any similar entity, council or organization, required to be made or obtained in connection with this Agreement or the consummation of the transactions contemplated hereby.

(e) The Parent shall prepare and file with the SEC a registration statement on an appropriate form, or a post-effective amendment to a registration statement previously filed under the Securities Act, with respect to the shares of Parent Common Stock subject to any Other Company Equity-Based Award and, where applicable, shall use its reasonable best efforts to have such registration statement declared effective as soon as practicable following the Effective Time and to maintain the effectiveness of such registration statement covering such Other Company Equity-Based Award (and to maintain the current status of the prospectus contained therein) for so long as such Other Company Equity-Based Award remains outstanding. With respect to those individuals, if any, who, subsequent to the Effective Time, will be subject to the reporting requirements under Section 16 of the Exchange Act, where applicable, the Parent shall use all reasonable efforts to administer any applicable Company Stock Plan in a manner that complies with Rule 16b-3 under the Exchange Act to the extent such Company Stock Plan complied with such rule prior to the Effective Time.

Section 6.7 Fees and Expenses . Subject to Section 8.3, whether or not the Merger is consummated, all Expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such Expenses. As used in this Agreement, “ *Expenses* ” includes all out-of-pocket expenses (including, without limitation, all fees and expenses of counsel, accountants, investment bankers, experts and consultants to a party hereto and its Affiliates) incurred by a party or on its behalf in connection with or related to the authorization, preparation, negotiation, execution and performance of this Agreement and the transactions contemplated hereby, including the preparation, printing, filing and mailing, as the case may be, of the Proxy Statement/Prospectus and the Form S-4 and any amendments or supplements thereto, and the solicitation of the Company Stockholder Approval and all other matters related to the transactions contemplated hereby.

Section 6.8 Directors’ and Officers’ Indemnification and Insurance.

(a) From and after the Effective Time the Surviving Entity shall, and Parent shall cause the Surviving

Entity to, (i) indemnify and hold harmless, against any costs or expenses (including attorney's fees), judgments, fines, losses, claims, damages or liabilities incurred in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, and provide advancement of expenses to, all past and present directors, officers and employees of the Company and the Company Subsidiaries (in all of their capacities) (A) to the same extent such persons are indemnified or have the right to advancement of

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expenses as of the date of this Agreement by the Company pursuant to the Company's Constituent Documents and indemnification agreements, if any, in existence on the date hereof with any directors, officers and employees of the Company and the Company Subsidiaries and (B) without limitation to clause (A), to the fullest extent permitted by Law, (ii) include and cause to be maintained in effect in the Surviving Entity's (or any successor's) certificate of incorporation and bylaws, the current provisions regarding elimination of liability of directors, indemnification of officers, directors and employees and advancement of expenses contained in the Company's Constituent Documents and (iii) cause to be maintained for a period of six years after the Effective Time the current policies of directors' and officers' liability insurance and fiduciary liability insurance (" D & O Insurance ") maintained by the Company (provided that the Surviving Entity (or any successor) may substitute therefor policies of at least the same coverage and amounts containing terms and conditions which are, in the aggregate, no less advantageous to the insured) with respect to claims arising from facts or events that occurred on or before the Effective Time (including for acts or omissions occurring in connection with the approval of this Agreement and the consummation of the transactions contemplated hereby); and provided , further , that in no event shall the Surviving Entity be required to expend in any one year more than 200% of the current annual premium expended by the Company and the Company Subsidiaries to maintain or procure such D & O Insurance immediately prior to the Effective Time (such 200% amount, the " Maximum Annual Premium "); provided , further , that if the annual premiums of such insurance coverage exceed such amount, the Surviving Entity shall be obligated to obtain a policy with the greatest coverage available for a cost not exceeding the Maximum Annual Premium. In addition, the Company may purchase a six-year "tail" prepaid policy prior to the Effective Time on terms and conditions no less advantageous to the insured than the existing D & O Insurance maintained by the Company; provided , that the amount paid by the Company shall not exceed six times the Maximum Annual Premium. If such "tail" prepaid policy has been obtained by the Company prior to the Closing, (i) the Surviving Entity shall not be obligated to maintain D & O Insurance as described above, and (ii) the Surviving Entity shall, and Parent shall cause the Surviving Entity to, maintain such "tail" policy in full force and effect, for its full term, and continue to honor their respective obligations thereunder. The obligations of the Surviving Entity under this Section 6.8 shall not be terminated or modified in such a manner as to adversely affect any indemnitee to whom this Section 6.8 applies without the consent of such affected indemnitee (it being expressly agreed that the indemnitees to whom this Section 6.8 applies shall be third party beneficiaries of this Section 6.8).

(b) If the Surviving Entity or any of its successors or assigns (i) shall consolidate with or merge into any other corporation or entity and shall not be the continuing or Surviving Entity or entity of such consolidation or merger or (ii) shall transfer all or substantially all of its properties and assets to any individual, corporation or other entity, then, and in each such case, proper provisions shall be made so that the successors and assigns of the Surviving Entity shall assume all of the obligations set forth in this Section 6.8.

Section 6.9 *Public Announcements* . Parent and the Company shall develop a joint communications plan and each party shall (i) ensure that all press releases and other public statements or communications with respect to the transactions contemplated hereby shall be consistent with such joint communications plan and (ii) unless otherwise required by applicable law or by obligations pursuant to any listing agreement with or rules of any securities exchange, consult with each other before issuing any press release or, to the extent practical, otherwise making any public statement or communication with respect to this Agreement or the transactions contemplated hereby.

Section 6.10 *Notification of Certain Matters* . The Company shall use its commercially reasonable efforts to give prompt notice to Parent, and Parent shall use its commercially reasonable efforts to give prompt notice to Company, to the extent that either acquires actual knowledge of (i) the occurrence or non-occurrence of any event the occurrence or non-occurrence of which would be reasonably likely to cause any representation or warranty contained in this Agreement to be untrue or inaccurate as of the date hereof or as of the Closing Date and (ii) any failure of Parent, Merger Sub or the Company, as the case may be,

to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder, *provided, however*, that the delivery of any notice pursuant to this Section 6.10 shall not limit or otherwise affect the remedies available hereunder to the party receiving such notice.

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Section 6.11 *Accountant's Letters*.

(a) Parent shall use its commercially reasonable efforts to cause to be delivered to the Company two letters from Parent's independent public accountants, one dated approximately the date on which the Form S-4 shall become effective and one dated the Closing Date, each addressed to Parent and the Company, in form reasonably satisfactory to the Company and customary in scope for comfort letters delivered by independent public accountants in connection with registration statements similar to the Form S-4.

(b) The Company shall use its commercially reasonable efforts to cause to be delivered to Parent two letters from the Company's independent public accountants, one dated approximately the date on which the Form S-4 shall become effective and one dated the Closing Date, each addressed to the Company and Parent, in form reasonably satisfactory to Parent and customary in scope for comfort letters delivered by independent public accountants in connection with registration statements similar to the Form S-4.

Section 6.12 *Listing of Shares of Parent Common Stock* . Parent shall use its commercially reasonable efforts to cause the shares of Parent Common Stock to be issued in the Merger to be approved for listing on the NYSE, subject to official notice of issuance, prior to the Closing Date.

Section 6.13 *Affiliates* . Not later than 45 days prior to the Effective Time, the Company shall deliver to Parent a letter identifying all persons who, in the judgment of the Company, may be deemed at the time this Agreement is submitted to the stockholders of the Company for the Company Stockholder Approval, "affiliates" of the Company for purposes of Rule 145 under the Securities Act and applicable SEC rules and regulations, and such list shall be updated as necessary to reflect changes from the date thereof. The Company shall use commercially reasonable efforts to cause each person identified on such list to deliver to Parent not less than 30 days prior to the Effective Time, a written agreement substantially in the form attached as Exhibit A hereto (an "Affiliate Agreement"). Parent will give stop transfer instructions to its transfer agent with respect to any Parent Common Stock received pursuant to the Merger by any stockholder of the Company who may reasonably be deemed to be an affiliate of the Company for purposes of Rule 145 under the Securities Act and there will be placed on the certificates representing such Parent Common Stock, or any substitutions therefor, a legend stating in substance that the shares were issued in a transaction to which Rule 145 under the Securities Act applies and may only be transferred (i) in conformity with Rule 145 or (ii) in accordance with a written opinion of counsel, reasonably acceptable to Parent in form and substance, that such transfer is exempt from registration under the Securities Act.

Section 6.14 *State Takeover Laws* . If any "fair price," "business combination" or "control share acquisition" statute or other similar statute or regulation is or shall become applicable to the transactions contemplated hereby, Parent, the Company and their respective Boards of Directors shall use all reasonable efforts to grant such approvals and take such actions as are necessary so that the transactions contemplated hereby may be consummated as promptly as practicable on the terms contemplated hereby and shall otherwise act to minimize the effects of any such statute or regulation on the transactions contemplated hereby.

Section 6.15 *Stockholder Litigation* . The Company shall give Parent the opportunity to participate in the defense or settlement of any stockholder litigation against the Company and/or its directors relating to the transactions contemplated by this Agreement. The Company agrees that it shall not settle or offer to settle any litigation commenced on or after the date hereof against the Company or any of its directors or executive officers by any stockholder of the Company relating to this Agreement, the Merger, any other transaction contemplated hereby or otherwise, without the prior written consent of Parent.

Section 6.16 *Special Cash Dividend* . Following the date of adoption of this Agreement by the holders of Company Common Stock constituting the Company Stockholder Approval and prior to the Effective Time, the Company will, to the extent not prohibited by applicable law or covenants in instruments of

Indebtedness existing as of the date hereof, declare and pay a special cash dividend per share of Company Common Stock equal to (*i*) \$5.60 *minus* (*ii*) the per share amount of any dividend declared by the Company during the period

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beginning on the date of this Agreement and ending on the Closing Date, excluding, for the avoidance of doubt, the \$0.40 per share cash dividend approved by the Board on February 11, 2005 (the “*Special Cash Dividend*”). It is the expectation of the parties that such Special Cash Dividend will be paid as soon as practicable following the date the Company Stockholder Approval is obtained.

Section 6.17 *Bankruptcy Court Order* . The Company will use its reasonable efforts to obtain an order in form and in substance satisfactory to Parent, issued by the United States Bankruptcy Court for the Southern District of New York providing that following the Effective Time of the Merger, the Surviving Entity may issue shares of Parent Common Stock in lieu of shares of Company Common Stock to which certain general unsecured creditors would have been entitled prior to the Effective Time in satisfaction of their claims pursuant to the Debtors’ Modified Second Amended Joint Plan of Reorganization dated October 21, 2003 (the “*Bankruptcy Court Order*”). In addition, the parties will cooperate with regard to the possibility of seeking an order to the effect that such shares of Parent Common Stock will be exempt from registration under the Securities Act pursuant to Section 1145(a) of the Bankruptcy Code.

Section 6.18 *Settlement of Bankruptcy Claims* . The Company will not settle any Bankruptcy Claims or any matter directly arising out of the Bankruptcy Claims for a plan-affected amount of cash in excess of \$15,000,000 without first providing Parent with written notification setting forth the terms of such settlement. Such notification shall be delivered to Parent no less than three Business Days prior to the settlement date. Parent shall have an opportunity to comment on the terms of such settlement and the Company will consider Parent’s comments in good faith. The Company shall provide Parent regular updates about the status of the Bankruptcy Claims in the format produced by Huron (or any replacement system used by the Company after the date hereof), which updates shall be provided no less often than monthly.

Section 6.19 *No Amendment of Plan of Reorganization* . Unless required by Law, the Company shall not take any action to amend or modify the Plan of Reorganization of WorldCom, Inc. and certain of its Subsidiaries under Chapter 11 of the Bankruptcy Code, confirmed by the United States Bankruptcy Court for the Southern District of New York on October 31, 2003 and consummated on April 20, 2004.

Section 6.20 *Restoring Trust* . The Company has, since November, 2002, had the oversight of a Corporate Monitor, pursuant to a permanent injunction entered by the United States District Court for the Southern District of New York against the Company’s predecessor company on November 26, 2002. As part of his oversight, the Corporate Monitor developed corporate governance principles and processes entitled Restoring Trust, which guided the Company’s predecessor company and the Company through the present, and the Company has fully complied with Restoring Trust. The Company will use its reasonable best efforts to obtain an Order, satisfactory to Parent, from the United States District Court for the Southern District of New York (the “*Corporate Monitor Order*”), (*i*) confirming the successful conclusion of the efforts of the Corporate Monitor, (*ii*) concluding that the function of the Corporate Monitor is no longer necessary, (*iii*) relieving the Company from the oversight of the Corporate Monitor, prior to or upon the Effective Time, (*iv*) acknowledging that Parent and its Subsidiaries, including the Surviving Entity, will not be subject to Restoring Trust or any related or similar governance restrictions and (*v*) making such changes to the permanent injunctions entered by such Court as shall be necessary to effectuate the foregoing. In addition, the Company will use its reasonable best efforts to have such permanent injunctions dissolved.

Section 6.21 *Network Facility Maintenance and Compliance* . The Company and the Company Subsidiaries will maintain or cause Owned Network Facilities and Leased Network Facilities, taken as a whole, to be maintained in Good Condition and in compliance with standard industry practice through the Closing Date.

Section 6.22 *Section 16 of the Exchange Act* . Prior to the Effective Time, each of Parent and the Company shall take all such steps as may be required to cause any dispositions of Company Common Stock

(including derivative securities with respect to Company Common Stock) or acquisitions of Parent Common Stock (including derivative securities with respect to Parent Common Stock) resulting from the transactions

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contemplated by Article I or Article II of this Agreement by each individual who is subject to the reporting requirements of Section 16(a) of the Exchange Act, to be exempt under Rule 16b-3 promulgated under the Exchange Act, such steps to be taken in accordance with the guidance provided by the SEC.

Section 6.23 *Tax Treatment* . Subject to Section 1.9, Parent and the Company and each of their respective Affiliates shall use their commercially reasonable efforts to cause the Merger to qualify as a reorganization within the meaning of Section 368(a) of the Code and to obtain the opinions of Debevoise & Plimpton LLP and Davis Polk & Wardwell referred to in Sections 7.4(a) and 7.4(b) of this Agreement, including by providing such customary representations as counsel may reasonably request in connection with such opinions. Notwithstanding the foregoing, nothing in this Section 6.23 shall limit Parent in providing cash consideration where permitted or required by this Agreement, even if doing so would jeopardize qualification of the Merger as a reorganization.

Section 6.24 *Agreement to Vote Shares* . At every meeting of the stockholders of the Company called with respect to the adoption of this Agreement and approval of the Merger, and at every adjournment and postponement thereof, Parent shall vote or cause to be voted any shares of Company Common Stock owned by it or its Subsidiaries in favor of the adoption of this Agreement and approval of the Merger, so long as such adoption and approval is then recommended by the Board of Directors of the Company.

