

VERIZON COMMUNICATIONS INC

Form S-4

April 12, 2005

Table of Contents

As filed with the Securities and Exchange Commission on April 12, 2005

Registration No. []

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-4
REGISTRATION STATEMENT

UNDER
THE SECURITIES ACT OF 1933

Verizon Communications Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(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)

(212) 395-2121

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

Marianne Drost, Esq.

Senior Vice President, Deputy General Counsel and Corporate Secretary

Verizon Communications Inc.

1095 Avenue of the Americas

New York, New York 10036

(212) 395-2121

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

With copies to:

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

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

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

Edgar Filing: VERIZON COMMUNICATIONS INC - Form S-4

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. "

Table of Contents**CALCULATION OF REGISTRATION FEE**

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

- (1) This Registration Statement relates to shares of common stock of the registrant, par value \$0.10 per share, issuable to holders of the common stock, par value \$0.01 per share, of MCI, Inc., in connection with the merger.
- (2) Represents the maximum number of shares of common stock of the registrant, par value \$0.10 per share, estimated to be issued in connection with and upon completion of the merger. The estimated maximum number of shares of the registrant's common stock to be issued is based upon 325,100,000, the estimated number of shares of MCI, Inc. to be cancelled in connection with the merger, multiplied by 0.4062, the floor on the exchange ratio.
- (3) Estimated solely for the purpose of calculating the registration fee required by Section 6(b) of the Securities Act, and calculated pursuant to Rules 457(c) and 457(f) under the Securities Act. Pursuant to Rules 457(c) and 457(f) under the Securities Act, the proposed maximum offering price per share of the common stock of the registrant was calculated based on the market value of the shares of common stock of MCI, Inc. (the securities to be cancelled in connection with the merger) in accordance with Rule 457(c) under the Securities Act, determined as the average of the high and low prices per share of MCI, Inc. common stock on April 5, 2005 as reported on The NASDAQ National Market, sometimes referred to as NASDAQ.
- (4) Estimated solely for the purpose of calculating the registration fee required by Section 6(b) of the Securities Act, and calculated pursuant to Rules 457(c) and 457(f) under the Securities Act. Pursuant to Rules 457(c) and 457(f) under the Securities Act, the proposed maximum aggregate offering price of the common stock of the registrant was calculated based on the market value of the shares of common stock of MCI, Inc. (the securities to be cancelled in connection with the merger) in accordance with Rule 457(c) under the Securities Act, determined as the product of (A) \$25.13, the average of the high and low prices per share of MCI, Inc. common stock on April 5, 2005 as reported on NASDAQ, and (B) 325,100,000, the estimated aggregate number of shares of common stock of MCI, Inc. to be cancelled in connection with the merger described in footnote (2) above.
- (5) Calculated by multiplying the proposed maximum aggregate offering price, calculated as described in footnote (4) above, by 0.0001177. The registrant's indirect wholly owned subsidiary, Verizon New York Inc., sometimes referred to as Verizon New York, CIK No. 0000071689, previously paid a filing fee of \$478,000 in connection with the registration of \$2,000,000,000 of debentures under Registration Statement No. 333-74576 filed on December 5, 2001. \$900,000,000 of debentures remain unsold under Registration Statement No. 333-74576. Verizon New York subsequently removed from registration all debentures registered under Registration Statement No. 333-74576 and remaining unsold. \$58,093.36 of the remaining \$215,100 of the balance was applied by the registrant, as the ultimate parent that owns all of the outstanding voting securities of Verizon New York, toward the payment of the registration fee in respect of 40,000,000 shares of the common stock of the registrant registered on Form S-8 Registration Statement No. 333-123374 filed on March 16, 2005 pursuant to Rule 457(p) promulgated under the Act. As a result, the balance of \$157,006.64 is being applied to this filing by the registrant with the Securities and Exchange Commission in accordance with Rule 457(p) promulgated under the Securities Act. In addition, the registrant's indirect wholly owned subsidiary, Verizon New England Inc., sometimes referred to as Verizon New England, CIK No. 0000071344, previously paid a filing fee of \$40,450 in connection with the registration of \$500,000,000 of debentures under Registration Statement No. 333-106853 filed on July 7, 2003. \$220,000,000 of debentures remain unsold under Registration Statement No. 333-106853. Verizon New England subsequently removed from registration all debentures registered under Registration Statement No. 333-106853 and remaining unsold. The remaining \$17,798 of the balance is being applied by the registrant, as the parent that owns of all of the outstanding voting securities of Verizon New England, toward the payment of the registration fee in respect of the common stock registered hereunder pursuant to Rule 457(p) promulgated under the Securities Act. After the application of these offsetting balances, we will pay a registration fee of \$786,776.47.

