

VERIZON COMMUNICATIONS INC
Form S-4/A
June 02, 2005
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As filed with the Securities and Exchange Commission on June 2, 2005

Registration No. 333-124008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

PRE-EFFECTIVE AMENDMENT NO. 2
TO
FORM S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Verizon Communications Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction
of incorporation)

4813
(Primary Standard Industrial
Classification Code Number)
1095 Avenue of the Americas
New York, New York 10036

23-2259884
(I.R.S. Employer
Identification Number)

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(212) 395-2121

(Address, including Zip Code, and Telephone Number, including Area Code, of Registrant's Principal Executive Offices)

Marianne Drost, Esq.

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

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

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

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

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

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

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

SPECIAL MEETING OF STOCKHOLDERS OF MCI, INC.

[], 2005

Dear MCI Stockholder:

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

When the merger closes you will receive merger consideration worth at least \$20.40 per share. This amount may be increased by up to \$5.60 per share to the extent a special cash dividend has not been previously paid in full. The amount may be decreased if there is an adjustment based on the amounts required to satisfy certain liabilities. More particularly:

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

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

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

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

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

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

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

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

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

The accompanying document describes the special meeting of MCI stockholders, the merger, the documents related to the merger and other related matters. **Please read this entire document carefully, including the section discussing risk factors beginning on page 23 for a discussion of the risks related to the merger.** You can also obtain information about MCI and Verizon from documents that each company has filed with the SEC.

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

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

Sincerely,

Michael D. Capellas

Chief Executive Officer

MCI, Inc.

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

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

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

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MCI, INC.

22001 Loudoun County Parkway

Ashburn, Virginia 20147

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

To Be Held On [], 2005

To the Stockholders of MCI, Inc.:

NOTICE IS HEREBY GIVEN that the special meeting of stockholders of MCI, Inc., a Delaware corporation, will be held at [] on [], 2005, at [], Eastern Daylight Time, to consider and vote upon the proposal to adopt the Agreement and Plan of Merger, dated as of February 14, 2005, among Verizon Communications Inc., Eli Acquisition, LLC and MCI, Inc., as amended as of March 4, 2005, March 29, 2005 and May 1, 2005 and as it may be amended from time to time, and to approve the merger contemplated by the merger agreement.

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

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

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

Whether or not you expect to attend the special meeting of MCI stockholders, to ensure that your shares are represented at the special meeting of MCI stockholders, please complete, date, sign and return the enclosed proxy card in the envelope that has been provided or vote your shares by

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using a touch-tone telephone or through the Internet, as explained in the proxy voting instructions attached to the proxy card. No postage is required for mailing in the United States. Voting by mail, by telephone or through the Internet will not prevent you from voting in person at the meeting. If you are able to attend the meeting, you may revoke your proxy and vote your shares in person even if you have previously completed and returned the enclosed proxy card or voted by telephone or through the Internet. Thank you for acting promptly.

Michael D. Capellas

Chief Executive Officer

[], 2005

Ashburn, Virginia

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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)	
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QUESTIONS AND ANSWERS FOR MCI STOCKHOLDERS

ABOUT THE MERGER AND THE APPROVAL OF THE MERGER

Q: Why are the companies proposing the merger?

- A. We believe that the merger will capitalize on the complementary strengths of the two companies and will create one of the world's leading providers of communication services, including local, nationwide and international long-distance voice, data and advanced Internet protocol, sometimes referred to as IP, communication services, wireless services, and value-added services and solutions for residential consumers, businesses and governmental entities. For a discussion of our reasons for the merger, we urge you to read the information under "The Merger" Verizon's Reasons for the Merger beginning on page 53 of this proxy statement and prospectus and "The Merger" MCI's Reasons for the Merger beginning on page 57 of this proxy statement and prospectus. For a discussion of risk factors relating to the merger, we urge you to read the information under "Risk Factors Relating to the Merger" beginning on page 23.