ARTICLE VII

CONDITIONS PRECEDENT

Section 7.1 *Conditions to Each Party's Obligation to Effect the Merger* . The respective obligations of the Company, Parent and Merger Sub to effect the Merger are subject to the satisfaction or waiver on or prior to the Closing Date of the following conditions:

- (a) *Stockholder Approval* . The Company shall have obtained the Company Stockholder Approval.
- (b) *NYSE Listing* . The shares of Parent Common Stock to be issued in the Merger and such other shares to be reserved for issuance in connection with the Merger shall have been approved for listing on the NYSE, subject to official notice of issuance.
- (c) *Regulatory Approval* . (i) The waiting period (and any extension thereof) applicable to the Merger under the HSR Act shall have been terminated or shall have expired, any investigation opened by means of a second request for additional information or otherwise shall have been terminated or closed and no action shall have been instituted by the Department of Justice or the Federal Trade Commission challenging or seeking to enjoin the consummation of this transaction, which action shall not have been withdrawn or terminated, (ii) the authorization required to be obtained from the FCC for the consummation of the Merger shall have been obtained, (iii) all approvals, if any, required to be obtained (A) with or from any state public service or public utility commissions or similar state regulatory bodies listed in Section 7.1(c) of the Company Disclosure Letter or (B) under any foreign antitrust, competition or similar Laws, in each case in connection with the consummation of the Merger and the transactions contemplated by this Agreement, shall have been obtained (except, in the case of clause (B), for any failures to obtain such approvals that would not, individually or in the aggregate, reasonably be expected to result in a Specified Material Adverse Effect) and (iv) all other notices, reports, filings, consents, registrations, approvals, permits or authorizations required to be made prior to the Effective Time by the Company or Parent or any of their respective Subsidiaries with, or obtained prior to the Effective Time by the Company or Parent or any of their respective Subsidiaries from, any Governmental Entity in connection with the execution and delivery of this Agreement and the consummation of the Merger and the other transactions contemplated hereby, the failure of which to make or obtain would, individually or in the aggregate, provide a reasonable basis to conclude that the Company or the Parent or their respective directors or officers would be subject

to the risk of criminal liability, shall have been made or obtained.

(d) *No Injunctions or Restraints, Illegality* . No Laws shall have been adopted or promulgated, and no temporary restraining order, preliminary or permanent injunction or other order, judgment, decision, opinion or

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decree issued by a court or other Governmental Entity of competent jurisdiction having the effect of making the Merger illegal or otherwise prohibiting consummation of the Merger, except by Governmental Entities outside the United States as would not, individually or in the aggregate, reasonably be expected to be material to Parent and which do not provide a reasonable basis to conclude that the Company, Parent or their respective directors or officers would be subject to the risk of criminal liability.

(e) *Effectiveness of the Form S-4* . The Form S-4 shall have been declared effective by the SEC under the Securities Act. No stop order suspending the effectiveness of the Form S-4 shall have been issued by the SEC and no proceedings for that purpose shall have been initiated or threatened by the SEC.

(f) *Determination of Specified Included Liabilities Amount* . The Specified Included Liabilities Amount shall have been determined pursuant to Section 1.10.

Section 7.2 *Conditions to Obligations of Parent and Merger Sub* . The obligations of Parent and Merger Sub to effect the Merger are subject to the satisfaction of, or waiver by Parent, on or prior to the Closing Date of the following additional conditions:

(a) *Representations and Warranties* . Each of the representations and warranties of the Company set forth in this Agreement, in each case, made as if none of such representations and warranties contained any qualifications or limitations as to “materiality” or Company Material Adverse Effect, shall be true and correct, in each case, as of the date of this Agreement and as of the Closing Date as though made on and as of the Closing Date (except to the extent in either case that such representations and warranties speak as of another date), except where the failure of such representations and warranties to be true and correct as so made does not have and is not, individually or in the aggregate, reasonably likely to have, a Company Material Adverse Effect, *provided* that the representations and warranties of the Company in Sections 3.3(a), (b), (d), and (e) (with respect to the Company only, and not the Company Subsidiaries) and 3.4 shall be true in all material respects. Parent shall have received a certificate of the chief executive officer or the chief financial officer of the Company to such effect.

(b) *Performance of Obligations of the Company* . The Company shall have performed or complied in all material respects with all agreements and covenants required to be performed by it under this Agreement at or prior to the Closing Date and Parent shall have received a certificate of the chief executive officer or the chief financial officer of the Company to such effect.

(c) *No Litigation* . There shall be no pending suit, action or proceeding by any U.S. Governmental Entity, in each case that has a reasonable likelihood of success, (*i*) challenging the acquisition by Parent or Merger Sub of any Company Common Stock, seeking to restrain or prohibit the consummation of the Merger or any other transaction or seeking to obtain from the Company, Parent or Merger Sub any damages that are material in relation to the Company and the Company Subsidiaries taken as a whole, (*ii*) seeking to prohibit or limit the ownership or operation by the Company, Parent or any of their respective Subsidiaries of any material portion of the business or assets of the Company, Parent or any of their respective Subsidiaries, or to compel the Company, Parent or any of their respective Subsidiaries to dispose of or hold separate any material portion of the business or assets of the Company, Parent or any of their respective Subsidiaries, as a result of the Merger or any other transaction, (*iii*) seeking to impose limitations on the ability of Parent to acquire or hold, or exercise full rights of ownership of, any shares of Company Common Stock, including the right to vote the Company Common Stock purchased by it on all matters properly presented to the stockholders of the Company, or (*iv*) seeking to prohibit Parent or any of its Subsidiaries from effectively controlling in any material respect the business or operations of the Company and the Company Subsidiaries.

(d) *Receipt of Bankruptcy Court Order* . The United States Bankruptcy Court for the Southern District of New York shall have issued the Bankruptcy Court Order in form and substance reasonably satisfactory to

Parent.

(e) *Corporate Monitor* . The United States District Court for the Southern District of New York shall have issued the Corporate Monitor Order in form and substance reasonably satisfactory to Parent; and there shall have been no amendment after the date hereof to the permanent injunctions issued by such court adverse to Parent or its Subsidiaries.

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(f) *No Material Change* . From the period beginning on the date of this Agreement, there shall not have been any state of facts, event, change, effect, development, condition or occurrence that, individually or in the aggregate, has had or would reasonably be expected to have a Company Material Adverse Effect.

(g) *Regulatory Approval* . The condition set forth in Section 7.1(c) shall have been satisfied on terms that, individually or in the aggregate, would not reasonably be expected to have a Specified Material Adverse Effect.

Section 7.3 *Conditions to Obligations of the Company* . The obligations of the Company to effect the Merger are subject to the satisfaction of, or waiver by the Company, on or prior to the Closing Date of the following additional conditions:

(a) *Representations and Warranties* . Each of the representations and warranties of Parent and Merger Sub set forth in this Agreement, in each case, made as if none of such representations and warranties contained any qualification or limitation as to “materiality” or Parent Material Adverse Effect, shall be true and correct, in each case, as of the date of this Agreement and as of the Closing Date as though made on and as of the Closing Date (except to the extent in either case that such representations and warranties speak as of another date), except where the failure of such representations and warranties to be true and correct as so made does not have and is not, individually or in the aggregate, reasonably likely to have, a Parent Material Adverse Effect, *provided* that the representations and warranties of Parent and Merger Sub in Sections 4.2 (with respect to Parent only, and not the Subsidiaries of Parent) and 4.3 shall be true in all material respects. and the Company shall have received a certificate of the chief executive officer or the chief financial officer of Parent to such effect.

(b) *Performance of Obligations of Parent and Merger Sub* . Parent and Merger Sub shall have performed or complied in all material respects with all agreements and covenants required to be performed by each of them under this Agreement at or prior to the Closing Date and the Company shall have received a certificate of the chief executive officer or the chief financial officer of Parent to such effect.

(c) *No Material Change* . From the period beginning on the date of this Agreement, there shall not have been any state of facts, event, change, effect, development, condition or occurrence that, individually or in the aggregate, has had or would reasonably be expected to have a Parent Material Adverse Effect.

Section 7.4 *Additional Conditions* . The obligations of Parent and the Company to effect the Merger as a merger of the Company with and into Merger Sub are subject to the satisfaction of, or waiver by the appropriate party, on or prior to the Closing Date of the following additional conditions:

(a) with respect to the obligations of Parent, that Parent shall have received the opinion of Debevoise & Plimpton LLP, counsel to Parent, dated the Closing Date, to the effect that the Merger will be treated for U.S. federal income tax purposes as a “reorganization” within the meaning of Section 368(a) of the Code, and that each of the Parent and the Company will be a party to that reorganization within the meaning of Section 368(b) of the Code;

(b) with respect to the obligations of the Company, that the Company shall have received the opinion of Davis Polk & Wardwell, counsel to the Company, dated the Closing Date, to the effect that the Merger will be treated for U.S. federal income tax purposes as a “reorganization” within the meaning of Section 368(a) of the Code, and that each of the Parent and the Company will be a party to that reorganization within the meaning of Section 368(b) of the Code.

In the event either of the above conditions fails to be satisfied or waived by the appropriate party, the transactions contemplated hereby shall be effected in the form of the Alternative Merger as provided in Section 1.9.

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ARTICLE VIII

TERMINATION AND AMENDMENT

Section 8.1 *Termination* . This Agreement may be terminated and the transactions contemplated hereby may be abandoned at any time prior to the Effective Time, whether before or after receipt of the Company Stockholder Approval:

(a) by mutual written consent of Parent and the Company;

(b) by either Parent or the Company, if:

(i) the Merger shall not have been consummated by February 14, 2006, whether such date is before or after the date of the Company Stockholder Approval referred to in Section 7.1(a), (*A*) *provided* , that in the event that, as of February 14, 2006, the conditions set forth in Section 7.1(c) or 7.2(g) have not been satisfied, the termination date may be extended from time to time by Parent or the Company by up to an aggregate of 180 days and (*B*) *provided* , further, that in the event that as of February 14, 2006 (as such date may be extended pursuant to clause (A)), an agreement or resolution of any dispute regarding the adjustment for Specified Included Liabilities at the Closing pursuant to Section 1.10 has not been reached, the termination date may be extended from time to time by Parent or the Company by up to an aggregate of 120 days (such date, including any such permitted extensions thereof, the “ *Outside Date* ”) and *provided* , *further* , that the right to terminate the Agreement pursuant to this Section 8.1(b)(i) shall not be available to any party whose failure to perform any of its obligations under this Agreement primarily contributes to the failure of the Merger to be consummated by such time;

(ii) any Governmental Entity of competent jurisdiction issues a final, non-appealable order, judgment, decision, opinion, decree or ruling, which prevents the fulfillment of the condition set forth in Section 7.1(d); or

(iii) the Company Stockholder Approval shall not have been obtained at the Company Stockholders Meeting or any adjournment or postponement thereof; *provided* that the right to terminate the Agreement pursuant to this Section 8.1(b)(iii) shall not be available to the Company if it has not complied with its obligations under Section 6.5.

(c) by Parent, if:

(i) the Company shall have breached or failed to perform in any material respect any of its representations, warranties or covenants contained in this Agreement, which breach or failure to perform (*A*) is incapable of being cured by the Company prior to the Outside Date or is not cured by the earlier of (*x*) 30 Business Days following written notice to the Company by Parent of such breach or (*y*) the Outside Date, and (*B*) would result in a failure of any condition set forth in Sections 7.2(a) or (b);

(ii) the Company or any of the Company Subsidiaries or their respective Representatives shall have breached in any respect their respective obligations under Section 6.5; or

(iii) subject to the penultimate sentence of Section 6.5(c), the Board of Directors shall (*A*) fail to authorize, approve or recommend the Merger, or (*B*) effect a Change in the Company Recommendation or, in the case of a Takeover Proposal made by way of a tender offer or exchange offer, fail to recommend that the Company’s stockholders reject such tender offer or exchange offer within the ten Business Day period specified in Section 14e-2(a) under the Exchange Act;

(d) by the Company:

(i) if Parent shall have breached or failed to perform in any material respect any of its representations, warranties or covenants contained in this Agreement, which breach or failure to perform (*A*) is incapable of being cured by Parent prior to the Outside Date or is not cured by the Outside Date and (*B*) would result in a failure of any condition set forth in Sections 7.3(a) or (b); or

(ii) pursuant to the last sentence of Section 6.5(c), if the Company, prior to the termination of this Agreement, pays the Termination Fee (as defined in Section 8.3(a)) to Parent.

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Section 8.2 *Effect of Termination* . In the event of any termination of this Agreement as provided in Section 8.1, the obligations of the parties hereunder shall terminate and there shall be no liability on the part of any party hereto with respect thereto, except for the confidentiality provisions of Section 6.3 and the provisions of this Section 8.2, Section 8.3 and Article IX, each of which shall remain in full force and effect; *provided* , *however* , that no party hereto shall be relieved or released from any liability or damages arising from a willful breach of any provision of this Agreement.

Section 8.3 *Termination Fee*.

(a) If this Agreement is terminated pursuant to any of the following provisions, the Company shall pay to Parent a fee equal to \$240,000,000 (the “ *Termination Fee* ”), which Termination Fee, together with the reimbursement of Expenses pursuant to Section 8.3(b), shall be Parent’s sole remedy in respect of termination of this Agreement except in the case of any willful breach of this Agreement by the Company:

(i) Sections 8.1(c)(ii) or (iii);

(ii) Section 8.1(d)(ii);

(iii) Section 8.1(b)(iii), *provided* that within twelve months after the date of such termination, the Company enters into a definitive agreement to consummate, or consummates, the transactions contemplated by any Takeover Proposal; and *provided* , *further* , that, solely for purposes of this Section 8.3(a)(iii), the term “Takeover Proposal” shall have the meaning ascribed thereto in Section 6.5(e), except that all references to 15% shall be changed to 40%; or

(iv) Section 8.1(c)(i), *provided* , that such termination is based on a material breach of Section 6.2.

(b) If the Company is required to pay Parent a Termination Fee, such Termination Fee shall be payable immediately prior to termination of this Agreement in the event of termination by the Company, and not later than one Business Day after the receipt by the Company of a notice of termination from Parent in the event of termination by Parent, in each case by wire transfer of immediately available funds to an account designated by Parent (except that, in the case of termination pursuant to Section 8.1(b)(iii), such payment shall be made on the date of the first to occur of either of the events referred to in the first proviso to Section 8.3(a)(iii)). If the Company is required to pay Parent a Termination Fee, or this Agreement is terminated pursuant to Section 8.1(b)(iii), the Company shall, in addition to any Termination Fee that may be payable, reimburse Parent and Merger Sub for all of their Expenses, up to a maximum amount of \$10,000,000, within one Business Day of receipt of written notice from Parent requesting payment thereof.

(c) The parties each agree that the agreements contained in this Section 8.3 are an integral part of the transaction contemplated by this Agreement, and that, without these agreements, Parent would not enter into this Agreement; accordingly, if the Company fails promptly to pay any amounts due under this Section 8.3 and, in order to obtain such payment, Parent commences a suit that results in a judgment against the Company for such amounts, the Company shall pay interest on such amounts from the date payment of such amounts were due to the date of actual payment at the prime rate of Citibank, N.A. in effect on the date such payment was due, together with the costs and expenses of Parent (including reasonable legal fees and expenses) in connection with such suit.

ARTICLE IX

GENERAL PROVISIONS

Section 9.1 *Non-Survival of Representations, Warranties and Agreements* . None of the representations, warranties, covenants and other agreements in this Agreement or in any instrument delivered pursuant to

this Agreement, including any rights arising out of any breach of such representations, warranties, covenants and other agreements, shall survive the Effective Time, except for those covenants and agreements contained herein and therein (including Section 6.8) that by their terms apply or are to be performed in whole or in part after the Effective Time and this Article IX.

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Section 9.2 *Notices* . All notices and other communications hereunder shall be in writing and shall be deemed duly given (*i*) on the date of delivery if delivered personally, or by telecopy or telefacsimile, upon confirmation of receipt, (*ii*) on the first Business Day following the date of dispatch if delivered by a recognized next-day courier service, or (*iii*) on the third Business Day following the date of mailing if delivered by registered or certified mail, return receipt requested, postage prepaid. All notices hereunder shall be delivered as set forth below, or pursuant to such other instructions as may be designated in writing by the party to receive such notice:

If to Parent or Merger Sub, to:

Verizon Communications Inc.

1095 Avenue of the Americas

New York, New York 10036

Telecopier: (212) 597-2518

Attention: Corporate Secretary

with a copy (which shall not constitute notice) to:

Debevoise & Plimpton LLP

919 Third Avenue

New York, New York 10022

Telecopier: (212) 909-6836

Attention: Jeffrey J. Rosen, Esq.

