



## **Determining Your Cost Basis in Shares of Verizon Communications Inc. Common Stock**

This worksheet describes some of the information needed to compute gain or loss, for income tax purposes, if you sell or otherwise dispose of your Verizon Communications Inc. ("Verizon") common stock. We recommend that you keep this information with your tax records, and furnish it to your tax advisor to assist in preparing your income tax returns for any year in which you sell or otherwise dispose of shares.

Generally, gain or loss for income tax purposes is the difference between the "amount realized" (for example, in a simple sale transaction, the amount of money you receive) and your "cost basis" (for example, if you purchased your shares for cash, your purchase price).

The information described in this worksheet provides some, but not all, of the information needed to determine your cost basis. The other information which you need to determine your cost basis is particular to your individual situation, and your tax advisor can assist you in identifying this other information.

*Note: There may be several methods for calculating your cost basis in your shares of Verizon common stock, and various factors which must be taken into account. It is beyond the scope of this worksheet to describe all of these methods and factors. This worksheet only applies to shares of common stock that were directly acquired in any of the companies listed in the worksheet, and does not apply to shares of common stock that were acquired upon the exercise of convertible preferred shares. The information in this worksheet is not intended as tax advice, but is intended only to assist you and your tax advisor in determining your cost basis in shares of Verizon stock. Please see the sections that begin with "Special Note" for additional information regarding apportionment of tax basis between Verizon common stock and Idearc Inc. ("Idearc"), FairPoint Communications, Inc. ("FairPoint") and Frontier Communications Corporation ("Frontier") common stock.*

### **MAJOR EVENTS OVERVIEW**

#### **AT&T Divestiture**

Shareowners received one share in each of the seven regional telephone companies for every ten shares of AT&T owned. Shareowners also had the option to purchase additional shares of Bell Atlantic Corporation ("Bell Atlantic") or NYNEX Corporation ("NYNEX") by selling shares in one or more of the other regional companies.

Record Date: December 31, 1983

Effective Date: January 1, 1984

Allocation Ratios:  
Bell Atlantic 10.49%  
NYNEX 9.84%

### **Bell Atlantic/NYNEX Stock Splits**

In each of the following Bell Atlantic and NYNEX stock splits, shareowners received one additional share of stock for each share owned.

#### Bell Atlantic Stock Splits

Record Date: March 31, 1986  
Payable Date: April 17, 1986

Record Date: April 10, 1990  
Payable Date: May 1, 1990

Record Date: June 1, 1998  
Payable Date: June 29, 1998

#### NYNEX Stock Splits

Record Date: March 31, 1986  
Payable Date: May 1, 1986

Record Date: August 16, 1993  
Payable Date: September 15, 1993

### **GTE Stock Dividends**

In each stock dividend, shareholders of GTE Corporation ("GTE") common stock received 1/2 additional share for each share of stock owned as of the record date.

1954 Stock Dividend  
Record Date: April 22, 1954  
Payable Date: May 15, 1954

1955 Stock Dividend  
Record Date: June 3, 1955  
Payable Date: June 30, 1955

### **GTE Stock Splits**

In each stock split, shareholders of GTE common stock received one or more additional shares for each share of common stock owned as of the record date.

1960 3-for-1 Stock Split  
Record Date: April 20, 1960  
Payable Date: May 20, 1960

1987 3-for-2 Stock Split  
Record Date: January 14, 1987  
Payable Date: February 12, 1987

1990 2-for-1 Stock Split  
Record Date: May 23, 1990  
Payable Date: June 22, 1990

### **Contel Corporation ("Contel") Stock Split**

1989 2-for-1 Stock Split  
Payable Date: August 31, 1989

### **Merger of GTE and Contel**

The merger of GTE and Contel became effective on March 14, 1991, with an exchange ratio of 1.27 shares of GTE Common Stock for each share of Contel common stock owned.

### **Merger of Bell Atlantic and NYNEX**

The merger of Bell Atlantic and NYNEX became effective on August 14, 1997, with an exchange ratio of 0.768 shares of Bell Atlantic common stock for each share of NYNEX common stock owned. Fractional shares resulting from the merger were paid based on a price of \$74.235 per share of Bell Atlantic common stock.