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

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

Table of Contents

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

SUBJECT TO COMPLETION DATED APRIL 12, 2005

SPECIAL MEETING OF STOCKHOLDERS OF MCI, INC.

April [], 2005

Dear MCI Stockholder:

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

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

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

Edgar Filing: VERIZON COMMUNICATIONS INC - Form S-4

last trading day before the public announcement of the merger, the 0.4062 exchange ratio, taken together with the \$2.75 in cash and the \$5.60 special cash dividend (but excluding the \$0.40 per share dividend paid by MCI on March 15, 2005), represents total payments of approximately \$23.10 per MCI share. This value may be greater at the closing of the merger if the Verizon average stock price exceeds \$36.31 per share.

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

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

Table of Contents

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

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

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

Sincerely,

Michael D. Capellas

Chief Executive Officer

MCI, Inc.

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

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

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

Table of Contents

MCI, INC.

22001 Loudoun County Parkway

Ashburn, Virginia 20147

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

To Be Held On [], 2005

To the Stockholders of MCI, Inc.:

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

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

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

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

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

Edgar Filing: VERIZON COMMUNICATIONS INC - Form S-4

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

Table of Contents

THIS PROXY STATEMENT AND PROSPECTUS INCORPORATES ADDITIONAL INFORMATION

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

Verizon Communications Inc.

1095 Avenue of the Americas

New York, New York 10036

Attention: Investor Relations

Telephone: (212) 395-2121

MCI, Inc.

22001 Loudoun County Parkway

Ashburn, Virginia 20147

Attention: Investor Relations

Telephone: (703) 886-5600

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

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

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

Also see [Where You Can Find More Information](#) beginning on page 114.

ABOUT THIS PROXY STATEMENT AND PROSPECTUS

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

Table of Contents

Table of Contents

	Page
<u>SUMMARY</u>	1
<u>The Companies</u>	1
<u>Verizon</u>	1
<u>MCI</u>	1
<u>The Special Meeting of MCI Stockholders</u>	1
<u>The Merger</u>	2
<u>Structure of the Merger</u>	2
<u>Merger Consideration and Conversion of MCI Common Stock</u>	2
<u>Potential Downward Purchase Price Adjustment for Specified Liabilities</u>	3
<u>Special Cash Dividend</u>	3
<u>No Solicitation by MCI</u>	4
<u>Changes in MCI's Recommendation</u>	4
<u>Conditions to the Closing of the Merger</u>	5
<u>Termination of the Merger Agreement</u>	7
<u>Reasons for the Merger</u>	7
<u>Recommendation of MCI's Board of Directors</u>	7
<u>Opinions of MCI's Financial Advisors Greenhill & Co., LLC, J.P. Morgan Securities Inc. and Lazard Frères & Co. LLC</u>	7
<u>Risks Associated with the Merger</u>	8
<u>Regulatory Approvals Required for the Merger</u>	8
<u>Accounting Treatment</u>	9
<u>Material United States Federal Income Tax Considerations</u>	9
<u>Senior Notes</u>	9
<u>Interests of MCI Directors and Executive Officers in the Merger</u>	10
<u>Treatment of Restricted Shares and Other Equity-Based Awards</u>	10
<u>Consequences of the Merger Not Being Completed</u>	10
<u>Stock Purchase Agreement for Purchase of Certain MCI Shares</u>	10
<u>Appraisal Rights</u>	11
<u>Selected Historical Financial Information</u>	12
<u>Verizon Selected Historical Financial Information</u>	13
<u>MCI Selected Historical Financial Information</u>	14
<u>Summary Selected Unaudited Condensed Consolidated Pro Forma Financial Information</u>	15
<u>Selected Unaudited Condensed Consolidated Pro Forma Financial Information</u>	15
<u>Unaudited Comparative Per Share Information</u>	16
<u>Comparative Per Share Market Price and Dividend Information</u>	17
<u>Recent Closing Prices</u>	18
<u>Dividend Information</u>	19
<u>RISK FACTORS RELATING TO THE MERGER</u>	20
<u>CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS</u>	25
<u>THE MERGER</u>	27
<u>Background of the Merger</u>	27
<u>Verizon's Reasons for the Merger</u>	44
<u>MCI's Reasons for the Merger</u>	47
<u>Recommendation of MCI's Board of Directors</u>	51
<u>Opinions of MCI's Financial Advisors Greenhill & Co., LLC, J.P. Morgan Securities Inc. and Lazard Frères & Co. LLC</u>	52
<u>Interests of MCI Directors and Executive Officers in the Merger</u>	61
<u>Effect of the Merger on MCI Stock Plans</u>	63
<u>Closing of the Merger</u>	63
<u>Board of Directors Following the Merger</u>	63