William D. Regner, Esq.

If to the Company, to:

MCI, Inc.

22001 Loudoun County Parkway

Ashburn, Virginia 20147

Telecopier: (703) 886-0860

Attention: Anastasia D. Kelly, Esq.

with a copy (which shall not constitute notice) to:

Davis Polk & Wardwell

450 Lexington Avenue

New York, New York 10017

Telecopier: (212) 450-3800

Attention: Phillip R. Mills, Esq.

Section 9.3 *Interpretation* .

(a) When a reference is made in this Agreement to Sections, Exhibits or Schedules, such reference shall be to a Section of or Exhibit or Schedule to this Agreement unless otherwise indicated. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words “include,” “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation.”

(b) Items disclosed on one particular party’s disclosure letter relating to one section of this Agreement shall be deemed to be constructively disclosed or listed on such party’s disclosure letter relating to other sections of this Agreement only to the extent it is reasonably apparent on the face of such disclosure letter that such disclosure is applicable to such other sections.

Section 9.4 *Counterparts; Effectiveness* . This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original but all of which shall constitute one and the same instrument. This

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Agreement shall become effective when each party hereto shall have received counterparts thereof signed and delivered (by telecopy or otherwise) by all of the other parties hereto.

Section 9.5 *Entire Agreement; Third Party Beneficiaries.*

(a) This Agreement (including the Exhibits and the parties' disclosure letters hereto) and the Confidentiality Agreement constitute the entire agreement, and supersede all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof and thereof.

(b) This Agreement shall be binding upon and inure solely to the benefit of each party hereto, and nothing in this Agreement, express or implied, is intended to or shall confer upon any Person not a party to this Agreement any rights, benefits or remedies of any nature whatsoever, other than Section 6.8 (which is intended to be for the benefit of the Persons covered thereby and may be enforced by such Persons).

Section 9.6 *Severability* . If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any law or public policy, all other terms and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Notwithstanding the foregoing, upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the transactions contemplated hereby are consummated as originally contemplated to the greatest extent possible.

Section 9.7 *Assignment* . Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties, in whole or in part (whether by operation of law or otherwise), without the prior written consent of the other party, and any attempt to make any such assignment without such consent shall be null and void, except that Merger Sub may assign, in its sole discretion, any or all of its rights, interests and obligations under this Agreement to any direct wholly owned Subsidiary of Parent without the consent of the Company, but no such assignment shall relieve Merger Sub of any of its obligations under this Agreement. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns. Parent agrees to cause Merger Sub to fulfill all of its obligations hereunder.

Section 9.8 *Amendment* . This Agreement may be amended by the parties, by action taken or authorized by their respective Boards of Directors, at any time before or after approval of the matters presented in connection with the Merger by the stockholders of the Company, but, after such approval, no amendment shall be made which by law or in accordance with the rules of any relevant stock exchange requires further approval by such stockholders without such further approval. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties.

Section 9.9 *Extension; Waiver* . At any time prior to the Effective Time, the parties, by action taken or authorized by their respective Boards of Directors, may, to the extent legally allowed, (*a*) extend the time for the performance of any of the obligations or other acts of the other parties, (*b*) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto and (*c*) waive compliance with any of the agreements or conditions contained herein. Any agreement on the part of a party hereto to any such extension or waiver shall be valid only if set forth in a written instrument signed on behalf of such party. The failure of any party to this Agreement to assert any of its rights under this Agreement or otherwise shall not constitute a waiver of those rights.

Section 9.10 *GOVERNING LAW AND VENUE; WAIVER OF JURY TRIAL.*

(a) THIS AGREEMENT SHALL BE DEEMED TO BE MADE IN AND IN ALL RESPECTS SHALL BE INTERPRETED, CONSTRUED AND GOVERNED BY AND IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK WITHOUT REGARD TO ITS RULES OF CONFLICTS OF LAW EXCEPT TO THE

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EXTENT THAT THE LAW OF THE STATE OF DELAWARE IS MANDATORILY APPLICABLE TO THE MERGER. The parties hereby irrevocably submit to the jurisdiction of the courts of the County and State of New York and the State of Delaware and the Federal courts of the United States of America located in the County and State of New York or the State of Delaware solely in respect of the interpretation and enforcement of the provisions of this Agreement and of the documents referred to in this Agreement, and in respect of the transactions contemplated hereby, and hereby waive, and agree not to assert, as a defense in any action, suit or proceeding for the interpretation or enforcement hereof or of any such document, that it is not subject thereto or that such action, suit or proceeding may not be brought or is not maintainable in said courts or that the venue thereof may not be appropriate or that this Agreement or any such document may not be enforced in or by such courts, and the parties hereto irrevocably agree that all claims with respect to such action or proceeding shall be heard and determined in such a New York State, Delaware State or Federal court. The parties hereby consent to and grant any such court jurisdiction over the person of such parties solely for such purpose and over the subject matter of such dispute and agree that mailing of process or other papers in connection with any such action or proceeding in the manner provided in Section 9.2 or in such other manner as may be permitted by law shall be valid and sufficient service thereof.

(b) EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (i) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (ii) EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (iii) EACH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (iv) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 9.10(b).

Section 9.11 *Enforcement* . The parties hereto agree that irreparable damage would occur in the event that any provision of this Agreement was not performed in accordance with its specific terms or was otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof in any court of competent jurisdiction, this being in addition to any other remedy to which they are entitled at law or in equity.

Section 9.12 *Definitions* . As used in this agreement:

An “ *Affiliate* ” of any Person means another Person that directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, such first Person, where “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of a Person, whether through the ownership of voting securities, by contract, as trustee or executor or otherwise.

“ *Aggregate Incremental Amount* ” equals the product of (i) the Incremental Amount multiplied by (ii) the sum of (x) the number of shares of Company Common Stock issued and outstanding immediately prior to the Effective Time and (y) the number of shares of shares reserved for issuance pursuant to the Chapter 11 Plan that are unissued immediately prior to the Effective Time (which number shall not exceed 5,375,000 *minus* the number of shares so issued after the date hereof).

“ *Bankruptcy Cases* ” means the Debtors’ cases under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York, jointly administered under Chapter 11 Case No. 02-13533 (AJG).

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“ *Bankruptcy Claims* ” means (*i*) all pre-petition claims filed in the Bankruptcy Cases as of the Closing Date, (*ii*) all administrative expense claims filed in the Bankruptcy Cases as of the Closing Date and (*iii*) all Tax claims filed, asserted in writing or of which Debtors have actual knowledge as of the Closing Date that constitute or would constitute administrative expense claims in the Bankruptcy Cases.

“ *Bankruptcy Code* ” means title 11 of the United States Code.

“ *beneficial ownership* ” or “ *beneficially own* ” has the meaning under Section 13(d) of the Exchange Act and the rules and regulations thereunder.

“ *Board of Directors* ” means the Board of Directors of any specified Person and any committees thereof.

“ *Business* ” means the business and operations of the Company and the Company Subsidiaries as currently conducted.

“ *Business Day* ” means any day on which banks are not required or authorized to close in the City of New York.

“ *Chapter 11 Plan* ” means the Debtors’ Modified Second Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code, dated October 21, 2003 (as thereafter modified through October 31, 2003) filed in the Bankruptcy Cases by WorldCom, Inc. and certain of its direct and indirect Subsidiaries, as debtors and debtors in possession.

“ *Code* ” means the Internal Revenue Code of 1986, as amended from time to time.

“ *Company Benefit Plans* ” means each written or oral employee benefit plan, scheme, program, policy, arrangement and contract (including, but not limited to, any “employee benefit plan,” as defined in Section 3(3) of ERISA, whether or not subject to ERISA, and any bonus, deferred compensation, stock bonus, stock purchase, restricted stock, stock option or other equity-based arrangement, and any employment, termination, retention, bonus, change in control or severance plan, program, policy, arrangement or contract) for the benefit of any current or former officer, employee or director of the Company or any Company Subsidiary that is maintained or contributed to by the Company or any Company Subsidiary, or with respect to which any of them could incur material liability under the Code or ERISA or any similar non-U.S. law.

“ *Company Common Stock* ” means the common stock, \$.01 par value, of the Company.

“ *Company Financial Statements* ” means the consolidated financial statements of the Company and the Company Subsidiaries included in the Company SEC Documents together, in the case of year-end statements, with reports thereon by KPMG LLP, the independent auditors of the Company, including in each case a consolidated balance sheet, a consolidated statement of income, a consolidated statement of shareholders’ equity and a consolidated statement of cash flows, and accompanying notes.

“ *Company Intellectual Property* ” means all Intellectual Property owned by or used by the Company or any of the Company Subsidiaries in the Business.

“ *Company Material Adverse Effect* ” means a material adverse effect on (*i*) the business, financial condition or results of operations of the Company and its Subsidiaries, taken as a whole, other than any such effect relating to or resulting from (*x*) changes or conditions affecting the economy or financial markets in general or changes in political or regulatory conditions generally, (*y*) general changes in the segments of the telecommunications industry in which the Company or any of its Subsidiaries operates or (*z*) the announcement or consummation of this Agreement or (*ii*) the ability of the Company to perform its

obligations under this Agreement or to consummate the transactions contemplated by this Agreement.

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“ *Company Restricted Share* ” shall mean each share of restricted Company Common Stock granted and awarded pursuant to a Company Benefit Plan.

“ *Company Rights* ” means the rights distributed to the holders of Company Common Stock pursuant to the Rights Agreement.

“ *Constituent Documents* ” means with respect to any entity, the Certificate or Articles of Incorporation, the Bylaws of such entity, the minute books, or any similar charter or other organizational documents of such entity.

“ *Debtors* ” has the meaning given in the Chapter 11 Plan.

“ *Dissenting Shares* ” means shares of Company Common Stock as to which the holder thereof has exercised appraisal rights pursuant to Section 262 of the DGCL.

“ *Environmental Law* ” means any foreign, federal, state or local law, treaty, statute, rule, regulation, order, ordinance, decree, injunction, judgment, governmental restriction or any other requirement of law (including common law) regulating or relating to the protection of human health, safety (as it relates to Releases of Hazardous Substances), natural resources or the environment, including, without limitation, laws relating to wetlands, pollution, contamination or the use, generation, management, handling, transport, treatment, disposal, storage, Release or threatened Release of Hazardous Substances.

“ *Environmental Permit* ” means any permit, license, authorization or consent required pursuant to applicable Environmental Laws.

“ *ERISA* ” means the Employee Retirement Income Security Act of 1974, as amended.

“ *Exchange Act* ” means the Securities and Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“ *Excluded Shares* ” means any shares of Company Common Stock (*a*) held by or in trust for the benefit of the Company, Parent, Merger Sub, any other wholly owned Subsidiary of Parent or any wholly owned Subsidiary of the Company, in each case except for any such shares held on behalf of third parties, or (*b*) as to which the holder thereof has exercised appraisal rights pursuant to Section 262 of the DGCL.

“ *Final Remaining Specified Included Liabilities Amount* ” means the amount determined pursuant to Section 1.10(b) or Section 1.10(d), as the case may be, to be the final Remaining Specified Included Liabilities Amount, with Specified International Tax Liabilities translated into U.S. dollars using the most recent closing spot exchange rate as of the date of determination.

“ *Governmental Entity* ” means any nation or government or multinational body, any state, agency, commission (including, without limitation, the FCC), or other political subdivision thereof or any entity (including a court) exercising executive, legislative, judicial or administration functions of or pertaining to government, any stock exchange or self regulatory entity supervising, organizing and supporting any stock exchange.

“ *Hazardous Substances* ” means any substance that: (*i*) is or contains asbestos, urea formaldehyde insulation, polychlorinated biphenyls, petroleum, petroleum products or petroleum-derived substances or wastes, radon gas, microbial or microbiological contamination or related materials, (*ii*) requires investigation or remedial action pursuant to any Environmental Law or (*iii*) is defined, listed or identified as a “hazardous waste,” “hazardous substance,” “toxic substance” or words of similar import thereunder, or (*iv*) is regulated under any Environmental Law.

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“*Indebtedness*” means, with respect to any Person, without duplication, (*i*) all obligations of such Person for borrowed money, or with respect to deposits or advances of any kind, (*ii*) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (*iii*) all obligations of such Person upon which interest charges are customarily paid (other than trade payables incurred in the ordinary course of business consistent with past practices or, in the case of the Company or any Company Subsidiary, incurred in a commercially reasonable manner consistent with industry practice), (*iv*) all obligations of such Person under conditional sale or other title retention agreements relating to any property purchased by such Person, (*v*) all obligations of such Person issued or assumed as the deferred purchase price of property or services (excluding obligations of such Person to creditors for raw materials, inventory, services and supplies incurred in the ordinary course of business consistent with past practices, or, in the case of the Company or any Company Subsidiary, incurred in a commercially reasonable manner consistent with industry practice), (*vi*) all lease obligations of such Person capitalized on the books and records of such Person, (*vii*) all obligations of others secured by a Lien on property or assets owned or acquired by such Person, whether or not the obligations secured thereby have been assumed, (*viii*) all obligations of such Person under interest rate, currency or commodity derivatives or hedging transactions, (*ix*) all letters of credit or performance bonds issued for the account of such Person (excluding (*a*) letters of credit issued for the benefit of suppliers to support accounts payable to suppliers incurred in the ordinary course of business consistent with past practices, or, in the case of the Company or any Company Subsidiary, incurred in a commercially reasonable manner consistent with industry practice, (*b*) standby letters of credit relating to workers’ compensation insurance and surety bonds and (*c*) surety bonds and customs bonds) and (*x*) all guarantees and arrangements having the economic effect of a guarantee of such Person of any Indebtedness of any other Person.

“*Intellectual Property*” means all trademarks, service marks, trade names, trade dress, including all goodwill associated with the foregoing, domain names, copyrights, Software, Internet Web sites, mask works and other semiconductor chip rights, moral rights, and similar rights, and registrations and applications to register or renew the registration of any of the foregoing, patents and patent applications, Trade Secrets, and all other intellectual property rights.

“*Intellectual Property Licenses*” means all agreements to which the Company or any of the Company Subsidiaries is a party or by which any of them is otherwise bound that relate to Intellectual Property, including: (*i*) licenses of Intellectual Property to the Company or any of the Company Subsidiaries by any other Person; (*ii*) licenses of Intellectual Property to any other Person by the Company or any of the Company Subsidiaries; (*iii*) agreements otherwise granting or restricting the right to use any Intellectual Property; and (*iv*) agreements transferring, assigning, indemnifying with respect to or otherwise relating to Intellectual Property used or held for use in the Business.

“*IRS*” means the Internal Revenue Service.

“*IRUs*” means Indefeasible Rights to Use.

“*known*” or “*knowledge*” means, with respect to any party, the knowledge of such party’s executive officers and senior management.

“*Law*” (and with the correlative meaning “*Laws*”) means rule, regulation, statute, order, ordinance, guideline, code or other legally enforceable requirement, including, but not limited to common law, state and federal laws or securities laws and laws of foreign jurisdictions.

“*Leased Network Facilities*” means all of the Company’s and the Company Subsidiaries’ Network Facilities that are not owned by the Company or the Company Subsidiaries but are provided under lease, license, IRUs or other agreements, including Right-of-Way Agreements between the Company or the Company Subsidiaries and third persons or entities.

“*Leased Real Property*” means all interests leased pursuant to the Leases.

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“ *Leases* ” means leases, subleases, licenses and occupancy agreements.

“ *Liens* ” means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), other charge or security interest; or any preference, priority or other agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement, or any capital lease having substantially the same economic effect as any of the foregoing).

“ *Nasdaq* ” means The NASDAQ National Market.