### **Merger of Bell Atlantic and GTE to form Verizon Communications**

The merger of Bell Atlantic and GTE, became effective on June 30, 2000, with an exchange ratio of 1.22 shares of Bell Atlantic common stock for each share of GTE Common Stock owned. Fractional shares resulting from the merger were paid based on a price of \$55.00 per share of Bell Atlantic common stock. Bell Atlantic subsequently changed its name to Verizon Communications Inc.

### **Merger of Verizon and MCI, Inc. ("MCI")**

The merger of Verizon and MCI became effective on January 6, 2006 with an exchange ratio of .5743 shares of Verizon common stock and a cash payment of \$2.738 for each share of MCI common stock owned. Fractional shares resulting from the merger were paid based on a price of \$31.35 per share of Verizon common stock. Please note that all shares of common stock of WorldCom Inc., MCI's predecessor company, were cancelled and rendered null and void on April 20, 2004, the date that MCI emerged from bankruptcy.

### **Spin-off from Verizon of Idearc Inc.**

The spin-off from Verizon of its domestic print and Internet yellow pages directories publishing operations into the company that was named Idearc Inc. became effective on November 20, 2006. In the distribution, each Verizon shareholder received one share of Idearc common stock for every 20 shares of Verizon common stock held as of 5:00 pm Eastern time on November 1, 2006. Fractional shares resulting from the spin-off were sold at a price of \$27.17 per share of Idearc common stock.

### **Spin-off from Verizon of Northern New England Spinco Inc. ("Spinco") and Merger with FairPoint Communications, Inc.**

The spin-off from Verizon of its local exchange and related landline activities in Maine, New Hampshire and Vermont into Spinco and the subsequent merger of Spinco into FairPoint became effective on March 31, 2008. In the distribution, each Verizon shareholder received one share of FairPoint common stock for every 53.0245 shares of Verizon common stock held as of 5:00 pm Eastern time on March 7, 2008. Fractional shares resulting from the spin-off were sold at a price of \$7.717 per share of FairPoint common stock.

### **Spin-off from Verizon of New Communications Holdings Inc. ("Spinco") and Merger with Frontier Communications Corporation.**

The spin-off from Verizon of its local exchange and related landline activities in 14 states into Spinco and the subsequent merger of Spinco into Frontier became effective on July 1, 2010. In the distribution, each Verizon shareholder received one share of Frontier common stock for every 4.165977 shares of

Verizon common stock held as of 5:00 pm Eastern time on June 7, 2010. Fractional shares resulting from the spin-off were sold at a price of \$7.1846 per share of Frontier common stock.

### **Calculating Cost Basis in Verizon for Former Bell Atlantic Common Shareowners**

Use the original cost basis of your Bell Atlantic common stock to complete one of the following sections based on the date you acquired or purchased that stock. If you acquired or purchased stock on more than one occasion, the tax basis must be determined separately for each transaction.

#### *Verizon (formerly Bell Atlantic) Stock Acquired as a Result of the AT&T Divestiture*

Original cost basis per AT&T share \_\_\_\_\_ (A)  
Adjust for AT&T Divestiture, Divide (A) by 8.47916 \_\_\_\_\_ New Basis  
three stock splits and spin-offs of  
Idearc, FairPoint and Frontier

#### *Verizon (formerly Bell Atlantic) Shares Acquired on or after January 1, 1984 through March 31, 1986*

Original cost basis per Bell Atlantic share \_\_\_\_\_ (A)  
Adjust for 3 stock splits and spin-offs of Divide (A) by 8.99464 \_\_\_\_\_ New Basis  
Idearc, FairPoint and Frontier

#### *Verizon (formerly Bell Atlantic) Shares Acquired on or after April 1, 1986 through April 10, 1990*

Original cost basis per Bell Atlantic share \_\_\_\_\_ (A)  
Adjust for 2 stock splits and spin-offs of Divide (A) by 4.44732 \_\_\_\_\_ New Basis  
Idearc, FairPoint and Frontier