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

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

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

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

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

Accordingly, if Verizon's average stock price during the measurement period is \$35.52 or less, the aggregate value of Verizon common stock and cash, if any, you will receive when the merger is completed, taken together with the special cash dividend, will represent a total value of at least \$26.00 per share. The total value of the consideration you will receive may be greater than \$26.00 per share if Verizon's stock price exceeds \$35.52 at the closing of the merger. The total value of the consideration you will receive may be less than \$26.00 per share if there is a downward purchase price adjustment. For more detailed discussion of the timing of the closing of the merger, please refer to the question entitled "When do you expect the merger of Verizon and MCI to close?"

Q: When is the special meeting of MCI stockholders?

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

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Q: What do I need to do now?

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

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

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

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

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

Q: What vote is required to adopt the merger agreement and approve the merger?

A: The approval of this proposal, and therefore the closing of the merger, requires the affirmative vote of the holders of a majority of the outstanding shares of MCI common stock.

Q: What is the effect of not voting?

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

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

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

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

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Q: What if I fail to instruct my broker?

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

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

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

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

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

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

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

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

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

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

Q: Should I send in my stock certificates now?

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

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

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A: Our target is to close the merger of Verizon and MCI in late 2005 or early 2006. However, we cannot assure you when or if the merger will be completed. We must first obtain the necessary approval of the MCI stockholders at the special meeting of MCI stockholders and all necessary regulatory approvals.

Q: Whom should I call with questions?

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

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SUMMARY

*This summary highlights selected information contained elsewhere in this proxy statement and prospectus and may not contain all of the information about the merger that is important to you. We urge you to read carefully the entire proxy statement and prospectus, including the attached annexes and the other documents to which we refer, in order to understand fully the merger and the related transactions. See also *Where You Can Find More Information* beginning on page 142. Where applicable, we have included page references to direct you to a more complete description of the topics presented in this summary.*

The Companies

Verizon

Verizon Communications Inc.

1095 Avenue of the Americas

New York, New York 10036

Telephone: (212) 395-2121

www.verizon.com

Verizon is one of the world's leading providers of communications services. Verizon's domestic wireline telecommunications business provides local telephone services, including broadband, in 28 states and Washington, D.C. and nationwide long distance and other communications products and services. The domestic wireline consumer business generally provides local, broadband and long distance services to customers. Verizon's domestic wireline business also provides a variety of services to other telecommunications carriers as well as large and small businesses. Verizon's domestic wireless business provides wireless voice and data products and services across the United States using one of the most extensive wireless networks. Information Services operates directory publishing businesses and provides electronic commerce services. Verizon's international presence extends primarily to the Americas. Verizon also maintains investments in Europe. Verizon employs approximately 212,000 people. For the quarter ended March 31, 2005, Verizon reported \$18.2 billion in operating revenues and net income of \$1.8 billion. For the year ended December 31, 2004, Verizon reported \$71.3 billion in operating revenues and net income of \$7.8 billion.

MCI

MCI, Inc.

22001 Loudoun County Parkway

Ashburn, Virginia 20147

Telephone: (703) 886-5600

www.mci.com

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

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MCI is the successor to Worldcom, Inc. following Worldcom's emergence from bankruptcy on April 20, 2004. For the quarter ended March 31, 2005, MCI had revenue of \$4.8 billion and net loss of \$2.0 million. For the year ended December 31, 2004, MCI had revenue of \$20.7 billion and net loss of \$4.0 billion (including an impairment charge of \$3.5 billion).

The Special Meeting of MCI Stockholders (See page 127)

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

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

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

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

Recommendation of MCI's Board of Directors (See page 64)

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

The Merger (See page 30)

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

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Structure of the Merger (See page 98)

Under the merger agreement, MCI will merge with and into Eli Acquisition, LLC, sometimes referred to as Eli Acquisition, a direct, wholly owned subsidiary of Verizon. Eli Acquisition will continue as the surviving entity and will be renamed MCI, LLC. Verizon and MCI have agreed that if their respective legal advisors are unable to deliver their opinions regarding the treatment of the merger as a reorganization for tax purposes or if Verizon determines that effecting the merger under the original structure would result in a material risk of materially adverse regulatory or other materially adverse consequences, the merger will be completed by causing a Delaware corporation wholly owned by Verizon to merge with and into MCI, with MCI continuing as the surviving corporation. This structure is sometimes referred to as the alternative merger.