“ *Network Facilities* ” means all of the Company’s and the Company Subsidiaries’ material network facilities (including, cable, wires, conduits, switches, and other equipment and facilities) and related material operating support systems, network operations centers, and land and buildings. For purposes of this definition “material” shall mean any network facility the absence of which would materially and adversely affect the ability of the Company or any of its Subsidiaries to use the Company’s domestic or international networks, respectively, taken as a whole, in the manner and scope in which such respective network is currently being used.

“ *Network Facility Agreement* ” means agreements under which third Persons provide Network Facilities to the Company and the Company Subsidiaries, including leases, licenses, IRUs and Right-of-Way-Agreements.

“ *Order* ” means any charge, order, writ, injunction, judgment, decree, ruling, determination, directive, award or settlement, whether civil, criminal or administrative and whether formal or informal, applicable to the Company or any Company Subsidiary.

“ *other party* ” means, with respect to the Company, Parent and means, with respect to Parent, the Company, unless the context otherwise requires.

“ *Owned Network Facilities* ” means Network Facilities that are owned by the Company or the Company Subsidiaries.

“ *Owned Real Property* ” means real property, together with all improvements and fixtures presently or hereafter located thereon or attached or appurtenant thereto or owned by the Company or any of the Company Subsidiaries, and all easements, licenses, rights and appurtenances relating to the foregoing.

“ *Paid Specified Included Liabilities Amount* ” means the amount of cash in U.S. dollars that has actually been spent from and after January 1, 2005 through the Closing Date to satisfy Specified Included Liabilities. If any such cash has been spent in a currency other than the U.S. dollar, such amount shall be translated into U.S. dollars using the closing spot exchange rate on the date of payment.

“ *Parent Common Stock* ” means the common stock, par value \$0.10 per share, of Parent.

“ *Parent Material Adverse Effect* ” means a material adverse effect on (*i*) the business, financial condition or results of operations of the Parent and its Subsidiaries, taken as a whole, other than any such effect relating to or resulting from (*x*) changes or conditions affecting the economy or financial markets in general or changes in political or regulatory conditions generally, (*y*) changes in the segments of the telecommunications industry in which the Parent or any of its Subsidiaries operates or (*z*) the announcement or consummation of this Agreement or (*ii*) the ability of the Parent or Merger Sub to perform its obligations under this Agreement or to consummate the transactions contemplated by this Agreement.

“ *Permitted Liens* ” means (*i*) any liens for taxes not yet due or which are being contested in good faith by appropriate proceedings, (*ii*) carriers’, warehousemen’s, mechanics’, materialmen’s, repairmen’s or other similar liens, (*iii*) pledges or deposits in connection with workers’ compensation, unemployment insurance, and other social security legislation and (*iv*) easements, rights-of-way, restrictions and other similar encumbrances incurred

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in the ordinary course of business or, in the case of the Company or any Company Subsidiary, incurred in a commercially reasonable manner consistent with industry practice, which, in the aggregate, are not substantial in amount and which do not in any case materially detract from the value of the property subject thereto.

“ *Person* ” means an individual, corporation, limited liability company, partnership, association, trust, unincorporated organization, other entity or group (as defined in the Exchange Act).

“ *Release* ” means any releasing, disposing, discharging, injecting, spilling, leaking, leaching, pumping, dumping, emitting, escaping, emptying, seeping, dispersal, migration, transporting, placing and the like, including without limitation, the moving of any materials through, into or upon, any land, soil, surface water, groundwater or air, or otherwise entering into the indoor or outdoor environment.

“ *Restoring Trust* ” means the August 26, 2003 report entitled “Restoring Trust” issued by the Corporate Monitor of the Company appointed by the U.S. District Court for the Southern District of New York.

“ *Rights Agreement* ” means the rights agreement, dated as of April 20, 2004 between the Company and The Bank of New York, as rights agent.

“ *Securities Act* ” means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

“ *Software* ” means any and all computer software, including application software, system software and firmware, including all source code and object code versions thereof, in any and all forms and media, and all related documentation.

“ *Specified Included Liabilities* ” means, without duplication, all Bankruptcy Claims and Specified International Tax Liabilities.

“ *Specified Included Liabilities Amount* ” means, without duplication, the sum of (*x*) the Paid Specified Included Liabilities Amount and (*y*) the Final Remaining Specified Included Liabilities Amount.

“ *Specified International Tax Liabilities* ” means all liabilities (whether accrued, contingent, asserted or unasserted) in respect of any Tax imposed on or measured by income (including interest and penalties thereon) imposed by any Taxing Authority of any jurisdiction other than the United States or any political subdivision thereof with respect to any period or portion thereof ending on or prior to April 20, 2004.

“ *Subsidiary* ” when used with respect to any party means any corporation or other organization, whether incorporated or unincorporated, (*i*) of which such party or any other Subsidiary of such party is a general partner (excluding partnerships, the general partnership interests of which held by such party or any Subsidiary of such party do not have a majority of the voting interests in such partnership) or (*ii*) at least a majority of the securities or other interests of which having by their terms ordinary voting power to elect a majority of the Board of Directors or others performing similar functions with respect to such corporation or other organization is directly or indirectly owned or controlled by such party or by any one or more of its Subsidiaries, or by such party and one or more of its Subsidiaries.

“ *Tax* ” (and with the correlative meaning “ *Taxes* ”) shall mean (*A*) all federal, state, local or foreign net income, franchise, gross income, sales, use, ad valorem, property, gross receipts, license, capital stock, payroll, withholding, excise, severance, transfer, employment, alternative or add-on minimum, stamp, occupation, premium, environmental or windfall profits taxes, and other taxes or similar charges, fees, levies, imposts, customs, duties, licenses and other assessments, together with any interest and any penalties, additions to tax or additional amounts imposed by any taxing authority, (*B*) any liability for

payment of amounts described in clause (A) whether as a result of transferee liability, of being a member of an affiliated, consolidated, combined or unitary group for any period, transferor liability, successor liability or otherwise through operation of law, and

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(C) any liability for the payment of amounts described in clauses (A) or (B) as a result of any tax sharing, tax indemnity or tax allocation agreement or any other express or implied agreement to indemnify any other person.

“ *Taxing Authority* ” means, with respect to any Tax, the Governmental Entity that imposes such Tax, and the agency (if any) charged with the collection of such Tax for such Governmental Entity.

“ *Tax Return* ” means all federal, state, local and foreign tax returns, estimates, information statements and reports relating to Taxes.

“ *Trade Secrets* ” means all inventions (whether or not patentable), discoveries, processes, procedures, designs, formulae, trade secrets, know-how, Software, ideas, methods, research and development, data, databases, confidential information and other proprietary or non-public information and data.

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IN WITNESS WHEREOF, Parent, Merger Sub and the Company have caused this Agreement to be signed by their respective officers thereunto duly authorized, all as of the date first written above.

VERIZON COMMUNICATIONS INC.

By:

Name:

Title:

ELI ACQUISITION, LLC

By:

Name:

Title:

MCI, INC.

By:

Name:

Title:

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EXHIBIT A

FORM OF AFFILIATE AGREEMENT FOR AFFILIATES OF
MCI, INC.

Verizon Communications Inc.

1095 Avenue of the Americas

New York, New York 10036

Ladies and Gentlemen:

The undersigned is a holder of shares of common stock, par value \$0.01 per share, of MCI, Inc., a Delaware corporation (the “Company”), and is entitled to receive in connection with the Agreement and Plan of Merger, dated as of February 14, 2005 (the “Merger Agreement”), among Verizon Communications Inc., a Delaware corporation (“Parent”), MCI Acquisition, LLC, a Delaware limited liability company and a direct wholly owned subsidiary of Parent (“Merger Sub”), and the Company, and the transactions contemplated thereby (the “Merger Transactions”), common stock, par value \$0.10 per share, of Parent (“Parent Common Stock”).

The undersigned has been advised and understands that as of the date of this letter the undersigned may be deemed to be an “affiliate” of the Company, as the term “affiliate” is defined for purposes of paragraphs (c) and (d) of Rule 145 of the rules and regulations (the “Rules and Regulations”) of the Securities and Exchange Commission (the “Commission”) under the Securities Act of 1933, as amended (the “Act”).

The undersigned is entering into this Agreement as an inducement and consideration to Parent to enter into the Merger Agreement and to consummate the Merger Transactions.

1. The undersigned hereby represents, warrants and covenants to Parent that in the event the undersigned receives any Parent Common Stock as a result of the Merger Transactions:

a. The undersigned shall not make any offer, sale, pledge, transfer or other disposition of shares of Parent Common Stock in violation of the Act or the Rules and Regulations.

b. The undersigned has carefully read this letter and the Merger Agreement and discussed the requirements of such documents and other applicable limitations upon the undersigned’s ability to sell, transfer or otherwise dispose of Parent Common Stock, to the extent the undersigned felt necessary, with the undersigned’s counsel or counsel for the Company.

c. The undersigned has been advised that the issuance of Parent Common Stock to the undersigned pursuant to the Merger Transactions will be registered with the Commission under the Act on a Registration Statement on Form S-4. However, the undersigned has also been advised that, because at the time the Merger Transactions are submitted for a vote of the stockholders of the Company, (i) the undersigned may be deemed to be an affiliate of the Company and (ii) the distribution by the undersigned of Parent Common Stock has not been registered under the Act, the undersigned may not sell, transfer or otherwise dispose of the shares of Parent Common Stock issued to the undersigned in the Merger Transactions unless (A) such sale, transfer or other disposition is made in conformity with the volume and other limitations of Rule 145 promulgated by the Commission under the Act, (B) such sale, transfer or other disposition has been registered under the Act or (C) in the written opinion of counsel reasonably acceptable to Parent, or pursuant to a “no action” letter obtained by the undersigned from the staff of the

Commission, such sale, transfer or other disposition is otherwise exempt from registration under the Act.

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d. The undersigned understands that Parent is under no obligation to register the sale, transfer or other disposition of Parent Common Stock by the undersigned or on the undersigned's behalf under the Act or to take any other action necessary in order to make compliance with an exemption from such registration available.

e. The undersigned also understands that stop transfer instructions will be given to Parent's transfer agent with respect to Parent Common Stock issued to the undersigned in the Merger Transactions, and there will be placed on the respective certificates for such Parent Common Stock a legend stating in substance:

"THE SHARES REPRESENTED BY THIS CERTIFICATE WERE ISSUED IN A TRANSACTION TO WHICH RULE 145 PROMULGATED UNDER THE SECURITIES ACT 1933, AS AMENDED (THE "ACT"), APPLIES, AND MAY BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF ONLY IN COMPLIANCE WITH THE LIMITATIONS OF SUCH RULE 145, OR UPON RECEIPT BY VERIZON COMMUNICATIONS INC. OF AND IN ACCORDANCE WITH A WRITTEN OPINION OF COUNSEL REASONABLY SATISFACTORY TO IT IN FORM AND SUBSTANCE THAT SUCH SALE, TRANSFER OR OTHER DISPOSITION IS OTHERWISE EXEMPT FROM REGISTRATION UNDER THE ACT, PURSUANT TO A REGISTRATION STATEMENT UNDER THE ACT OR IN A MANNER IN CONFORMITY WITH AND AFTER RECEIPT OF A 'NO-ACTION' LETTER FROM THE SECURITIES AND EXCHANGE COMMISSION."

f. The undersigned also understands that Parent reserves the right to place, as applicable, on the certificates issued to the undersigned's transferee with respect to Parent Common Stock a legend stating in substance:

"THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AND WERE ACQUIRED FROM A PERSON WHO RECEIVED SUCH SHARES IN A TRANSACTION TO WHICH RULE 145 PROMULGATED UNDER THE SECURITIES ACT OF 1933 APPLIES. THE SHARES HAVE BEEN ACQUIRED BY THE HOLDER NOT WITH A VIEW TO, OR FOR RESALE IN CONNECTION WITH, ANY DISTRIBUTION THEREOF WITHIN THE MEANING OF THE SECURITIES ACT OF 1933 AND MAY NOT BE SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OF 1933."

g. It is understood and agreed that certificates with the legends set forth in paragraphs 1(e) and (f) above will, after surrender of such certificates, be substituted by delivery of certificates without such legends if (i) one year shall have elapsed from the date the undersigned acquired the Parent Common Stock, received in the Merger Transactions and the provisions of Rule 145(d)(2) are then available to the undersigned, (ii) two years shall have elapsed from the date the undersigned acquired the Parent Common Stock, received in the Merger Transactions and the provisions of Rule 145(d)(3) are then applicable to the undersigned, or (iii) Parent has received either a written opinion of counsel, which opinion and counsel shall be reasonably satisfactory to Parent, or a "no-action" letter obtained by the undersigned from the staff of the Commission, to the effect that the restrictions imposed by Rule 144 and Rule 145 under the Act no longer apply to the undersigned.

h. Execution of this letter shall not be considered an admission on the undersigned's part that the undersigned is an "affiliate" of the Company as described in the first paragraph of this letter, nor as a waiver of any rights the undersigned may have to object to any claim that the undersigned is such an affiliate.

3. This letter shall be governed by, and construed in accordance with, the laws of the State of New York without giving effect to its principles or rules of conflicts of laws to the extent such principles or rules would require the application of the law of another jurisdiction.

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Very truly yours,

Name:

Agreed and Accepted this day

of February, 2005, by

VERIZON COMMUNICATIONS INC.

By:

Name:

Title:

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Annex B

Opinion of Greenhill & Co., LLC

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Annex B

May 1, 2005

The Board of Directors

MCI, Inc.

22001 Loudoun County Parkway,

Ashburn, Virginia 20147

Members of the Board of Directors:

We understand that MCI, Inc. (the “Company”) proposes to enter into an Amendment to Agreement and Plan of Merger (the “Amendment”) that amends certain terms of the Agreement and Plan of Merger dated as of February 14, 2005, and as amended as of March 4, 2005 and March 29, 2005 (the “Original Amended Agreement” and, as amended by the Amendment, the “Agreement”), with Verizon Communications Inc. (“Parent”), and Eli Acquisition LLC, a wholly owned subsidiary of Parent (“Merger Sub”). Pursuant to the Agreement, among other things, the Company will be merged with and into Merger Sub (or another wholly owned subsidiary of Parent would be merged with and into the Company, on the terms set forth in the Agreement) and become a wholly owned subsidiary of Parent (the “Merger”). In the Merger, each outstanding share of common stock, par value \$0.01 per share, of the Company (the “Company Common Stock”) will be converted into the right to receive (A) a number of shares of common stock, par value \$0.10 per share, of Parent (the “Parent Common Stock”) equal to the greater of (i) 0.5743 of a share of Parent Common Stock and (ii) the quotient obtained by dividing \$20.40 by the Average Parent Stock Price (such ratio under (i) or (ii), as applicable, the “Exchange Ratio”) and (B) \$5.60, in cash, without interest (all or a portion of which may be paid in the form of a dividend (the “Dividend Payment”) by MCI prior to the effective time of the Merger) (such cash amount, whether paid pursuant to the Merger or in the Dividend Payment, the “Per Share Cash Amount”). Pursuant to the Agreement, (i) the “Average Parent Stock Price” is defined as the average of the volume weighted averages of the trading prices of Parent Common Stock, as such prices are reported on the NYSE Composite Transactions Tape, for the 20 trading days ending on the third trading day immediately preceding the effective time of the Merger and (ii) if the Exchange Ratio is greater than 0.5743, then Parent shall have the right, in its absolute discretion, to reduce the Exchange Ratio to an amount no less than 0.5743 and, in such case, the Per Share Cash Amount shall be increased by an amount (rounded to the nearest hundredth of a cent) equal to the product of (x) the amount by which Parent has reduced the Exchange Ratio and (y) the Average Parent Stock Price. The Exchange Ratio, as it may be reduced pursuant to the preceding sentence, and the Per Share Cash Amount, as it may be increased pursuant to the preceding sentence, are collectively referred to herein as the “Transaction Consideration.” We also understand that the Transaction Consideration will be subject to adjustment as provided in the Agreement based on the amount of certain specified liabilities of the Company (the “Specified Included Liabilities”) as set forth in the Agreement (the “Purchase Price Adjustment”). The terms and conditions of the Merger are more fully set forth in the Agreement.