Table of Contents

	<u>Page</u>
<u>Consideration to be Received in Connection with the Merger</u>	63
<u>Procedures for Exchange of Certificates</u>	63
<u>Listing of Verizon Common Stock</u>	64
<u>Delisting and Deregistration of MCI Common Stock</u>	64
<u>Regulatory Approvals Required for the Merger</u>	64
<u>Material United States Federal Income Tax Considerations</u>	65
<u>Accounting Treatment of the Merger</u>	65
<u>Senior Notes</u>	65
<u>Restrictions on Sales of Shares of Verizon Common Stock Received in Connection with the Merger</u>	65
<u>Certificate of Formation and Limited Liability Company Agreement of Eli Acquisition</u>	66
<u>Appraisal Rights</u>	66
<u>MATERIAL UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS</u>	69
<u>U.S. Holders</u>	69
<u>Non-U.S. Holders</u>	72
<u>Information Reporting and Backup Withholding</u>	73
<u>THE MERGER AGREEMENT</u>	74
<u>Structure of the Merger</u>	74
<u>Closing of the Merger</u>	74
<u>Merger Consideration and Conversion of MCI Common Stock</u>	74
<u>No Issuance of Fractional Shares</u>	74
<u>Potential Downward Purchase Price Adjustment for Specified Liabilities</u>	75
<u>Treatment of Restricted Shares and Other Equity-Based Awards</u>	76
<u>Treatment of MCI's Employee Stock Purchase Plan</u>	76
<u>Appraisal Rights</u>	76
<u>Exchange of Share Certificates</u>	77
<u>Representations and Warranties</u>	77
<u>Covenants Relating to Conduct of Business</u>	79
<u>Regulatory Approvals</u>	81
<u>No Solicitations by MCI</u>	81
<u>Changes in MCI's Recommendation</u>	82
<u>Employee Benefits and Plans</u>	83
<u>Indemnification and Insurance</u>	84
<u>Special Cash Dividend</u>	84
<u>Bankruptcy Court Order</u>	85
<u>Settlement of Bankruptcy Claims</u>	85
<u>Release from Permanent Injunction and Court Orders</u>	85
<u>Network Facility Maintenance and Compliance</u>	85
<u>Other Covenants and Agreements</u>	85
<u>Conditions to the Closing of the Merger</u>	85
<u>Transaction Fees and Expenses</u>	87
<u>Termination of the Merger Agreement</u>	87
<u>Termination Fee</u>	88
<u>Governing Law</u>	89
<u>Amendments, Extensions and Waivers of the Merger Agreement</u>	89
<u>Letter Agreement, dated as of March 4, 2005, Amending the Merger Agreement and the Confidentiality Agreement Between Verizon and MCI</u>	89
<u>Amendment to the Agreement and Plan of Merger, dated as of March 29, 2005</u>	89