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

At the closing of the merger, each share of MCI common stock that you hold will be converted into the right to receive 0.5743 shares of Verizon common stock, plus, if the average trading price for Verizon's common stock is less than \$35.52 over a measurement period prior to closing, additional Verizon common stock or cash (at Verizon's option) in an amount sufficient to assure that the merger consideration is at least \$20.40 per share. In addition, if the special cash dividend is not paid in full, the unpaid balance per share will be paid as merger consideration. The amount of cash payable in the merger as described above is sometimes referred to as the per share cash amount. Any per share cash amount that you receive will be taxable to you to the extent of the gain you realize in the merger. See Material United States Federal Income Tax Considerations U.S. Holders Merger beginning on page 94. For tax purposes, the cash paid as a special cash dividend is expected to be treated differently from the cash paid as cash merger consideration. See Material United States Federal Income Tax Considerations beginning on page 93 for more information. If Verizon pays a per share cash amount as part of the merger consideration, MCI stockholders will be entitled to appraisal rights. See Appraisal Rights beginning on page 101.

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

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

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

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

The estimated aggregate amount of specified liabilities, which will determine whether there will be a downward purchase price adjustment, cannot be determined until the closing of the merger. See The Merger Agreement Potential Downward Purchase Price Adjustment for Specified Liabilities beginning on page 99.

Special Cash Dividend (See page 109)

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As soon as practicable after the MCI stockholders adopt the merger agreement and approve the merger, and prior to the closing of the merger, MCI's board of directors will, to the extent not prohibited by applicable law (including Delaware General Corporation Law, sometimes referred to as the DGCL, and applicable fraudulent transfer statutes) or covenants in certain existing indentures, declare and pay a special cash dividend. This special cash dividend will be equal to \$5.60 per share, less the per share amount of any dividend declared by MCI from

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the date of this proxy statement and prospectus until the payment of the special cash dividend. If less than the full amount of the special cash dividend is paid, the remainder will be paid, without interest, as a per share cash amount at the closing of the merger. MCI currently expects to be able to pay the special cash dividend in an amount equal to \$5.60 per share. Under the merger agreement, MCI has agreed not to declare, set aside, make or pay any dividend or other distribution (whether in cash, stock or property) after the date the special cash dividend is paid. See *The Merger Senior Notes* beginning on page 88 for a more detailed discussion of the restrictions under the Senior Notes affecting the ability of MCI to pay dividends. See *The Merger Restrictions on Payments of Dividends under Applicable Law* beginning on page 88 for a more detailed discussion of the restrictions under the DGCL and applicable fraudulent transfer statutes that could affect the ability of MCI to pay dividends.

Potential Downward Purchase Price Adjustment for Specified Liabilities (See page 99)

The aggregate consideration MCI stockholders will receive in the merger will be reduced if at closing the amount of the estimated remaining MCI liabilities for certain bankruptcy claims, including tax claims, as well as certain international tax liabilities, together with the amount of cash actually spent by MCI from and after January 1, 2005 through the closing of the merger to satisfy these liabilities, exceeds \$1.775 billion in the aggregate. For a description of these bankruptcy claims and international tax claims, see *The Merger Agreement Potential Downward Purchase Price Adjustment for Specified Liabilities* beginning on page 99. The potential downward purchase price adjustment could be material and is limited only by the amount of the merger consideration. Verizon and MCI will attempt to reach agreement on an estimate of the remaining unpaid liabilities before the closing of the merger. If Verizon and MCI are unable to reach agreement, an estimate will be developed through the third-party valuation process specified in the merger agreement. See *The Merger Agreement Potential Downward Adjustment for Specified Liabilities* beginning on page 99 for a description of this process.