You have requested our opinion as to the fairness, from a financial point of view, to the holders of the Company Common Stock of the Transaction Consideration to be issued and paid to such holders in connection with the Agreement.

In connection with this opinion, we have reviewed, among other things, (i) the Original Amended Agreement, (ii) the Amendment, (iii) certain publicly available business and financial information concerning the Company and Parent and the industries in which they operate, (iv) certain internal financial analyses, estimates and forecasts relating to the Company’s business and assets and liabilities prepared by

the management of the Company, including an estimate of the amount of the Specified Included Liabilities provided to us by management of the Company on March 29, 2005 (the “Estimated Specified Included Liabilities”) and assumptions as to tax rates applicable to the Company (collectively, the “Company Forecasts”), and the estimated amount and timing of certain cost savings and operating synergies projected by the managements of the Company and Parent to result from the Merger (the “Synergies”), (v) certain internal financial information

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and other data relating to Parent's business provided to us by the managements of the Company and Parent, (vi) certain publicly available financial forecasts relating to the business and financial prospects of the Company prepared by certain research analysts (the "Company Street Forecasts"), and (vii) certain publicly available financial forecasts relating to the business and financial prospects of Parent prepared by certain research analysts (the "Parent Street Forecasts"). We also have held discussions with members of the senior managements of the Company and Parent regarding their assessment of the strategic rationale for, and the potential benefits of, the Merger, the Dividend Payment and the other transactions contemplated by the Agreement, and the past and current business operations, financial condition and future prospects of the Company and Parent. In addition, we have reviewed the reported price and trading activity for the Company Common Stock and the Parent Common Stock, compared certain financial and stock market information for the Company and Parent with similar financial and stock market information for certain other companies the securities of which are publicly traded, reviewed the financial terms of certain recent business combinations and proposed business combinations we deemed relevant and performed such other studies and analyses, and considered such other factors, as we considered appropriate.

In giving our opinion, we have relied upon and assumed, without assuming responsibility or liability for independent verification, the accuracy and completeness of all of the financial, accounting, legal, tax and other information discussed with or reviewed by or for us, and have further relied upon the assurances of the Company and Parent that they are not aware of any facts or circumstances that would make such information inaccurate or misleading. We have not made any independent valuation or appraisal of any assets or liabilities (including any contingent, derivative or off-balance sheet assets and liabilities or the Specified Included Liabilities) of the Company, Parent or any of their respective subsidiaries or affiliates, nor have any such valuations or appraisals been provided to us. We have not independently evaluated the solvency of the Company or Parent or any of their respective subsidiaries or affiliates under any state or federal laws relating to bankruptcy, insolvency or similar matters. We have assumed for purposes of our opinion that the Company stockholders who acquire their shares of Company Common Stock after any part or all of the Dividend Payment is made, will have paid a price for such shares which has the same economic effect as if they had held such shares before such part or all of the Dividend Payment was made and received such payment. In relying on the financial analyses, estimates and forecasts provided to us, including the Synergies and the Company Forecasts, with your consent, we have assumed that they have been reasonably prepared based on assumptions reflecting the best currently available estimates and judgments by management as to the expected future results of the operations and financial condition of the Company and Parent (in the case of the Synergies) to which such analyses, estimates and forecasts relate and, with your consent, we have assumed that the Specified Included Liabilities will not exceed the Estimated Specified Included Liabilities. Parent has not provided internally prepared forecasts, analyses or estimates and has not commented on the Parent Street Forecasts or any other publicly available forecasts relating to the business and financial prospects of Parent. With your consent, we have assumed that the Parent Street Forecasts are a reasonable basis upon which to evaluate the business and financial prospects of Parent and used the Parent Street Forecasts for purposes of our analyses and this opinion. We express no view as to any such analyses, estimates or forecasts, including the Synergies, the Company Forecasts, the Company Street Forecasts, the Parent Street Forecasts and the Estimated Specified Included Liabilities, or the assumptions on which they were based. You have advised us, and we have assumed, that the transactions contemplated by the Agreement will be consummated in compliance with all applicable laws. We have relied as to all legal, including regulatory, bankruptcy and tax, matters relevant to rendering our

opinion upon advice of counsel for the Company. We have also assumed that the Merger and the other transactions contemplated by the Agreement will be consummated without waiver of any material terms or conditions set forth in the Agreement. We have further assumed that all material governmental, regulatory or other consents and approvals necessary for the consummation of the Merger and the other transactions contemplated by the Agreement will be obtained without any effect on the Company or Parent or on the contemplated benefits of the transactions contemplated by the Agreement in any way materially

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adverse to our analysis. You have also advised us, and we have assumed, that any third party contractual rights will not have any effect on Parent pro forma or on the contemplated benefits of the transactions contemplated by the Agreement in any way materially adverse to our analysis. We have also assumed, with your consent, that the Purchase Price Adjustment terms of the Agreement will not result in any adjustment to the Transaction Consideration in an amount greater than that described to us by management of the Company based on the Estimated Specified Included Liabilities.

Our opinion is necessarily based on economic, market, tax, legal and other conditions as in effect on, and the information made available to us as of, the date hereof. It should be understood that subsequent developments (including changes to the Transaction Consideration due to the Purchase Price Adjustment) may affect this opinion and that we do not have any obligation to update, revise, or reaffirm this opinion.

Our opinion is directed only to the fairness from a financial point of view, as of the date hereof, to the holders of the Company Common Stock of the Transaction Consideration to be issued and paid to such holders in connection with the Agreement, and does not address the underlying decision by the Company to engage in the Merger or any of the transactions related thereto. In addition, you have not asked us to address, and this opinion does not address, the fairness to, or any other consideration of, the holders of any class of securities, creditors or other constituencies of the Company, other than the holders of the Company Common Stock. We are expressing no opinion herein as to the prices at which the shares of Company Common Stock or Parent Common Stock will trade at any future time. We understand that the Company has engaged in strategic discussions with, and has received proposals for strategic transactions from, third parties. We are not expressing any opinion herein as to any transaction other than those contemplated by the Agreement, nor are we expressing any opinion as to the relative merits of or consideration offered in any such other transaction as compared to the transactions contemplated by the Agreement. Our advisory services and the opinion expressed herein are provided for the information and assistance of the Board of Directors of the Company in connection with its consideration of the transactions contemplated by the Agreement and such opinion does not constitute a recommendation as to how any holder of shares of Company Common Stock should vote with respect to the transactions contemplated by the Agreement.

We have acted as financial advisor to the Company in connection with the transactions contemplated by the Agreement and will receive a fee from the Company for our services, a significant portion of which is contingent upon the consummation of the Merger. In addition, the Company has agreed to indemnify us for certain liabilities arising out of our engagement.

Based upon and subject to the foregoing, it is our opinion that, as of the date hereof, the Transaction Consideration to be issued and paid to the holders of Company Common Stock in connection with the Agreement is fair from a financial point of view to such holders.

This letter is provided to the Board of Directors of the Company in connection with and for the purposes of its evaluation of the Merger and the Dividend Payment. This opinion may not be disclosed, referred to, or communicated (in whole or in part) to any third party for any purpose whatsoever except with our prior written approval; provided, however, that we hereby consent to the inclusion of this opinion as an appendix to the Proxy Statement / Prospectus relating to the Merger.

Very truly yours,

GREENHILL & CO., LLC

By: /s/ Robert F. Greenhill
Robert F. Greenhill

Chairman and Chief Executive Officer

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Annex C

Opinion of J.P. Morgan Securities Inc.

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Annex C

May 1, 2005

The Board of Directors

MCI, Inc.

22001 Loudoun County Parkway,

Ashburn, Virginia 20147

Members of the Board of Directors:

We understand that MCI, Inc. (the “Company”) proposes to enter into an Amendment to Agreement and Plan of Merger (the “Amendment”) that amends certain terms of the Agreement and Plan of Merger dated as of February 14, 2005, and as amended as of March 4, 2005 and March 29, 2005 (the “Original Amended Agreement” and, as amended by the Amendment, the “Agreement”), with Verizon Communications Inc. (“Parent”), and Eli Acquisition LLC, a wholly owned subsidiary of Parent (“Merger Sub”). Pursuant to the Agreement, among other things, the Company will be merged with and into Merger Sub (or another wholly owned subsidiary of Parent would be merged with and into the Company, on the terms set forth in the Agreement) and become a wholly owned subsidiary of Parent (the “Merger”). In the Merger, each outstanding share of common stock, par value \$0.01 per share, of the Company (the “Company Common Stock”) will be converted into the right to receive (A) a number of shares of common stock, par value \$0.10 per share, of Parent (the “Parent Common Stock”) equal to the greater of (i) 0.5743 of a share of Parent Common Stock and (ii) the quotient obtained by dividing \$20.40 by the Average Parent Stock Price (such ratio under (i) or (ii), as applicable, the “Exchange Ratio”) and (B) \$5.60, in cash, without interest (all or a portion of which may be paid in the form of a dividend (the “Dividend Payment”) by MCI prior to the effective time of the Merger) (such cash amount, whether paid pursuant to the Merger or in the Dividend Payment, the “Per Share Cash Amount”). Pursuant to the Agreement, (i) the “Average Parent Stock Price” is defined as the average of the volume weighted averages of the trading prices of Parent Common Stock, as such prices are reported on the NYSE Composite Transactions Tape, for the 20 trading days ending on the third trading day immediately preceding the effective time of the Merger and (ii) if the Exchange Ratio is greater than 0.5743, then Parent shall have the right, in its absolute discretion, to reduce the Exchange Ratio to an amount no less than 0.5743 and, in such case, the Per Share Cash Amount shall be increased by an amount (rounded to the nearest hundredth of a cent) equal to the product of (x) the amount by which Parent has reduced the Exchange Ratio and (y) the Average Parent Stock Price. The Exchange Ratio, as it may be reduced pursuant to the preceding sentence, and the Per Share Cash Amount, as it may be increased pursuant to the preceding sentence, are collectively referred to herein as the “Transaction Consideration.” We also understand that the Transaction Consideration will be subject to adjustment as provided in the Agreement based on the amount of certain specified liabilities of the Company (the “Specified Included Liabilities”) as set forth in the Agreement (the “Purchase Price Adjustment”). The terms and conditions of the Merger are more fully set forth in the Agreement.

You have requested our opinion as to the fairness, from a financial point of view, to the holders of the Company Common Stock of the Transaction Consideration to be issued and paid to such holders in connection with the Agreement.

In connection with this opinion, we have reviewed, among other things, (i) the Original Amended Agreement, (ii) the Amendment, (iii) certain publicly available business and financial information concerning the Company and Parent and the industries in which they operate, (iv) certain internal financial analyses, estimates and forecasts relating to the Company’s business and assets and liabilities prepared by

the management of the Company, including an estimate of the amount of the Specified Included Liabilities provided to us by management of the Company on March 29, 2005 (the “Estimated Specified Included Liabilities”) and assumptions as to tax rates applicable to the Company (collectively, the “Company Forecasts”), and the estimated amount and timing of certain cost savings and operating synergies projected by the managements of the Company and Parent to result from the Merger (the “Synergies”), (v) certain internal financial information

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In giving our opinion, we have relied upon and assumed, without assuming responsibility or liability for independent verification, the accuracy and completeness of all of the financial, accounting, legal, tax and other information discussed with or reviewed by or for us, and have further relied upon the assurances of the Company and Parent that they are not aware of any facts or circumstances that would make such information inaccurate or misleading. We have not made any independent valuation or appraisal of any assets or liabilities (including any contingent, derivative or off-balance sheet assets and liabilities or the Specified Included Liabilities) of the Company, Parent or any of their respective subsidiaries or affiliates, nor have any such valuations or appraisals been provided to us. We have not independently evaluated the solvency of the Company or Parent or any of their respective subsidiaries or affiliates under any state or federal laws relating to bankruptcy, insolvency or similar matters. We have assumed for purposes of our opinion that the Company stockholders who acquire their shares of Company Common Stock after any part or all of the Dividend Payment is made, will have paid a price for such shares which has the same economic effect as if they had held such shares before such part or all of the Dividend Payment was made and received such payment. In relying on the financial analyses, estimates and forecasts provided to us, including the Synergies and the Company Forecasts, with your consent, we have assumed that they have been reasonably prepared based on assumptions reflecting the best currently available estimates and judgments by management as to the expected future results of the operations and financial condition of the Company and Parent (in the case of the Synergies) to which such analyses, estimates and forecasts relate and, with your consent, we have assumed that the Specified Included Liabilities will not exceed the Estimated Specified Included Liabilities. Parent has not provided internally prepared forecasts, analyses or estimates and has not commented on the Parent Street Forecasts or any other publicly available forecasts relating to the business and financial prospects of Parent. With your consent, we have assumed that the Parent Street Forecasts are a reasonable basis upon which to evaluate the business and financial prospects of Parent and used the Parent Street Forecasts for purposes of our analyses and this opinion. We express no view as to any such analyses, estimates or forecasts, including the Synergies, the Company Forecasts, the Company Street Forecasts, the Parent Street Forecasts and the Estimated Specified Included Liabilities, or the assumptions on which they were based. You have advised us, and we have assumed, that the transactions contemplated by the Agreement will be consummated in compliance with all applicable laws. We have relied as to all legal, including regulatory, bankruptcy and tax, matters relevant to rendering our

opinion upon advice of counsel for the Company. We have also assumed that the Merger and the other transactions contemplated by the Agreement will be consummated without waiver of any material terms or conditions set forth in the Agreement. We have further assumed that all material governmental, regulatory or other consents and approvals necessary for the consummation of the Merger and the other transactions contemplated by the Agreement will be obtained without any effect on the Company or

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Parent or on the contemplated benefits of the transactions contemplated by the Agreement in any way materially adverse to our analysis. You have also advised us, and we have assumed, that any third party contractual rights will not have any effect on Parent pro forma or on the contemplated benefits of the transactions contemplated by the Agreement in any way materially adverse to our analysis. We have also assumed, with your consent, that the Purchase Price Adjustment terms of the Agreement will not result in any adjustment to the Transaction Consideration in an amount greater than that described to us by management of the Company based on the Estimated Specified Included Liabilities.

Our opinion is necessarily based on economic, market, tax, legal and other conditions as in effect on, and the information made available to us as of, the date hereof. It should be understood that subsequent developments (including changes to the Transaction Consideration due to the Purchase Price Adjustment) may affect this opinion and that we do not have any obligation to update, revise, or reaffirm this opinion.

Our opinion is directed only to the fairness from a financial point of view, as of the date hereof, to the holders of the Company Common Stock of the Transaction Consideration to be issued and paid to such holders in connection with the Agreement, and does not address the underlying decision by the Company to engage in the Merger or any of the transactions related thereto. In addition, you have not asked us to address, and this opinion does not address, the fairness to, or any other consideration of, the holders of any class of securities, creditors or other constituencies of the Company, other than the holders of the Company Common Stock. We are expressing no opinion herein as to the prices at which the shares of Company Common Stock or Parent Common Stock will trade at any future time. We understand that the Company has engaged in strategic discussions with, and has received proposals for strategic transactions from, third parties. We are not expressing any opinion herein as to any transaction other than those contemplated by the Agreement, nor are we expressing any opinion as to the relative merits of or consideration offered in any such other transaction as compared to the transactions contemplated by the Agreement. Our advisory services and the opinion expressed herein are provided for the information and assistance of the Board of Directors of the Company in connection with its consideration of the transactions contemplated by the Agreement and such opinion does not constitute a recommendation as to how any holder of shares of Company Common Stock should vote with respect to the transactions contemplated by the Agreement.