#### *Verizon (formerly Bell Atlantic) Shares Acquired on or after April 11, 1990 through June 1, 1998*

Original cost basis per Bell Atlantic share \_\_\_\_\_ (A)  
Adjust for 1 stock split and spin-offs of Divide (A) by 2.22366 \_\_\_\_\_ New Basis  
Idearc, FairPoint and Frontier

#### *Verizon (formerly Bell Atlantic) Shares Acquired on or after June 2, 1998 through November 1, 2006*

Original cost basis per Bell Atlantic share \_\_\_\_\_ (A)  
Adjust for spin-offs of Divide (A) by 1.11183 \_\_\_\_\_ New Basis  
Idearc, FairPoint and Frontier

#### *Verizon Shares Acquired on or after November 2, 2006 through March 31, 2008*

Original cost basis per Verizon share \_\_\_\_\_ (A)

Adjust for spin-offs of FairPoint and Frontier Divide (A) by 1.07107 \_\_\_\_\_ New Basis

*Verizon Shares Acquired on or after April 1, 2008 through July 1, 2010*

Original cost basis per Verizon share \_\_\_\_\_ (A)

Adjust for spin-off of Frontier Divide (A) by 1.06611 \_\_\_\_\_ New Basis

### **Calculating Cost Basis in Verizon for Former NYNEX Common Shareowners**

Use the original cost basis of your NYNEX common stock to complete one of the following sections based on the date you acquired or purchased the Shares. If you acquired or purchased shares on more than one occasion, the cost basis must be determined separately for each transaction.

*NYNEX Shares Acquired as a Result of the AT&T Divestiture*

Original cost basis per AT&T share \_\_\_\_\_ (A)

Adjust for AT&T Divestiture, two NYNEX stock splits, Bell Atlantic merger, Bell Atlantic stock split and spin-offs of Idearc, FairPoint and Frontier Divide (A) by 6.94215 \_\_\_\_\_ New Basis

*NYNEX Shares Acquired on or after January 1, 1984 through and including March 31, 1986*

Original cost basis per NYNEX share \_\_\_\_\_ (A)

Adjust for two NYNEX stock splits, Bell Atlantic merger, Bell Atlantic stock split and spin-offs of Idearc, FairPoint and Frontier Divide (A) by 6.83108 \_\_\_\_\_ New Basis

*NYNEX Shares Acquired on or after April 1, 1986 through and including August 16, 1993*

Original cost basis per NYNEX share \_\_\_\_\_ (A)

Adjust for NYNEX stock split, Bell Atlantic merger, Bell Atlantic stock split and spin-offs of Idearc, FairPoint and Frontier Divide (A) by 3.41554 \_\_\_\_\_ New Basis

*NYNEX Shares Acquired on or after August 17, 1993 through and including August 14, 1997*

Original cost basis per NYNEX share \_\_\_\_\_ (A)

Adjust for Bell Atlantic merger,  
Bell Atlantic stock split and spin-offs  
of Idearc, FairPoint and Frontier

Divide (A) by 1.70777 \_\_\_\_\_ New Basis

### Calculating Cost Basis in Verizon for Former GTE Common Shareowners

Use the original cost basis of your GTE common stock to complete one of the following sections based on the date you acquired or purchased the shares. If you acquired or purchased GTE shares on more than one occasion, the tax basis must be determined separately for each acquisition.

#### *GTE Shares Acquired through and including April 22, 1954*

Original cost basis per GTE share \_\_\_\_\_ (A)

Adjust for two stock dividends, three  
stock splits, the Bell Atlantic merger  
and spin-offs of Idearc, FairPoint  
and Frontier

Divide (A) by 27.46775 \_\_\_\_\_ New Basis

#### *GTE Shares Acquired after April 22, 1954 through and including June 3, 1955*

Original cost basis per GTE share \_\_\_\_\_ (A)

Adjust for one stock dividend, three  
stock splits, the Bell Atlantic merger  
and spin-offs of Idearc, FairPoint  
and Frontier

Divide (A) by 18.31183 \_\_\_\_\_ New Basis

#### *GTE Shares Acquired after June 3, 1955 through and including April 20, 1960*

Original cost basis per GTE share \_\_\_\_\_ (A)