Table of Contents

	<u>Page</u>
<u>UNAUDITED CONDENSED CONSOLIDATED PRO FORMA FINANCIAL INFORMATION</u>	90
<u>VERIZON</u>	97
<u>MCI</u>	98
<u>THE SPECIAL MEETING OF MCI STOCKHOLDERS</u>	99
<u>Date, Time and Place of the Special Meeting of MCI Stockholders</u>	99
<u>Purpose of the Special Meeting of MCI Stockholders</u>	99
<u>Record Date and Outstanding Shares</u>	99
<u>Quorum Requirement</u>	99
<u>Vote Required</u>	99
<u>Shares Beneficially Owned as of the Record Date</u>	100
<u>Voting at the Special Meeting of MCI Stockholders</u>	100
<u>Proxies</u>	100
<u>Solicitation of Proxies</u>	101
<u>Other Business</u>	101
<u>Communications by MCI's Stockholders with MCI</u>	101
<u>Appraisal Rights</u>	102
<u>COMPARATIVE PER SHARE MARKET PRICE AND DIVIDEND INFORMATION</u>	103
<u>Recent Closing Prices</u>	104
<u>Dividend Information</u>	104
<u>COMPARISON OF RIGHTS OF VERIZON STOCKHOLDERS AND MCI STOCKHOLDERS</u>	106
<u>LEGAL MATTERS</u>	113
<u>EXPERTS</u>	113
<u>OTHER MATTERS</u>	114
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	114
Annex A Amended and Restated Agreement and Plan of Merger, dated as of March 29, 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, and the Amendment to the Agreement and Plan of Merger, dated as of March 29, 2005)	
Annex B Opinion of Greenhill & Co., LLC	
Annex C Opinion of J.P. Morgan Securities Inc.	
Annex D Opinion of Lazard Frères & Co. LLC	
Annex E Delaware General Corporation Law, Section 262, Appraisal Rights	

Table of Contents

QUESTIONS AND ANSWERS FOR MCI STOCKHOLDERS ABOUT THE MERGER AND THE

APPROVAL OF THE MERGER

Q: Why are the companies proposing the merger?

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

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

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

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

Q: When is the special meeting of MCI stockholders?

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

Table of Contents

Q: What do I need to do now?

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

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

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

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

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

Q: What stockholder vote is required?

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

Q: What is the effect of not voting?

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

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

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

Edgar Filing: VERIZON COMMUNICATIONS INC - Form S-4

- 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.

v

Table of Contents

Q: What if I fail to instruct my broker?

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

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

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

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

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

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

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

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

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

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

Q: Should I send in my stock certificates now?

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

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

Edgar Filing: VERIZON COMMUNICATIONS INC - Form S-4

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

Q: Whom should I call with questions?

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

Table of Contents

SUMMARY

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

The Companies

Verizon

Verizon Communications Inc.

1095 Avenue of the Americas

New York, New York 10036

Telephone: (212) 395-2121

www.verizon.com

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

MCI

MCI, Inc.

22001 Loudoun County Parkway

Ashburn, Virginia 20147

Telephone: (703) 886-5600

www.mci.com

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

The Special Meeting of MCI Stockholders (See page 99)

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

Table of Contents

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

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

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

The Merger (See page 27)

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

Structure of the Merger (See page 74)

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

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

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

Table of Contents

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

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

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

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

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

Special Cash Dividend (See page 84)

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

Table of Contents

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

No Solicitation by MCI (See page 81)

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

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

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

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

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

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

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

Changes in MCI's Recommendation (See page 82)

Edgar Filing: VERIZON COMMUNICATIONS INC - Form S-4

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.