We have acted as financial advisor to the Company with respect to the transactions contemplated by the Agreement and will receive a fee from the Company for our services. We will also receive an additional fee if the proposed Merger is consummated. In addition, the Company has agreed to indemnify us for certain liabilities arising out of our engagement. We and our affiliates have performed in the past, and may perform in the future, a variety of investment banking and commercial banking services for each of the Company and Parent for which we have, and may, receive customary fees. Such services for the Company have included providing financial advisory services to the Company and acting as joint lead-arranger for the Company's debtor-in-possession credit facility and as lead managing underwriter for the offering by the Company's predecessor of preferred shares of News Corp. Such services for Parent have included providing financial advisory services to Parent, including in connection with its sale of its Canadian directories business, and acting as lead managing underwriter for certain offerings by Parent and its affiliates of their public debt securities, as agent for the Parent's refinancing and reduction of credit facilities and as a managing underwriter for the secondary offering by Parent of its shares in Telus Corp. In addition, our commercial bank affiliate is an agent bank and a significant lender under certain credit

facilities of each of the Company and Parent. In addition, in the ordinary course of our businesses, we and our affiliates may actively trade the debt and equity securities of the Company or Parent for our own account or for the accounts of customers and, accordingly, we may at any time hold long or short positions in such securities.

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Based upon and subject to the foregoing, it is our opinion that, as of the date hereof, the Transaction Consideration to be issued and paid to the holders of Company Common Stock in connection with the Agreement is fair from a financial point of view to such holders.

This letter is provided to the Board of Directors of the Company in connection with and for the purposes of its evaluation of the Merger and the Dividend Payment. This opinion may not be disclosed, referred to, or communicated (in whole or in part) to any third party for any purpose whatsoever except with our prior written approval; *provided , however* , that we hereby consent to the inclusion of this opinion as an appendix to the Proxy Statement / Prospectus relating to the Merger.

Very truly yours,

J.P. MORGAN SECURITIES INC.

/s/ J.P. Morgan Securities Inc.

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Annex D

Opinion of Lazard Frères & Co. LLC

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Annex D

May 1, 2005

The Board of Directors

MCI, Inc.

22001 Loudoun County Parkway,

Ashburn, Virginia 20147

Members of the Board of Directors:

We understand that MCI, Inc. (the “Company”) proposes to enter into an Amendment to Agreement and Plan of Merger (the “Amendment”) that amends certain terms of the Agreement and Plan of Merger dated as of February 14, 2005, and as amended as of March 4, 2005 and March 29, 2005 (the “Original Amended Agreement” and, as amended by the Amendment, the “Agreement”), with Verizon Communications Inc. (“Parent”), and Eli Acquisition LLC, a wholly owned subsidiary of Parent (“Merger Sub”). Pursuant to the Agreement, among other things, the Company will be merged with and into Merger Sub (or another wholly owned subsidiary of Parent would be merged with and into the Company, on the terms set forth in the Agreement) and become a wholly owned subsidiary of Parent (the “Merger”). In the Merger, each outstanding share of common stock, par value \$0.01 per share, of the Company (the “Company Common Stock”) will be converted into the right to receive (A) a number of shares of common stock, par value \$0.10 per share, of Parent (the “Parent Common Stock”) equal to the greater of (i) 0.5743 of a share of Parent Common Stock and (ii) the quotient obtained by dividing \$20.40 by the Average Parent Stock Price (such ratio under (i) or (ii), as applicable, the “Exchange Ratio”) and (B) \$5.60, in cash, without interest (all or a portion of which may be paid in the form of a dividend (the “Dividend Payment”) by MCI prior to the effective time of the Merger) (such cash amount, whether paid pursuant to the Merger or in the Dividend Payment, the “Per Share Cash Amount”). Pursuant to the Agreement, (i) the “Average Parent Stock Price” is defined as the average of the volume weighted averages of the trading prices of Parent Common Stock, as such prices are reported on the NYSE Composite Transactions Tape, for the 20 trading days ending on the third trading day immediately preceding the effective time of the Merger and (ii) if the Exchange Ratio is greater than 0.5743, then Parent shall have the right, in its absolute discretion, to reduce the Exchange Ratio to an amount no less than 0.5743 and, in such case, the Per Share Cash Amount shall be increased by an amount (rounded to the nearest hundredth of a cent) equal to the product of (x) the amount by which Parent has reduced the Exchange Ratio and (y) the Average Parent Stock Price. The Exchange Ratio, as it may be reduced pursuant to the preceding sentence, and the Per Share Cash Amount, as it may be increased pursuant to the preceding sentence, are collectively referred to herein as the “Transaction Consideration.” We also understand that the Transaction Consideration will be subject to adjustment as provided in the Agreement based on the amount of certain specified liabilities of the Company (the “Specified Included Liabilities”) as set forth in the Agreement (the “Purchase Price Adjustment”). The terms and conditions of the Merger are more fully set forth in the Agreement.

You have requested our opinion as to the fairness, from a financial point of view, to the holders of the Company Common Stock of the Transaction Consideration to be issued and paid to such holders in connection with the Agreement.

In connection with this opinion, we have reviewed, among other things, (i) the Original Amended Agreement, (ii) the Amendment, (iii) certain publicly available business and financial information concerning the Company and Parent and the industries in which they operate, (iv) certain internal financial analyses, estimates and forecasts relating to the Company’s business and assets and liabilities prepared by

the management of the Company, including an estimate of the amount of the Specified Included Liabilities provided to us by management of the Company on March 29, 2005 (the “Estimated Specified Included Liabilities”) and assumptions as to tax rates applicable to the Company (collectively, the “Company Forecasts”), and the estimated amount and timing of certain cost savings and operating synergies projected by the managements of

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the Company and Parent to result from the Merger (the “Synergies”), (v) certain internal financial information and other data relating to Parent’s business provided to us by the managements of the Company and Parent, (vi) certain publicly available financial forecasts relating to the business and financial prospects of the Company prepared by certain research analysts (the “Company Street Forecasts”), and (vii) certain publicly available financial forecasts relating to the business and financial prospects of Parent prepared by certain research analysts (the “Parent Street Forecasts”). We also have held discussions with members of the senior managements of the Company and Parent regarding their assessment of the strategic rationale for, and the potential benefits of, the Merger, the Dividend Payment and the other transactions contemplated by the Agreement, and the past and current business operations, financial condition and future prospects of the Company and Parent. In addition, we have reviewed the reported price and trading activity for the Company Common Stock and the Parent Common Stock, compared certain financial and stock market information for the Company and Parent with similar financial and stock market information for certain other companies the securities of which are publicly traded, reviewed the financial terms of certain recent business combinations and proposed business combinations we deemed relevant and performed such other studies and analyses, and considered such other factors, as we considered appropriate.

In giving our opinion, we have relied upon and assumed, without assuming responsibility or liability for independent verification, the accuracy and completeness of all of the financial, accounting, legal, tax and other information discussed with or reviewed by or for us, and have further relied upon the assurances of the Company and Parent that they are not aware of any facts or circumstances that would make such information inaccurate or misleading. We have not made any independent valuation or appraisal of any assets or liabilities (including any contingent, derivative or off-balance sheet assets and liabilities or the Specified Included Liabilities) of the Company, Parent or any of their respective subsidiaries or affiliates, nor have any such valuations or appraisals been provided to us. We have not independently evaluated the solvency of the Company or Parent or any of their respective subsidiaries or affiliates under any state or federal laws relating to bankruptcy, insolvency or similar matters. We have assumed for purposes of our opinion that the Company stockholders who acquire their shares of Company Common Stock after any part or all of the Dividend Payment is made, will have paid a price for such shares which has the same economic effect as if they had held such shares before such part or all of the Dividend Payment was made and received such payment. In relying on the financial analyses, estimates and forecasts provided to us, including the Synergies and the Company Forecasts, with your consent, we have assumed that they have been reasonably prepared based on assumptions reflecting the best currently available estimates and judgments by management as to the expected future results of the operations and financial condition of the Company and Parent (in the case of the Synergies) to which such analyses, estimates and forecasts relate and, with your consent, we have assumed that the Specified Included Liabilities will not exceed the Estimated Specified Included Liabilities. Parent has not provided internally prepared forecasts, analyses or estimates and has not commented on the Parent Street Forecasts or any other publicly available forecasts relating to the business and financial prospects of Parent. With your consent, we have assumed that the Parent Street Forecasts are a reasonable basis upon which to evaluate the business and financial prospects of Parent and used the Parent Street Forecasts for purposes of our analyses and this opinion. We express no view as to any such analyses, estimates or forecasts, including the Synergies, the Company Forecasts, the Company Street Forecasts, the Parent Street Forecasts and the Estimated Specified Included Liabilities, or the assumptions on which they were based. You have advised us, and we have assumed, that the transactions contemplated by the Agreement will be consummated in compliance with all applicable laws.

We have relied as to all legal, including regulatory, bankruptcy and tax, matters relevant to rendering our opinion upon advice of counsel for the Company. We have also assumed that the Merger and the other transactions contemplated by the Agreement will be consummated without waiver of any material terms or conditions set forth in the Agreement. We have further assumed that all

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material governmental, regulatory or other consents and approvals necessary for the consummation of the Merger and the other transactions contemplated by the Agreement will be obtained without any effect on the Company or Parent or on the contemplated benefits of the transactions contemplated by the Agreement in any way materially adverse to our analysis. You have also advised us, and we have assumed, that any third party contractual rights will not have any effect on Parent pro forma or on the contemplated benefits of the transactions contemplated by the Agreement in any way materially adverse to our analysis. We have also assumed, with your consent, that the Purchase Price Adjustment terms of the Agreement will not result in any adjustment to the Transaction Consideration in an amount greater than that described to us by management of the Company based on the Estimated Specified Included Liabilities.

Our opinion is necessarily based on economic, market, tax, legal and other conditions as in effect on, and the information made available to us as of, the date hereof. It should be understood that subsequent developments (including changes to the Transaction Consideration due to the Purchase Price Adjustment) may affect this opinion and that we do not have any obligation to update, revise, or reaffirm this opinion.

Our opinion is directed only to the fairness from a financial point of view, as of the date hereof, to the holders of the Company Common Stock of the Transaction Consideration to be issued and paid to such holders in connection with the Agreement, and does not address the underlying decision by the Company to engage in the Merger or any of the transactions related thereto. In addition, you have not asked us to address, and this opinion does not address, the fairness to, or any other consideration of, the holders of any class of securities, creditors or other constituencies of the Company, other than the holders of the Company Common Stock. We are expressing no opinion herein as to the prices at which the shares of Company Common Stock or Parent Common Stock will trade at any future time. We understand that the Company has engaged in strategic discussions with, and has received proposals for strategic transactions from, third parties. We are not expressing any opinion herein as to any transaction other than those contemplated by the Agreement, nor are we expressing any opinion as to the relative merits of or consideration offered in any such other transaction as compared to the transactions contemplated by the Agreement. Our advisory services and the opinion expressed herein are provided for the information and assistance of the Board of Directors of the Company in connection with its consideration of the transactions contemplated by the Agreement and such opinion does not constitute a recommendation as to how any holder of shares of Company Common Stock should vote with respect to the transactions contemplated by the Agreement.

Lazard Frères & Co. LLC is acting as investment banker to the Company in connection with the transactions contemplated by the Agreement and will receive a fee for our services, a substantial portion of which is contingent upon the consummation of the Merger. In addition, the Company has agreed to indemnify us for certain liabilities arising out of our engagement. We have in the past provided, and may in the future provide, investment banking services to the Company and Parent for which we have received and may receive customary fees. Lazard Frères & Co. LLC provides a full range of financial advisory and other services and, in the course of our business, may from time to time effect transactions and hold securities, including derivative securities, of the Company or Parent for our own account and for the accounts of clients and customers, and, accordingly, may hold a long or short position in such securities and may provide advisory and other services in the future.

Based upon and subject to the foregoing, it is our opinion that, as of the date hereof, the Transaction

Consideration to be issued and paid to the holders of Company Common Stock in connection with the Agreement is fair from a financial point of view to such holders.

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The Board of Directors

MCI, Inc.

May 1, 2005

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This letter is provided to the Board of Directors of the Company in connection with and for the purposes of its evaluation of the Merger and the Dividend Payment. This opinion may not be disclosed, referred to, or communicated (in whole or in part) to any third party for any purpose whatsoever except with our prior written approval; *provided , however* , that we hereby consent to the inclusion of this opinion as an appendix to the Proxy Statement / Prospectus relating to the Merger.

Very truly yours,

LAZARD FRÈRES & CO. LLC

By: /s/ Laurence Grafstein
 Laurence Grafstein

Managing Director

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Annex E

Delaware General Corporation Law, Section 262,

Appraisal Rights

DELAWARE GENERAL CORPORATION LAW

TITLE 8

CORPORATIONS

CHAPTER 1. GENERAL CORPORATION LAW

Subchapter IX. Merger, Consolidation or Conversion

§262 Appraisal rights.

(a) Any stockholder of a corporation of this State who holds shares of stock on the date of the making of a demand pursuant to subsection (d) of this section with respect to such shares, who continuously holds such shares through the effective date of the merger or consolidation, who has otherwise complied with subsection (d) of this section and who has neither voted in favor of the merger or consolidation nor consented thereto in writing pursuant to §228 of this title shall be entitled to an appraisal by the Court of Chancery of the fair value of the stockholder's shares of stock under the circumstances described in subsections (b) and (c) of this section. As used in this section, the word "stockholder" means a holder of record of stock in a stock corporation and also a member of record of a nonstock corporation; the words "stock" and "share" mean and include what is ordinarily meant by those words and also membership or membership interest of a member of a nonstock corporation; and the words "depository receipt" mean a receipt or other instrument issued by a depository representing an interest in one or more shares, or fractions thereof, solely of stock of a corporation, which stock is deposited with the depository.

(b) Appraisal rights shall be available for the shares of any class or series of stock of a constituent corporation in a merger or consolidation to be effected pursuant to §251 (other than a merger effected pursuant to §251(g) of this title), §252, §254, §257, §258, §263 or §264 of this title:

(1) Provided, however, that no appraisal rights under this section shall be available for the shares of any class or series of stock, which stock, or depository receipts in respect thereof, at the record date fixed to determine the stockholders entitled to receive notice of and to vote at the meeting of stockholders to act upon the agreement of merger or consolidation, were either (i) listed on a national securities exchange or designated as a national market system security on an interdealer quotation system by the National Association of Securities Dealers, Inc. or (ii) held of record by more than 2,000 holders; and further provided that no appraisal rights shall be available for any shares of stock of the constituent corporation surviving a merger if the merger did not require for its approval the vote of the stockholders of the surviving corporation as provided in subsection (f) of §251 of this title.

(2) Notwithstanding paragraph (1) of this subsection, appraisal rights under this section shall be available for the shares of any class or series of stock of a constituent corporation if the holders thereof are required by the terms of an agreement of merger or consolidation pursuant to §§251, 252, 254, 257, 258, 263 and 264 of this title to accept for such stock anything except:

a. Shares of stock of the corporation surviving or resulting from such merger or consolidation, or depository receipts in respect thereof;

b. Shares of stock of any other corporation, or depository receipts in respect thereof, which shares of stock (or depository receipts in respect thereof) or depository receipts at the effective date of the merger or consolidation will be either listed on a national securities exchange or designated as a national market

system security on an interdealer quotation system by the National Association of Securities Dealers, Inc. or held of record by more than 2,000 holders;

c. Cash in lieu of fractional shares or fractional depository receipts described in the foregoing subparagraphs a. and b. of this paragraph; or

d. Any combination of the shares of stock, depository receipts and cash in lieu of fractional shares or fractional depository receipts described in the foregoing subparagraphs a., b. and c. of this paragraph.

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(3) In the event all of the stock of a subsidiary Delaware corporation party to a merger effected under §253 of this title is not owned by the parent corporation immediately prior to the merger, appraisal rights shall be available for the shares of the subsidiary Delaware corporation.