Adjust for three stock splits,  
the Bell Atlantic merger  
and spin-offs of Idearc, FairPoint  
and Frontier

Divide (A) by 12.20789 \_\_\_\_\_ New Basis

#### *GTE Shares Acquired after April 20, 1960 through and including January 14, 1987*

Original cost basis per GTE share \_\_\_\_\_ (A)

Adjust for two stock splits, the  
Bell Atlantic merger and  
spin-offs of Idearc, FairPoint  
and Frontier

Divide (A) by 4.06930 \_\_\_\_\_ New Basis

#### *GTE Shares Acquired after January 14, 1987 through and including May 23, 1990*

Original cost basis per GTE share \_\_\_\_\_ (A)

Adjust for one stock split,

the Bell Atlantic merger and spin-offs of Idearc, FairPoint and Frontier

Divide (A) by 2.71286 \_\_\_\_\_ New Basis

*GTE Shares Acquired after May 23, 1990 through and including June 30, 2000*

Original cost basis per GTE share \_\_\_\_\_ (A)

Adjust for Bell Atlantic merger and spin-offs of Idearc, FairPoint and Frontier

Divide (A) by 1.35643 \_\_\_\_\_ New Basis

### **Calculating Cost Basis in Verizon for Former Contel Common Shareowners**

Use the original cost basis of your Contel common stock to complete one of the following sections based on the date you acquired or purchased the shares. If you acquired or purchased Contel shares on more than one occasion, the cost basis must be determined separately for each acquisition.

*Contel Shares acquired through and including August 31, 1989*

Original cost basis per Contel share \_\_\_\_\_ (A)

Adjust for 1 stock split, GTE/Contel merger, Bell Atlantic/GTE merger and spin-offs of Idearc, FairPoint and Frontier

Divide (A) by 3.44534 \_\_\_\_\_ New Basis

*Contel Shares acquired after August 31, 1989 through and including March 14, 1991*

Original cost basis per Contel share \_\_\_\_\_ (A)

Adjust for GTE/Contel merger, Bell Atlantic merger and spin-offs of Idearc, FairPoint and Frontier

Divide (A) by 1.72267 \_\_\_\_\_ New Basis

### **Calculating Cost Basis in Verizon for Former MCI Shareowners**

Use the original cost basis of your MCI shares to complete the following section based on the date you acquired or purchased the shares. If you acquired or purchased MCI shares on more than one occasion, the cost basis must be determined separately for each acquisition.

*MCI Shares Acquired on or after April 20, 2004 through and including January 6, 2006*

Enter the original aggregate cost basis of MCI shares in (A) \_\_\_\_\_ (A)

Enter merger cash consideration (excluding cash received in lieu of fractional Verizon shares) in (B) \_\_\_\_\_ (B)

Subtract (B) from (A); enter the difference in (C) \_\_\_\_\_ (C)

Enter gain recognized, if any, in connection with the transaction (excluding gain associated with cash received in lieu of fractional shares) in (D) <sup>1</sup> \_\_\_\_\_ (D)

Add (C) and (D) and enter the sum in (E) \_\_\_\_\_ (E)

The new aggregate basis in Verizon shares, before basis reduction for fractional share cash, equals (E).

**Fractional Share Cash Adjustment:**

Enter cash received for fractional shares in (F) \_\_\_\_\_ (F)

The basis reduction for fractional share cash equals (F), divided by [(1) the number of shares of MCI exchanged times (2) .5743 times (3) \$31.35], times (E); enter result in (G) \_\_\_\_\_ (G)

$$\frac{\text{(F)}}{[\# \text{ of shares of MCI exchanged} \times .5743 \times \$31.35]} \times \text{(E)}$$

Subtract (G) from (E); difference is the new aggregate basis in Verizon shares; enter in (H) \_\_\_\_\_ (H)

Idearc spin-off – Multiply (H) by .96334; enter in (I) \_\_\_\_\_ (I)



FairPoint spin-off – Multiply (I) by .995370; enter in (J) \_\_\_\_\_ (J)

Frontier spin-off – Multiply (J) by .937989; enter in (K) \_\_\_\_\_ (K)

Your new basis in Verizon = (K)

If you have different cost bases in different blocks of MCI shares (e.g., if you acquired or purchased MCI shares on more than one occasion or at different prices), consult your tax advisor as to the calculation of gain recognized on the receipt of cash for fractional shares and how the basis reduction for fractional share cash should be allocated among the blocks of MCI shares exchanged in the merger.