If the aggregate amount of the paid liabilities and the remaining unpaid liabilities described above, which is sometimes referred to as the specified liabilities amount, is \$1.775 billion or less, the merger consideration will not be adjusted. If the aggregate specified liabilities amount exceeds \$1.775 billion, any per share cash amount payable at the time of closing will be reduced by an amount equal to the per share equivalent of the amount by which the specified liabilities amount exceeds \$1.775 billion. For a description of the circumstances under which there may be a per share cash amount payable at the time of closing, see *Merger Consideration and Conversion of MCI Common Stock* on page 3. For example, if the specified liabilities amount is \$2.0 billion, then the aggregate cash amount would be reduced by \$225 million or \$0.68 per share, assuming that there are 329,700,000 shares of MCI stock issued and outstanding and reserved for issuance under MCI's plan of reorganization immediately prior to the closing of the merger.

If the amount by which the per share equivalent of the specified liabilities amount is greater than \$1.775 billion exceeds any per share cash amount, the cash payment will be eliminated and the number of shares of Verizon common stock you will receive in the merger will be adjusted downward proportionately in accordance with a formula specified in the merger agreement. See *The Merger Agreement Potential Downward Adjustment for Specified Liabilities* beginning on page 99 for a description of the formula. Using the example from the preceding paragraph, if the downward purchase price adjustment is \$0.68 per share and the per share cash amount is \$0.28 per share, then the cash payment would be eliminated, the exchange ratio would be reduced to 0.5630 and you would receive approximately 2.0% fewer shares of Verizon common stock. If there is no per share cash amount payable in connection with the merger, any downward purchase price adjustment will be effected solely through an adjustment of the number of shares of Verizon common stock you will receive in the merger. Again using the example from the preceding paragraph, if the downward purchase price adjustment is \$0.68 per share and there is no per share cash amount, the exchange ratio would be reduced to 0.5552 and you would receive approximately 3.3% fewer shares of Verizon common stock.

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

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

The specified liabilities amount used in the determination of the potential downward purchase price adjustment is based on the actual amount of cash spent to satisfy the specified liabilities from January 1, 2005 through the closing of the merger plus a best estimate of the amount of cash that will be required to satisfy these claims from and after the closing date (determined in accordance with the procedures described above).

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

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

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

No Solicitation by MCI (See page 105)

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

Initiate or solicit or knowingly facilitate or encourage any inquiry or the making of any proposal, sometimes referred to as a takeover proposal, with respect to:

A merger, consolidation or similar transaction involving MCI or any of MCI's subsidiaries representing an amount equal to or greater than 15% of MCI's consolidated assets in which a third party will own more than 15% of MCI's outstanding capital stock immediately following the merger; or

Any acquisition by a third party of 15% or more of any class of capital stock of MCI or of 15% or more of the consolidated assets of MCI and MCI's subsidiaries.

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Enter into any letter of intent, memorandum of understanding, merger agreement or other understanding relating to any takeover proposal; or

Participate in any discussions or negotiations regarding, furnish to any person any information or data with respect to, or otherwise cooperate with or take any other action to facilitate any proposal that constitutes a takeover proposal or requires MCI to abandon, terminate or fail to consummate the merger or any other transactions contemplated by the merger agreement.

On March 31, 2005, Verizon and MCI entered into a letter agreement pursuant to which the parties agreed that, until the date of the special MCI stockholder meeting, MCI may engage in discussions with Qwest Communications International Inc, sometimes referred to as Qwest, regarding any proposal by Qwest to acquire MCI and that these discussions will not be deemed to violate the no solicitation provisions of the merger

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agreement. In order to engage in these discussions with parties other than Qwest, the no solicitation provisions of the merger agreement would require a finding that the failure to engage in discussions could reasonably be expected to result in a breach of MCI's board of directors' fiduciary duties to the MCI stockholders and that the third party proposal could reasonably be expected to lead to a superior proposal that would be, among other things, more favorable to the stockholders of MCI than the merger and the special cash dividend and is reasonably capable of being consummated.