(c) Any corporation may provide in its certificate of incorporation that appraisal rights under this section shall be available for the shares of any class or series of its stock as a result of an amendment to its certificate of incorporation, any merger or consolidation in which the corporation is a constituent corporation or the sale of all or substantially all of the assets of the corporation. If the certificate of incorporation contains such a provision, the procedures of this section, including those set forth in subsections (d) and (e) of this section, shall apply as nearly as is practicable.

(d) Appraisal rights shall be perfected as follows:

(1) If a proposed merger or consolidation for which appraisal rights are provided under this section is to be submitted for approval at a meeting of stockholders, the corporation, not less than 20 days prior to the meeting, shall notify each of its stockholders who was such on the record date for such meeting with respect to shares for which appraisal rights are available pursuant to subsection (b) or (c) hereof that appraisal rights are available for any or all of the shares of the constituent corporations, and shall include in such notice a copy of this section. Each stockholder electing to demand the appraisal of such stockholder's shares shall deliver to the corporation, before the taking of the vote on the merger or consolidation, a written demand for appraisal of such stockholder's shares. Such demand will be sufficient if it reasonably informs the corporation of the identity of the stockholder and that the stockholder intends thereby to demand the appraisal of such stockholder's shares. A proxy or vote against the merger or consolidation shall not constitute such a demand. A stockholder electing to take such action must do so by a separate written demand as herein provided. Within 10 days after the effective date of such merger or consolidation, the surviving or resulting corporation shall notify each stockholder of each constituent corporation who has complied with this subsection and has not voted in favor of or consented to the merger or consolidation of the date that the merger or consolidation has become effective; or

(2) If the merger or consolidation was approved pursuant to §228 or §253 of this title, then either a constituent corporation before the effective date of the merger or consolidation or the surviving or resulting corporation within 10 days thereafter shall notify each of the holders of any class or series of stock of such constituent corporation who are entitled to appraisal rights of the approval of the merger or consolidation and that appraisal rights are available for any or all shares of such class or series of stock of such constituent corporation, and shall include in such notice a copy of this section. Such notice may, and, if given on or after the effective date of the merger or consolidation, shall, also notify such stockholders of the effective date of the merger or consolidation. Any stockholder entitled to appraisal rights may, within 20 days after the date of mailing of such notice, demand in writing from the surviving or resulting corporation the appraisal of such holder's shares. Such demand will be sufficient if it reasonably informs the corporation of the identity of the stockholder and that the stockholder intends thereby to demand the appraisal of such holder's shares. If such notice did not notify stockholders of the effective date of the merger or consolidation, either (i) each such constituent corporation shall send a second notice before the effective date of the merger or consolidation notifying each of the holders of any class or series of stock of such constituent corporation that are entitled to appraisal rights of the effective date of the merger or consolidation or (ii) the surviving or resulting corporation shall send such a second notice to all such holders on or within 10 days after such effective date; provided, however, that if such second notice is sent more than 20 days following the sending of the first notice, such second notice need only be sent to each stockholder who is entitled to appraisal rights and who has demanded appraisal of such holder's shares in accordance with this subsection. An affidavit of the secretary or assistant secretary or of the transfer agent of the corporation that is required to give either notice that such notice has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein. For purposes of determining the stockholders entitled to receive either notice, each constituent corporation may fix, in advance, a record date that shall be

not more than 10 days prior to the date the notice is given, provided, that if the notice is given on or after the

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effective date of the merger or consolidation, the record date shall be such effective date. If no record date is fixed and the notice is given prior to the effective date, the record date shall be the close of business on the day next preceding the day on which the notice is given.

(e) Within 120 days after the effective date of the merger or consolidation, the surviving or resulting corporation or any stockholder who has complied with subsections (a) and (d) hereof and who is otherwise entitled to appraisal rights, may file a petition in the Court of Chancery demanding a determination of the value of the stock of all such stockholders. Notwithstanding the foregoing, at any time within 60 days after the effective date of the merger or consolidation, any stockholder shall have the right to withdraw such stockholder's demand for appraisal and to accept the terms offered upon the merger or consolidation. Within 120 days after the effective date of the merger or consolidation, any stockholder who has complied with the requirements of subsections (a) and (d) hereof, upon written request, shall be entitled to receive from the corporation surviving the merger or resulting from the consolidation a statement setting forth the aggregate number of shares not voted in favor of the merger or consolidation and with respect to which demands for appraisal have been received and the aggregate number of holders of such shares. Such written statement shall be mailed to the stockholder within 10 days after such stockholder's written request for such a statement is received by the surviving or resulting corporation or within 10 days after expiration of the period for delivery of demands for appraisal under subsection (d) hereof, whichever is later.

(f) Upon the filing of any such petition by a stockholder, service of a copy thereof shall be made upon the surviving or resulting corporation, which shall within 20 days after such service file in the office of the Register in Chancery in which the petition was filed a duly verified list containing the names and addresses of all stockholders who have demanded payment for their shares and with whom agreements as to the value of their shares have not been reached by the surviving or resulting corporation. If the petition shall be filed by the surviving or resulting corporation, the petition shall be accompanied by such a duly verified list. The Register in Chancery, if so ordered by the Court, shall give notice of the time and place fixed for the hearing of such petition by registered or certified mail to the surviving or resulting corporation and to the stockholders shown on the list at the addresses therein stated. Such notice shall also be given by 1 or more publications at least 1 week before the day of the hearing, in a newspaper of general circulation published in the City of Wilmington, Delaware or such publication as the Court deems advisable. The forms of the notices by mail and by publication shall be approved by the Court, and the costs thereof shall be borne by the surviving or resulting corporation.

(g) At the hearing on such petition, the Court shall determine the stockholders who have complied with this section and who have become entitled to appraisal rights. The Court may require the stockholders who have demanded an appraisal for their shares and who hold stock represented by certificates to submit their certificates of stock to the Register in Chancery for notation thereon of the pendency of the appraisal proceedings; and if any stockholder fails to comply with such direction, the Court may dismiss the proceedings as to such stockholder.

(h) After determining the stockholders entitled to an appraisal, the Court shall appraise the shares, determining their fair value exclusive of any element of value arising from the accomplishment or expectation of the merger or consolidation, together with a fair rate of interest, if any, to be paid upon the amount determined to be the fair value. In determining such fair value, the Court shall take into account all relevant factors. In determining the fair rate of interest, the Court may consider all relevant factors, including the rate of interest which the surviving or resulting corporation would have had to pay to borrow money during the pendency of the proceeding. Upon application by the surviving or resulting corporation or by any stockholder entitled to participate in the appraisal proceeding, the Court may, in its discretion, permit discovery or other pretrial proceedings and may proceed to trial upon the appraisal prior to the final determination of the stockholder entitled to an appraisal. Any stockholder whose name appears on the list filed by the surviving or resulting corporation pursuant to subsection (f) of this section and who has submitted such stockholder's certificates of stock to the Register in Chancery, if such is required, may

participate fully in all proceedings until it is finally determined that such stockholder is not entitled to appraisal rights under this section.

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(i) The Court shall direct the payment of the fair value of the shares, together with interest, if any, by the surviving or resulting corporation to the stockholders entitled thereto. Interest may be simple or compound, as the Court may direct. Payment shall be so made to each such stockholder, in the case of holders of uncertificated stock forthwith, and the case of holders of shares represented by certificates upon the surrender to the corporation of the certificates representing such stock. The Court's decree may be enforced as other decrees in the Court of Chancery may be enforced, whether such surviving or resulting corporation be a corporation of this State or of any state.

(j) The costs of the proceeding may be determined by the Court and taxed upon the parties as the Court deems equitable in the circumstances. Upon application of a stockholder, the Court may order all or a portion of the expenses incurred by any stockholder in connection with the appraisal proceeding, including, without limitation, reasonable attorney's fees and the fees and expenses of experts, to be charged pro rata against the value of all the shares entitled to an appraisal.

(k) From and after the effective date of the merger or consolidation, no stockholder who has demanded appraisal rights as provided in subsection (d) of this section shall be entitled to vote such stock for any purpose or to receive payment of dividends or other distributions on the stock (except dividends or other distributions payable to stockholders of record at a date which is prior to the effective date of the merger or consolidation); provided, however, that if no petition for an appraisal shall be filed within the time provided in subsection (e) of this section, or if such stockholder shall deliver to the surviving or resulting corporation a written withdrawal of such stockholder's demand for an appraisal and an acceptance of the merger or consolidation, either within 60 days after the effective date of the merger or consolidation as provided in subsection (e) of this section or thereafter with the written approval of the corporation, then the right of such stockholder to an appraisal shall cease. Notwithstanding the foregoing, no appraisal proceeding in the Court of Chancery shall be dismissed as to any stockholder without the approval of the Court, and such approval may be conditioned upon such terms as the Court deems just.

(l) The shares of the surviving or resulting corporation to which the shares of such objecting stockholders would have been converted had they assented to the merger or consolidation shall have the status of authorized and unissued shares of the surviving or resulting corporation.

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 20. Indemnification of Directors and Officers

Section 145 of the Delaware General Corporation Law permits a corporation to indemnify officers and directors for actions taken in good faith and in a manner they reasonably believed to be in, or not opposed to, the best interests of the corporation, and with respect to any criminal action, which they had no reasonable cause to believe was unlawful.

As permitted by the Delaware General Corporation Law, Verizon's restated certificate of incorporation provides that Verizon will indemnify certain representatives against reasonable expenses, judgments, fines and amounts paid in settlement actually incurred by the representative in connection with a proceeding to which the indemnified person was a party because he or she was or is an authorized representative of Verizon.

Verizon's restated certificate of incorporation permits the advancement of expenses to an indemnified party, subject to Verizon's right to recover the advanced amount under certain circumstances.

MCI's certificate of incorporation provides that MCI will indemnify, to the full extent permitted by law, any director, and will have the power to indemnify any officer or employee who is not a director, against expenses, (including attorneys' fees), judgments, fines and amount paid in settlement actually and reasonably incurred in connection with a proceeding to which the indemnified person was a party because he or she is or was a director, officer or, or is or was serving at the request of MCI as a director, officer or employee of another enterprise. In the case of any criminal action or proceeding, MCI will not have an indemnification obligation if it has reasonable cause to believe the person's conduct was unlawful.

If an MCI officer or employee who is not a director has been successful on the merits or otherwise in defense of any proceeding referred to above, or in defense of any claim, issue or matter therein, the officer or employee will be indemnified against expenses (including attorneys' fees) actually and reasonably incurred.

Verizon maintains liability insurance for the benefit of the directors and officers against certain liabilities which might be incurred by them in such capacities and against which they cannot be indemnified by Verizon. See also the undertakings set out in response to Item 22.

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Item 21. Exhibits and Financial Statement Schedules

The following Exhibits are filed as part of, or are incorporated by reference in, this Registration Statement:

Exhibit No.	Description
2.1	Agreement and Plan of Merger, dated as of February 14, 2005, among Verizon Communications Inc., Eli Acquisition, LLC and MCI, Inc. (incorporated by reference to Exhibit 2.1 to Verizon's Form 8-K filed on February 17, 2005).
2.2	Letter Agreement, dated as of March 4, 2005, amending the Agreement and Plan of Merger, dated as of February 14, 2005, among Verizon Communications Inc., Eli Acquisition, LLC and MCI, Inc. (incorporated by reference to Exhibit 2.1 to Verizon's Form 8-K filed on March 9, 2005).
2.3	Amendment to Agreement and Plan of Merger, dated as of March 29, 2005, among Verizon Communications Inc., Eli Acquisition, LLC and MCI, Inc. (incorporated by reference to Exhibit 2.1 to Verizon's Form 8-K filed on March 29, 2005).
2.4	Amendment to Agreement and Plan of Merger, dated as of May 1, 2005, among Verizon Communications, Inc., Eli Acquisition, LLC and MCI, Inc. (incorporated by reference to Exhibit 2.1 to Verizon's Form 8-K filed on May 2, 2005).
5.1	Form of Opinion of Verizon's Executive Vice President and General Counsel as to the validity of the securities being registered.
8.1*	Opinion of Debevoise & Plimpton LLP as to certain tax matters.
8.2*	Opinion of Davis Polk & Wardwell as to certain tax matters.
23.1*	Consent of Verizon's Executive Vice President and General Counsel as to the validity of the securities being registered (included in Exhibit 5.1 hereto).
23.2*	Consent of Debevoise & Plimpton LLP (included in Exhibit 8.1 hereto).
23.3*	Consent of Davis Polk & Wardwell (included in Exhibit 8.2 hereto).
23.4	Consent of Ernst & Young LLP, an independent registered public accounting firm.
23.5	Consent of KPMG LLP, an independent registered public accounting firm.
23.6	Consent of Deloitte Touche Tohmatsu Auditores Independentes, an independent registered public accounting firm.
24.1	Powers of Attorney (included on signature page of this Registration Statement).
99.1	Form of MCI Proxy Card.
99.2	Consent of Greenhill & Co., LLC.
99.3	Consent of J.P. Morgan Securities Inc.
99.4	Consent of Lazard Frères & Co. LLC.

* To be filed by amendment

Item 22. Undertakings

(a) The undersigned registrant hereby undertakes as follows:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

a. To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

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b. To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

c. To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof; and

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(c) The undersigned registrant hereby undertakes as follows: that prior to any public reoffering of the securities registered hereunder through use of a prospectus which is a part of this registration statement, by any person or party who is deemed to be an underwriter within the meaning of Rule 145(c), the undersigned undertakes that such reoffering prospectus will contain the information called for by the applicable registration form with respect to reofferings by persons who may be deemed underwriters, in addition to the information called for by the other Items of the applicable form.

(d) The registrant undertakes that every prospectus: (i) that is filed pursuant to paragraph (c) immediately preceding, or (ii) that purports to meet the requirements of Section 10(a) (3) of the Act and is used in connection with an offering of securities subject to Rule 415, will be filed as a part of an amendment to the registration statement and will not be used until such amendment is effective, and that, for purposes of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(e) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by

controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

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(f) The undersigned registrant hereby undertakes to respond to requests for information that is incorporated by reference into the prospectus pursuant to Items 4, 10(b), 11 or 13 of this form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

(g) The undersigned registrant hereby undertakes to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

(h) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the registrant's annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in this registration statement shall be deemed to be a new registration statement relating to the securities offered herein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Pre-Effective Amendment No. 2 to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in The City of New York, State of New York on the 1st day of June, 2005.

VERIZON COMMUNICATIONS INC.

By: /s/ David H. Benson
Name: David H. Benson
Title: Senior Vice President and
Controller

POWER OF ATTORNEY

Each person whose signature appears below constitutes and hereby appoints Ivan G. Seidenberg, Doreen A. Toben, David H. Benson and Thomas A. Bartlett, and each of them, his or her true and lawful attorneys-in-fact and agents with full power of substitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign this Pre-Effective Amendment No. 2 to the Registration Statement and any and all amendments, including post-effective amendments, to this Pre-Effective Amendment No. 2 to the Registration Statement, and to file the same, with all exhibits thereto and all documents in connection therewith, making such changes in this Pre-Effective Amendment No. 2 to the Registration Statement as such person or persons so acting deems appropriate, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or his, her or their substitute or substitutes, may lawfully do or cause to be done or by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Pre-Effective Amendment No. 2 to the Registration Statement has been signed by the following persons in the capacities indicated and on this 1st day of June, 2005.