Table of Contents

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

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

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

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

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

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

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

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

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

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

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

Edgar Filing: VERIZON COMMUNICATIONS INC - Form S-4

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;

Table of Contents

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

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

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

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

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

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

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

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

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

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

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

Edgar Filing: VERIZON COMMUNICATIONS INC - Form S-4

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

Table of Contents

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

Termination of the Merger Agreement (See page 87)

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

Reasons for the Merger (See page 44)

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

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

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

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

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

Greenhill & Co., LLC, sometimes referred to as Greenhill, J.P. Morgan Securities Inc., sometimes referred to as J.P. Morgan, and Lazard Frères & Co. LLC, sometimes referred to as Lazard, each delivered its opinion to MCI's board of directors that, as of March 29, 2005 and based upon and subject to the factors, assumptions, procedures, limitations and qualifications set forth in their respective opinions, the consideration to be issued and paid in connection with the merger agreement, consisting of (A) the number of shares of Verizon common stock for each share of MCI common stock equal to the greater of: (i) 0.4062 of a share and (ii) a number of shares equal to the quotient obtained by dividing \$14.75 by the volume weighted average of the closing prices of Verizon common stock, as these prices are reported on the NYSE Composite Transactions Tape, for each of the 20 trading days ending on the third trading day immediately preceding the closing of the merger of MCI and Verizon and (B) \$8.35 in cash, reduced by the amount of the special cash dividend to be paid by MCI prior to the closing of the merger, without interest, per share of MCI common stock, is fair from a financial point of view to the MCI stockholders. Pursuant to the merger agreement, if the exchange

Edgar Filing: VERIZON COMMUNICATIONS INC - Form S-4

ratio (described above) is greater than 0.4062, then Verizon has the right to reduce the exchange ratio to an amount no less than 0.4062 and, in such case, the per share cash amount (as described above) will be increased by an amount (rounded to the nearest hundredth of a cent) equal to the product of (x) the amount by which Verizon has reduced the exchange ratio and

Table of Contents

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

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

Risks Associated with the Merger (See page 20)

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

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

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

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

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

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

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

Regulatory Approvals Required for the Merger (See page 64)

Edgar Filing: VERIZON COMMUNICATIONS INC - Form S-4

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.

Table of Contents

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

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

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

Accounting Treatment (See page 65)

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

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

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

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

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

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

Senior Notes (See page 65)

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

Table of Contents

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

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

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

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

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

Consequences of the Merger Not Being Completed

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

Stock Purchase Agreement for Purchase of Certain MCI Shares

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

Table of Contents

Appraisal Rights (See page 76)

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

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

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

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

comply with the other procedures set forth in Section 262 of the Delaware General Corporation Law, sometimes referred to as the DGCL.

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

Table of Contents

Selected Historical Financial Information

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

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

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

Table of Contents**Verizon Selected Historical Financial Information**

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

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

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

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

Table of Contents**MCI Selected Historical Financial Information**

	Successor Company	Predecessor Company			
	As of or for the Year Ended December 31,				
	2004	2003	2002	2001	2000
(Dollars in Millions, except per share amount)					
Results of Operations:					
Revenues	\$ 20,690	\$ 24,266	\$ 28,493	\$ 32,913	\$ 34,417
Other operating expenses	20,368	23,606	27,818	31,544	36,530
Impairment charges	3,513		4,999	9,855	47,180
Operating (loss) income	(3,191)	660	(4,324)	(8,486)	(49,293)
(Loss) income from continuing operations	(4,028)	22,469 ⁽¹⁾	(8,939)	(11,902)	(47,228)
Net income (loss) from discontinued operations	26	(43)	(202)	(3,696)	(574)
Net (loss) income attributable to common shareholders	(4,002)	22,211	(9,192)	(15,616)	(47,802)
Loss from continuing operations per common share:					
Basic	(12.56)				
Diluted	(12.56)				
Other Data:					
Cash dividends declared per common share	\$ 0.80	\$	\$	\$ 1.80	\$
Year-end stock price per share ⁽²⁾	20.16	23.55	N/A	N/A	N/A
	Successor Company	Predecessor Company			
	As of December 31,				
	2004	2003 ⁽³⁾	2002	2001	2000
(In Millions)					
Financial Position:					
Cash and cash equivalents	\$ 4,449	\$ 6,178	\$ 2,820	\$ 1,290	\$ 382