Changes in MCI's Recommendation (See page 107)

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

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

If MCI's board of directors changes, withdraws, modifies or qualifies its recommendation of the merger to MCI stockholders, Verizon has the option to request MCI to cause a stockholder meeting to be held to consider the adoption of the merger agreement and the approval of the merger. If Verizon exercises this option, Verizon will not be entitled to terminate the merger agreement as a result of the changed recommendation. If Verizon fails to exercise this option, MCI may terminate the merger agreement provided that MCI pays a \$240 million termination fee to Verizon prior to termination and reimburses Verizon for up to \$10 million in expenses. See "The Merger Agreement Termination of the Merger Agreement" beginning on page 112 for a more detailed discussion of the termination of the merger agreement.

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

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

The affirmative vote of the holders of a majority of the shares of MCI common stock to adopt the merger agreement and approve the merger;

The authorization for listing on the NYSE of the shares of Verizon common stock to be issued in connection with the merger;

The receipt of regulatory approvals, including those required under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, sometimes referred to as the HSR Act, from the Federal Communications Commission, sometimes referred to as the FCC, and from those state public utility commissions that have jurisdiction over the merger;

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The absence of any legally enforceable requirement and the absence of any order, injunction or similar action taken by a court or other governmental entity that makes the merger illegal or otherwise prohibits the closing of the merger, except by governmental entities outside the United States the effect of which would not reasonably be expected to be material to Verizon or would not provide a reasonable basis to conclude that Verizon, MCI or their respective directors or officers would be subject to the risk of criminal liability;

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The declaration by the SEC that the registration statement of which this proxy statement and prospectus forms a part is effective and the absence of any stop order by the SEC suspending the effectiveness of the registration statement or any proceedings for that purpose; and

The determination of the potential downward purchase price adjustment, if any, for specified liabilities.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

If the parties' respective advisors are unable to deliver their opinions regarding the treatment of the merger of MCI with and into Eli Acquisition as a reorganization for tax purposes or if certain other conditions are not satisfied, the transaction will be completed as the alternative merger by causing a Delaware corporation wholly owned by Verizon to merge with and into MCI, with MCI continuing as the surviving corporation. Verizon and MCI expect that this would be a fully taxable transaction.

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

Verizon has determined that it will not waive the condition that it receive the opinion of its counsel that the merger of MCI with and into Eli Acquisition will qualify as a reorganization under Section 368(a) of the Code and that each of MCI and Verizon will be a party to this reorganization for U.S. federal income tax purposes.

Termination of the Merger Agreement (See page 112)

Verizon and MCI can jointly agree to terminate the merger agreement at any time. Either party may also terminate the merger agreement if the merger is not completed by February 14, 2006. However, either party has the right to extend that date for up to an aggregate of 180 days to obtain certain regulatory approvals and further for up to an aggregate of 120 days to resolve disputes relating to the estimated liability for certain MCI bankruptcy claims and international tax liabilities, including tax claims, as well as certain international tax liabilities. For a description of these bankruptcy claims, see *The Merger Agreement Potential Downward Purchase Price Adjustment for Specified Liabilities* on page 99. This February 14, 2006 date, as it may be extended, is sometimes referred to as the outside date. The merger agreement provides that MCI will pay Verizon a \$240 million termination fee, and reimburse Verizon for up to \$10 million in expenses, if the merger agreement is terminated under the following circumstances:

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

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

MCI terminates because it decides to enter into an agreement with respect to a superior proposal as described under *The Merger Agreement No Solicitation by MCI* on page 105 or as a result of an intervening event as described under *The Merger Agreement Changes in MCI's Recommendation* on page 107 (MCI is not permitted to terminate if Verizon has exercised its option to require MCI to cause a special meeting of the MCI stockholders to be held to consider approval of the merger notwithstanding a

change in the MCI recommendation);

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

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Verizon terminates because MCI breaches its obligations (i) to call a stockholders' meeting as soon as reasonably practicable after the proxy statement and prospectus becomes effective and (ii) to solicit proxies in favor of the adoption of the merger agreement and approval of the merger, subject to MCI's board of directors' right to change its recommendation to MCI's stockholders. See "The Merger Agreement - Changes in MCI's Recommendation" beginning on page 107.