Ivan G. Seidenberg	*
Chairman of the Board and Chief Executive Officer	
James R. Barker	*
Director	
Richard L. Carrión	*
Director	
Robert W. Lane	*

Director

*

Sandra O. Moose

Director

*

Joseph Neubauer

Director

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Thomas H. O'Brien	*
Director	
Hugh B. Price	*
Director	
Walter V. Shipley	*
Director	
John R. Stafford	*
Director	
Robert D. Storey	*
Director	
Doreen A. Toben	*
Executive Vice President and Chief Financial Officer	
/s/ David H. Benson	
David H. Benson	
Senior Vice President and Controller	

/s/ David H. Benson
*David H. Benson, Attorney-in-fact

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EXHIBIT INDEX

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2.3	Amendment to Agreement and Plan of Merger, dated as of March 29, 2005, among Verizon Communications Inc., Eli Acquisition, LLC and MCI, Inc. (incorporated by reference to Exhibit 2.1 to Verizon's Form 8-K filed on March 29, 2005).
2.4	Amendment to Agreement and Plan of Merger, dated as of May 1, 2005, among Verizon Communications, Inc., Eli Acquisition, LLC and MCI, Inc. (incorporated by reference to Exhibit 2.1 to Verizon's Form 8-K filed on May 2, 2005).
5.1	Form of Opinion of Verizon's Executive Vice President and General Counsel as to the validity of the securities being registered.
8.1*	Opinion of Debevoise & Plimpton LLP as to certain tax matters.
8.2*	Opinion of Davis Polk & Wardwell as to certain tax matters.
23.1*	Consent of Verizon's Executive Vice President and General Counsel as to the validity of the securities being registered (included in Exhibit 5.1 hereto).
23.2*	Consent of Debevoise & Plimpton LLP (included in Exhibit 8.1 hereto).
23.3*	Consent of Davis Polk & Wardwell (included in Exhibit 8.2 hereto).
23.4	Consent of Ernst & Young LLP, an independent registered public accounting firm.
23.5	Consent of KPMG LLP, an independent registered public accounting firm.
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99.4	Consent of Lazard Frères & Co. LLC.

* To be filed by amendment

FORM OF OPINION OF VERIZON'S EXECUTIVE VICE
PRESIDENT AND GENERAL COUNSEL

[Date]

Verizon Communications Inc.

1095 Avenue of the Americas

New York, New York 10036

Re: Registration Statement on Form S-4 of Verizon Communications Inc.

(Registration No. 333-124008)

Ladies and Gentlemen:

I and other members of my staff have acted as counsel to Verizon Communications Inc., a Delaware corporation (the "Registrant"), in connection with the preparation and filing of the Registration Statement on Form S-4 (File No. 333-124008) (as amended to the date hereof, the "Registration Statement") filed by the Registrant with the Securities and Exchange Commission (the "Commission") pursuant to the Securities Act of 1933, as amended (the "Act"), relating to the Registrant's issuance of up to 186,784,491 shares of the Registrant's common stock, par value \$0.10 per share (the "Shares"), upon consummation of the merger of MCI, Inc., a Delaware corporation (the "Company"), with and into Eli Acquisition, LLC, a Delaware limited liability company and direct, wholly owned subsidiary of the Registrant ("Merger Sub"), pursuant to 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, by and among the Registrant, the Company and Merger Sub (the "Merger Agreement").

In so acting, I and other members of my staff have examined the originals or certified, conformed or reproduction copies of such agreements, instruments, documents, records and certificates of the Registrant, such certificates of public officials and such other documents, and have made such investigations of law, as I have deemed necessary or appropriate for the purposes of the opinions expressed below. In all such examinations, I have assumed without independent investigation or inquiry the legal capacity of all natural persons executing documents, the genuineness of all signatures on original or certified copies, the authenticity of all original or certified copies and the conformity to original or certified documents of all copies submitted to me as conformed or reproduction copies. I have assumed the accuracy of the statements made in the certificates and other statements or information of or from public officials.

Based on the foregoing, and subject to the further qualifications set forth below, I am of the opinion that the Shares to be issued by the Registrant pursuant to the Merger

Agreement have been duly authorized, and that, when the Registration Statement has become effective under the Act and the Shares have been issued and delivered in accordance with the Merger Agreement, the Shares will be validly issued, fully paid and non-assessable.

The opinions expressed herein are limited to the General Corporation Law of the State of Delaware, including the applicable provisions of the Delaware Constitution and the reported cases interpreting those laws, as currently in effect, and I do not express any opinion herein concerning any other laws.

I hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the reference to my name under the caption "Legal Matters" in the proxy statement and prospectus forming a part thereof. In giving such consent, I do not thereby concede that I am within the category of persons whose consent is required under Section 7 of the Act or the rules and regulations of the Commission thereunder.

Very truly yours,

William P. Barr

Executive Vice President and General Counsel

2

EXHIBIT 23.4

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the reference to our firm under the caption "Experts" in Pre-Effective Amendment No. 2 to the Registration Statement on Form S-4 (No. 333-124008) and related Prospectus of Verizon Communications Inc. (Verizon) and to the incorporation by reference therein of our reports dated February 22, 2005, with respect to the consolidated financial statements of Verizon, Verizon management's assessment of the effectiveness of internal control over financial reporting, and the effectiveness of internal control over financial reporting of Verizon, incorporated by reference in its Annual Report (Form 10-K) for the year ended December 31, 2004, and the related financial statement schedule of Verizon included therein, filed with the Securities and Exchange Commission.

/s/ Ernst & Young LLP
Ernst & Young LLP
New York, New York
May 26, 2005

EXHIBIT 23.5

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors

MCI, Inc.

We consent to the use of our report dated March 15, 2005, except for paragraph 8 of Note 22, as to which the date is May 23, 2005, with respect to the consolidated balance sheets of MCI, Inc. and subsidiaries as of December 31, 2004 and 2003 (Successor Company), and the related consolidated statements of operations, shareholders' equity (deficit) and comprehensive (loss) income, and cash flows for the years ended December 31, 2004 (Successor Company), 2003 and 2002 (Predecessor Company) (collectively, the

Company), and our report dated March 15, 2005 with respect to management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2004 and the effectiveness of internal control over financial reporting as of December 31, 2004, incorporated by reference in the Pre-Effective Amendment No. 2 to Registration Statement on Form S-4 and related Prospectus of Verizon Communications Inc. and to the reference to our firm under the heading "Experts" in the Registration Statement and related Prospectus.

Our report dated March 15, 2005, except for paragraph 8 of Note 22, as to which the date is May 23, 2005, with respect to the consolidated financial statements discussed above, is qualified due to the omission of earnings per share disclosures as required by Statement of Financial Accounting Standard ("SFAS") No. 128, *Earnings Per Share* for the years ended December 31, 2003 and 2002 (Predecessor). Our report also contains explanatory paragraphs that describe: the Company's filing for reorganization under Chapter 11 of the United States Bankruptcy Code discussed in Note 5 to the consolidated financial statements and the Company's adoption of fresh-start reporting pursuant to the American Institute of Certified Public Accountants Statement of Position 90-7, *Financial Reporting by Entities in Reorganization Under the Bankruptcy Code*, as of December 31, 2003 as further described in Note 4 to the consolidated financial statements. As a result, the consolidated financial statements of the Successor Company are presented on a different basis than those of the Predecessor Company and, therefore, are not comparable in all respects. In addition, our report indicates that the Company adopted new accounting pronouncements as discussed in Note 2 to the consolidated financial statements as follows: in 2003, SFAS No. 143, *Accounting for Asset Retirement Obligations*; in 2002, SFAS No. 142, *Goodwill and Other Intangible Assets* and SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*.

Our report dated March 15, 2005, on management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting as of December 31, 2004, expresses our opinion that the Company did not maintain effective internal control over financial reporting as of December 31, 2004 because of the effect of a material weakness on the achievement of the objectives of the control criteria and contains an explanatory paragraph that states that a material weakness has been identified and included in management's assessment related to its internal control over accounting for income taxes due to a lack of personnel with adequate expertise in income tax accounting matters, a lack of documentation, insufficient historical analysis and ineffective reconciliation procedures. Because of these deficiencies, there is more than a remote likelihood that a material misstatement in the Company's annual or interim financial statements due to errors in accounting for income taxes could occur and not be prevented or detected by its internal control over financial reporting.

/s/ KPMG LLP

McLean, Virginia

May 25, 2005

EXHIBIT 23.6

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Pre-Effective Amendment No. 2 to the Registration Statement on Form S-4 of our report relating to the financial statements of Embratel Participações S.A. dated March 17, 2004 (except with respect to the matters discussed in Note 30 and 31, as to which the date is May 21, 2004), appearing in the Current Report on Form 8-K of MCI Inc.

/s/ Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Auditores Independentes

Rio de Janeiro, Brazil

May 25, 2005

EXHIBIT 99.1

[MCI LOGO]

PRELIMINARY PROXY SUBJECT TO COMPLETION

DATED JUNE 2, 2005

PROXY

SPECIAL MEETING OF STOCKHOLDERS

[DATE]

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby with respect to all shares of common stock of MCI, Inc. (the "Company") which the undersigned may be entitled to vote, constitutes and appoints Anastasia D. Kelly and Jennifer C. McGarey, and each of them, with full power of substitution, the true and lawful attorneys-in-fact, agents and proxies of the undersigned to vote at the Special Meeting of Stockholders of the Company, to be held on [], 2005, commencing at [] local time, at [_____], and at any and all adjournments or postponements thereof, according to the number of votes which the undersigned would possess if personally present, for the purposes of considering and taking action upon the matters listed below, as more fully set forth in the Proxy Statement and Prospectus of the Company dated [], 2005, receipt of which is hereby acknowledged.

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED. IF NO INSTRUCTION IS GIVEN, THIS PROXY WILL BE VOTED FOR THE PROPOSALS.

MCI, Inc.

22001 Londonn County Parkway

Ashburn, Virginia 20147

(Continued, and to be signed and dated on the reverse side.)

[MCI LOGO]

VOTE BY INTERNET OR TELEPHONE

24 HOURS A DAY - 7 DAYS A WEEK

SAVE YOUR COMPANY MONEY - IT'S FAST AND CONVENIENT

INTERNET

- []
- * Go to the website address listed above.
 - * Have your proxy ready.
 - * Enter your Control Number located in the box below.
 - * Follow the simple instructions on the web site.

TELEPHONE
 R

- []
- * Use any touch-tone telephone.
 - * Have your proxy ready.
 - * Enter your Control Number located in the box below.
 - * Follow the simple recorded instructions.

MAIL
 R

- []
- * Mark, sign and date your proxy card.
 - * Detach your proxy.
 - * Return your proxy in the postage-paid envelope provided.

Proxy Statement/Prospectus is available on MCI Web site:

http://global.mci.com/about/investor_relations/reports/

Your telephone or Internet vote authorizes the named proxies to vote your shares in the same manner as if you marked, signed and returned your proxy card. The law of Delaware, under which MCI is incorporated, specifically permits electronically transmitted proxies, provided that each proxy contains or is submitted with information from which the inspectors of election can determine that it was authorized by the stockholder. If you have submitted your proxy by the Internet or telephone, there is no need for you to mail back your proxy card.

CONTROL NUMBER FOR

TELEPHONE OR INTERNET VOTING

(down arrow)

DETACH PROXY HERE

(down arrow)

SIGN, DATE AND RETURN THE
PROXY PROMPTLY USING THE
ENCLOSED ENVELOPE

Votes MUST be indicated (x)
in Black or Blue ink "

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" PROPOSALS 1, 2 AND 3.

1. Adopt and approve the Agreement and Plan of Merger, dated as of February 14, 2005, among Verizon Communications Inc., Eli Acquisition, LLC and MCI, Inc., as amended as of March 4, 2005 and March 29, 2005, and as may be amended from time to time.

For " Against " Abstain "

2. In their discretion with respect to such other business unknown a reasonable time before the date of the proxy statement and prospectus as properly may come before the meeting or any adjournments or postponements thereof.

For " Against " Abstain "

3. In their discretion with respect to a postponement or adjournment to permit further solicitation of proxies for the merger.

For " Against " Abstain "

Please sign exactly as name(s) appear on this proxy.

When shares are held by joint tenants, both should sign. When signing as attorney-in-fact, executor, administrator, personal representative, trustee or guardian, please give full title as such. If a corporation, please sign by an authorized officer, with title and full corporate name. If a partnership, please sign in partnership name by authorized person.

DATED _____, 2005

Signature of shareholder or
authorized officer or representative

Signature (if held jointly)

Title/Authority
Address Change and or Comments Mark Here ..
If You Have Comments Mark Here ..

Exhibit 99.2

CONSENT OF GREENHILL & CO., LLC

We hereby consent to (i) the use of our opinion letter, dated May 1, 2005, to the Board of Directors of MCI, Inc. (the "Company") included as Annex B to the Joint Proxy Statement/Prospectus which forms a part of Amendment No. 2 to the Registration Statement on Form S-4 relating to the proposed merger between the Company and a wholly owned subsidiary of Verizon Communications Inc., and (ii) the references to such opinion in such Joint Proxy Statement/Prospectus. Notwithstanding the foregoing, it is understood that our consent is being delivered solely in connection with the filing of the aforementioned Pre-Effective Amendment No. 2 to the Registration Statement. In giving such consent, we do not admit and we hereby disclaim that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, as amended, or the rules and regulations of the Securities and Exchange Commission thereunder, nor do we hereby admit that we are experts with respect to any part of such Registration Statement within the meaning of the term "experts" as used in the Securities Act of 1933, as amended, or the rules and regulations of the Securities and Exchange Commission thereunder.

GREENHILL & CO., LLC

By: /s/ Robert F. Greenhill
Name: Robert F. Greenhill

Title: Chairman and Chief Executive
Officer

June 1, 2005

Exhibit 99.3

CONSENT OF J.P. MORGAN SECURITIES INC.

We hereby consent to (i) the use of our opinion letter, dated May 1, 2005, to the Board of Directors of MCI, Inc. (the "Company") included as Annex C to the Joint Proxy Statement/Prospectus which forms a part of Amendment No. 2 to the Registration Statement on Form S-4 relating to the proposed merger between the Company and a wholly owned subsidiary of Verizon Communications Inc., and (ii) the references to such opinion in such Joint Proxy Statement/Prospectus. Notwithstanding the foregoing, it is understood that our consent is being delivered solely in connection with the filing of the aforementioned Pre-Effective Amendment No. 2 to the Registration Statement. In giving such consent, we do not admit and we hereby disclaim that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, as amended, or the rules and regulations of the Securities and Exchange Commission thereunder, nor do we hereby admit that we are experts with respect to any part of such Registration Statement within the meaning of the term "experts" as used in the Securities Act of 1933, as amended, or the rules and regulations of the Securities and Exchange Commission thereunder.

J.P. MORGAN SECURITIES INC.

By: /s/ Shane Wallace
Name: Shane Wallace

Title: Managing Director

June 1, 2005

Exhibit 99.4

CONSENT OF LAZARD FRÈRES & CO. LLC

We hereby consent to (i) the use of our opinion letter, dated May 1, 2005, to the Board of Directors of MCI, Inc. (the "Company") included as Annex D to the Joint Proxy Statement/Prospectus which forms a part of Amendment No. 2 to the Registration Statement on Form S-4 relating to the proposed merger between the Company and a wholly owned subsidiary of Verizon Communications Inc., and (ii) the references to such opinion in such Joint Proxy Statement/Prospectus. Notwithstanding the foregoing, it is understood that our consent is being delivered solely in connection with the filing of the aforementioned Pre-Effective Amendment No. 2 to the Registration Statement. In giving such consent, we do not admit and we hereby disclaim that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, as amended, or the rules and regulations of the Securities and Exchange Commission thereunder, nor do we hereby admit that we are experts with respect to any part of such Registration Statement within the meaning of the term "experts" as used in the Securities Act of 1933, as amended, or the rules and regulations of the Securities and Exchange Commission thereunder.

LAZARD FRÈRES & CO. LLC

By: /s/ Laurence Grafstein
Name: Laurence Grafstein

Title: Managing Director

June 1, 2005

End of Filing