<sup>1</sup> For the amount of gain recognized in connection with the MCI transaction please refer to the section in the Proxy Statement and Prospectus dated August 31, 2005 beginning on page 114 entitled “Material United States Federal Income Tax Considerations-Original Structure and Alternative Merger-Original Structure”.

### **Special Note: Different Methods for Calculating Cost Basis in Verizon Following the Spin-off of Idearc**

Shareholders of Verizon who received shares of Idearc in the spin-off are required to allocate their aggregate cost basis in their Verizon shares between the Verizon shares and the Idearc shares that they received in the spin-off in proportion to the relative fair market values of their Verizon and Idearc shares (including any cash received in lieu of fractional shares of Idearc). The distribution ratio in the spin-off was one share of Idearc for every twenty shares of Verizon. *Verizon shares acquired after November 17, 2006 do not require an adjustment to cost basis for the Idearc spin-off.*

U.S. federal income tax law does not specifically provide a method for determining the fair market values of the Verizon shares and Idearc shares. There are several potential methods for determining the fair market values of the Verizon shares and Idearc shares, including:

1. the opening trading prices of Verizon and Idearc on the first regular trading day of the Idearc shares (\$34.82 and \$26.50, respectively, on November 20, 2006);
2. the average of the high and low trading prices of the Verizon and Idearc shares on the first regular trading day of the Idearc shares (\$34.90 and \$27.57, respectively, on November 20, 2006); and
3. the closing trading prices of Verizon and Idearc on the first regular trading day of the Idearc shares (\$34.67 and \$28.20, respectively, on November 20, 2006).

There may be other methods to determine the fair market values of shares of Verizon and Idearc for purposes of allocating cost basis following the spin-off.

Verizon is providing an example below of how to allocate a shareholder's aggregate cost basis in Verizon common stock between his or her shares of Verizon and Idearc. This example is provided solely for illustrative purposes and as a convenience because shareholders and their tax advisors may find it useful when establishing their specific cost positions. Please remember that Verizon does not provide its shareholders with tax advice, and this notice is not intended to provide tax advice. Verizon encourages its shareholders to consult with their own tax advisors with their specific questions pertaining to their own tax positions including the application of the cost basis allocation rules to different blocks of Verizon shares acquired at different times and/or at different prices.

### EXAMPLE

The following example is based on the first of the three alternatives above. It assumes that a Verizon shareholder owned 100 shares of Verizon that had all been acquired at the same time and for the same price of \$30.00 per share, for an aggregate cost basis of \$3,000.00. This shareholder received five shares of Idearc in the spin-off. Based on the calculations below using the first of the three alternatives above, the shareholder would allocate \$2,890.02 of the original \$3,000.00 aggregate cost basis to Verizon shares and \$109.98 of the original \$3,000.00 aggregate cost basis to Idearc shares.

	<u>Verizon</u>	<u>Idearc</u>
Opening price on November 20	\$34.82	\$26.50
1/20 <sup>th</sup> of Idearc opening price		\$1.325
Opening price of Verizon plus 1/20 <sup>th</sup> of Idearc opening price	(A) \$36.145	
Divide opening price of Verizon by (A) (i.e., \$34.82 / \$36.145)	96.334 %	
Divide 1/20 <sup>th</sup> of Idearc opening price By (A) (i.e., \$1.325 / \$36.145)		3.666 %
Allocated cost basis ratios:	96.334 %	3.666 %
Verizon Cost Basis per share (\$30.00 x 96.334 %)	\$28.9002	
Idearc Cost Basis per share (\$30.00 x 3.666 % x 20)		\$21.996
New Cost Basis =		
Verizon: 100 shares x \$28.9002	\$2,890.02	
Idearc: 5 shares x \$21.996		\$109.98
Combined Cost Basis	\$3,000.00	