While payment of the termination fee and expense reimbursement would reduce MCI's cash and cash equivalents and marketable securities, which were \$5.4 billion as of March 31, 2005, the impact on MCI of paying the termination fee is not expected to be significant to MCI in the near term as that amount is not material in relation to MCI's current or expected cash position. However, see "Risk Factors" beginning on page 23 and "Consequences of the Merger Not Being Completed" on page 10 for more information regarding the risks related to the merger not occurring.

Reasons for the Merger (See pages 53 and 57)

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

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

See "The Merger - Verizon's Reasons for the Merger" beginning on page 53 for a description of the factors considered by Verizon's board of directors in reaching a decision to adopt the merger agreement and approve the merger.

MCI's Reasons for the Merger. MCI also considered a wide variety of factors weighing favorably towards the merger. MCI's board of directors determined that the proposed merger with Verizon was in the best interests of MCI and its stockholders. Due to the significant technological and market changes occurring within the telecommunications industry, including (i) increasingly severe price competition, (ii) the entry of regional Bell operating companies, sometimes referred to as RBOCs, into the long-distance market, (iii) regulatory changes increasing the difficulty for companies such as MCI to provide traditional telephone service, particularly to consumer customers without owning substantial facilities, and (iv) the merging of significant competitors, including AT&T Corp. with SBC Communications Inc. and Sprint Corporation with Nextel Communications Inc., MCI's board of directors noted, among other things, that the total consideration to be received by MCI stockholders includes an equity stake in a larger and more diverse company, as compared to MCI as a stand-alone company, and that the merger agreement includes a price protection mechanism that would guarantee, subject to the potential downward purchase price adjustment, the minimum value of the consideration to be received by MCI stockholders at closing against declines in Verizon's common stock price. MCI's board of directors also determined that the proposed merger with Verizon was more favorable to MCI's stockholders than the then-most recent competing proposal from Qwest (which has since been withdrawn by Qwest) in light of the range of potential values for MCI's stockholders under that proposal and the risks to achieving those values.

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

See *The Merger* MCI's Reasons for the Merger beginning on page 57 for a description of the factors considered by MCI's board of directors in reaching its decision to adopt the merger agreement and approve the merger agreement.

Risks Associated with the Merger (See page 23)

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

The consideration to be received by the MCI stockholders in connection with the merger is subject to a potential downward purchase price adjustment for certain MCI bankruptcy claims, including tax claims, as well as certain international tax liabilities. For a description of these bankruptcy claims and international tax claims, see *The Merger Agreement - Potential Downward Purchase Price Adjustment for Specified Liabilities* on page 99. The potential downward purchase price adjustment could be material and is limited only by the amount of the merger consideration.

Obtaining regulatory approvals may delay or prevent the closing of the merger, reduce the benefits of the merger to MCI stockholders, result in additional transaction costs or impose burdens on Verizon or MCI. The determination of the downward purchase price adjustment may also delay the closing of the merger. Any delay in the closing will result in MCI stockholders receiving the merger consideration later than they otherwise would have. In addition, a delay will change the measurement period over which the average trading price of Verizon's common stock is measured for purposes of determining the merger consideration. See *Merger Consideration and Conversion of MCI Common Stock* on page 3. Also, the closing will remain subject to the satisfaction or waiver of closing conditions as of the delayed closing date. The value of the aggregate merger consideration cannot be determined now or at the time of the MCI stockholders' meeting.

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

MCI and Verizon are the subject of various legal proceedings instituted by MCI's stockholders relating to the merger, which may have the effect of delaying, enjoining or preventing the merger, or of requiring payment of damages. See *Risk Factors Relating to the Merger*, beginning on page 23.

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

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

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

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

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Opinions of MCI's Financial Advisors (See page 64)

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

The full text of the written opinions of Greenhill, JPMorgan and Lazard, dated May 1, 2005, which contain assumptions made, procedures followed, matters considered and limitations and qualifications on the review undertaken in connection with the opinions, are attached as Annexes B, C, and D to this proxy statement and prospectus. The opinions should be read in their entirety. Greenhill, JPMorgan and Lazard provided their advisory services and opinions for the information and assistance of MCI's board of directors in connection with its consideration of the proposed merger. Greenhill, JPMorgan and Lazard have not expressed any opinion as to the relative merits of or consideration offered in any other transaction as compared to the transactions contemplated by the merger agreement. The Greenhill, JPMorgan and Lazard opinions do not constitute recommendations as to how MCI stockholders should vote with respect to the proposed merger.

Regulatory Approvals Required for the Merger (See page 105)

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

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

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

Accounting Treatment of the Merger (See page 87)

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

Material United States Federal Income Tax Considerations (See page 93)

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

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

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

MCI intends to treat the special cash dividend to be paid to MCI stockholders as a distribution with respect to MCI common stock, and not as consideration in connection with the merger or the alternative merger. Based on this treatment, the actual amount of the special cash dividend paid to you will be characterized as dividend income to the extent paid out of MCI's current or accumulated earnings and profits. MCI expects to report the entire amount of the special cash dividend as a taxable dividend for U.S. federal income tax purposes.

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

Senior Notes (See page 88)

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

Interests of MCI Directors and Executive Officers in the Merger (See page 83)

When considering the unanimous recommendation of MCI's board of directors that MCI stockholders vote in favor of the adoption of the merger agreement and approval of the merger, you should be aware that MCI's executive officers, including Mr. Capellas, who is also one of MCI's directors, have financial interests in the merger that are greater than, and in addition to, the interests of MCI stockholders generally. If MCI's executive officers were entitled to terminate employment for **good reason** following the closing of the merger and they exercised this right, or if they were terminated without **cause** following the closing of the merger (and, for certain executive officers, if their employment were terminated within six months prior to and in anticipation of a change in control), the additional payments or benefits to which they would be entitled include, as applicable:

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

accelerated vesting of restricted stock;

an additional payment in respect of certain taxes; and

continued health coverage for a specified period of time.

Based on their additional payments or benefits, if the employment of MCI's executive officers were terminated under the circumstances specified above, they could be entitled to an estimated aggregate amount of

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\$107,483,883. This estimated aggregate amount excludes certain items and is explained in further detail in *Interests of MCI Directors and Executive Officers in the Merger* Estimated Value of Interests of MCI Directors and Executive Officers beginning on page 84.

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

Treatment of Restricted Shares and Other Equity-Based Awards (See page 100)

Restricted Shares. At the completion of the merger, subject to the potential downward purchase price adjustment (see *Potential Downward Purchase Price Adjustment for Specified Liabilities* above), each outstanding MCI restricted share will be converted into (i) a number of Verizon restricted shares equal to the exchange ratio plus (ii) a cash payment equal to any per share cash amount payable in the merger, without interest, to the holder of the MCI restricted share. Each Verizon restricted share issued upon the conversion of MCI restricted shares will have and be subject to the same terms and conditions as in effect immediately prior to the closing with respect to the corresponding MCI restricted shares and will bear a legend containing the same restrictions on transferability.

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

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

On May 17, 2005, Verizon acquired approximately 43.4 million shares of MCI common stock from eight entities affiliated with Carlos Slim Helu, sometimes referred to as the selling group, pursuant to a stock purchase agreement, dated as of April 9, 2005, sometimes referred to as the stock purchase agreement. Verizon transferred these shares to a trust established pursuant to an agreement between Verizon and the DOJ and a trust agreement between Verizon and Dick Thornburgh as trustee, sometimes referred to as the trust agreement. Verizon acquired these shares for \$25.72 per share in cash, plus an additional cash amount equal to three percent per annum from April 9, 2005 until May 13, 2005, or a total of \$25.79 per share. In addition, under the stock purchase agreement, immediately prior to April 9, 2006, the selling group will receive an additional cash amount per share of MCI common stock if, at that time, the price of Verizon's common stock exceeds \$35.52 per share (measured over a 20-day period). The additional amount payable per share of MCI common stock will be calculated by multiplying (i) 0.7241 by (ii) the amount, if any, by which the price of Verizon's common stock exceeds \$35.52 per share (measured over a 20-day period), subject to a maximum additional amount per Verizon share of \$26.98. The \$25.79 per share of MCI common stock paid to the selling group is less than the total value of approximately \$26.00 per share of MCI common stock to be received by MCI's other stockholders through the special cash dividend and as merger consideration. The selling group will benefit if the price of Verizon's common stock exceeds \$35.52 per share during the 20-day measurement period prior to April 9, 2006, and similarly, MCI's other stockholders will benefit if the price of Verizon's common stock exceeds \$35.52 per share at the closing of the merger.

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

Appraisal Rights (See page 89)

Under Delaware law, MCI stockholders will be entitled to appraisal rights with respect to the merger if they are required under the terms of the merger agreement to accept cash (other than cash in lieu of fractional shares) for their shares and if they perfect their appraisal rights. In general, to preserve their appraisal rights, MCI stockholders who wish to exercise these rights must:

Deliver a written demand for appraisal to MCI at or before the time the vote is taken at the special meeting of MCI stockholders;

Not vote their shares for the adoption of the merger agreement and approval of the merger;

Continuously hold their shares of MCI common stock from the date they make the demand for appraisal through the closing of the merger; and

Comply with the other procedures set forth in Section 262 of the DGCL.

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

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

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Selected Historical Financial Information

Verizon and MCI are providing the following financial information to assist you in your analysis of the financial aspects of the merger. Annual Verizon historical information is derived from the consolidated financial statements of Verizon as of and for each of the years ended December 31, 2000 through 2004. Quarterly Verizon historical information is derived from the unaudited condensed consolidated financial statements of Verizon as of and for the three months ended March 31, 2005 and for the three months ended March 31, 2004. Annual MCI historical information is derived from the consolidated financial statements of MCI as of and for each of the years ended December 31, 2000 through 2004. Quarterly MCI historical information is derived from the unaudited condensed consolidated financial statements of MCI as of and for the three months ended March 31, 2005 and for the three months ended March 31, 2004.

MCI adopted fresh-start reporting under the provisions of American Institute of Certified Public Accountants Statement of Position No. 90-7, Financial Reporting by Entities in Reorganization under the United States Bankruptcy Code, as of December 31, 2003. Upon adoption, MCI's reorganization value was \$14.5 billion and was allocated to MCI's assets and liabilities. MCI's assets were stated at fair value using the concepts of Statement of Financial Accounting Standards, sometimes referred to as SFAS, No. 141, Business Combinations, and liabilities were recorded at the present value of amounts estimated to be paid. In addition, MCI's accumulated deficit was eliminated, and MCI's new debt and equity were recorded in accordance with distributions pursuant to MCI's plan of reorganization. The adoption of fresh-start reporting had a material effect on MCI's consolidated financial statements. As a result, MCI's consolidated balance sheets as of December 31, 2003 and 2004 included in its Annual Report on Form 10-K for the year ended December 31, 2004 and its unaudited condensed consolidated balance sheet as of March 31, 2005 included in its Quarterly Report on Form 10-Q for the three months ended March 31, 2005, which are incorporated by reference in this proxy statement and prospectus, and MCI's consolidated statements of operations and cash flows published for periods following December 31, 2003 will not be comparable with those published before that date.

The information is only a summary and should be read in conjunction with each company's historical consolidated financial statements and related notes contained in, as applicable, Verizon's Annual Report on Form 10-K for the year ended December 31, 2004 and Quarterly Report on Form 10-Q for the three months ended March 31, 2005, or MCI's Annual Report on Form 10-K and its updated consolidated financial statements filed on Form 8-K for the year ended December 31, 2004 and Quarterly Report on Form 10-Q for the three months ended March 31, 2005, all of which have been incorporated by reference in this proxy statement and prospectus, as well as other information that has been filed with the SEC. See *Where You Can Find More Information* beginning on page 142 for information on where you can obtain copies of this information. The historical results included below and elsewhere in this proxy statement and prospectus may not be indicative of the future performance of Verizon, MCI or Verizon following the merger.

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

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

Significant events affecting historical earnings trends in 2002 through 2004 are described in Verizon's Annual Report on Form 10-K for the year ended December 31, 2004, which