Impact of FairPoint Spin-off =  
Post Idearc Cost Basis of \$2,890.02 x 99.5370%                      \$2,876.64

Impact of Frontier Spin-off =  
Post FairPoint Cost Basis of \$2,876.64 x 93.7989%                      \$2,698.26

**Special Note: Different methods for Calculating Cost Basis for Verizon and FairPoint Following the Spin-off and Subsequent Merger of Spinco into FairPoint**

Shareholders of Verizon who received shares of FairPoint as a result of the spin-off of Spinco and subsequent merger of the Spinco into FairPoint are required to allocate their aggregate cost basis in their Verizon shares between the Verizon shares and the FairPoint shares that they received in the spin-off / merger in proportion to the relative fair market values of their Verizon and FairPoint shares (including any cash received in lieu of fractional shares of FairPoint). The distribution ratio in the spin-off was 1 share of FairPoint for 53.0245 shares of Verizon. *Verizon shares acquired after March 31, 2008 do not require an adjustment to cost basis for this transaction.*

U.S. federal income tax law does not specifically provide a method for determining the fair market values of the Verizon and FairPoint shares. There are several potential methods for determining the fair market values of the Verizon and FairPoint shares, including:

4. the opening trading prices of Verizon and FairPoint on the New York Shares Exchange ("NYSE") on the first regular trading day (April 1, 2008) following the spin-off / merger; and
5. the average of the high and low trading prices of the Verizon and FairPoint shares on the NYSE on the first regular trading following the spin-off / merger; and
6. the closing trading prices of Verizon and FairPoint on the NYSE on the first regular trading day following the spin-off / merger.

There may be other methods to determine the fair market values of shares of Verizon and FairPoint for purposes of allocating cost basis following the spin-off.

Verizon is providing an example below of how to allocate a shareholder's aggregate cost basis in Verizon common stock between his or her shares of Verizon and FairPoint. This example is provided solely for illustrative purposes and as a convenience because shareholders and their tax advisors may find it useful when establishing their specific cost positions. Please remember that Verizon does not provide its shareholders with tax advice, and this notice is not intended to provide tax advice. Verizon encourages its shareholders to consult with their own tax advisors with their specific questions pertaining to their own tax positions including the application of the cost basis allocation rules to different blocks of Verizon shares acquired at different times and/or at different prices.

EXAMPLE

The following example is based on the first of the three alternatives above. It assumes that a Verizon shareholder owned 120 shares of Verizon that had all been acquired at the same time and for the

same price of \$30.00 per share, for an aggregate cost basis of \$3,600.00. This shareholder received 2 shares of FairPoint in the spin-off/merger and cash in lieu ("CIL") of .263 fractional share of FairPoint. Based on the calculations below using the first of the three alternatives above, the shareholder would allocate \$3,583.33 of the original \$3,600.00 aggregate cost basis to Verizon shares, \$14.73 of the original \$3,600.00 aggregate cost basis to FairPoint shares and the remaining \$1.94 of the original \$3,600.00 aggregate cost basis to the .263 fractional share of FairPoint sold for CIL of fractional shares.

	<u>Verizon</u>	<u>FairPoint</u>
Opening trade on the NYSE of April 1, 2008	\$37.18	\$9.17
1/53.0245 of FairPoint opening price (A)		\$0.1729
Opening price of Verizon plus 1/53.0245 of FairPoint opening price (B)	\$37.35	
Divide opening price of Verizon by (B) (i.e., \$37.18 / \$37.35)	99.5370 %	
Divide 1/53.0245 of FairPoint opening price (A) By (B) (i.e., \$0.1729 / \$37.35)		0.4630 %
Allocated cost basis ratios:	99.5370%	0.4630%
Verizon Cost Basis per share (\$30.00 x 99.5370 %)	\$29.8611	
FairPoint Cost Basis per share (\$30.00 x 0.4630 % x 53.0245)		\$7.3649
Allocation of New Cost Basis =		
Verizon: 120 shares x \$29.8611	\$3,583.33	
FairPoint: 2 shares x \$7.3649		\$14.73
FairPoint fractional share of .263 x \$7.3649		\$ 1.94
Combined Cost Basis	\$3,600.00	
Impact of Frontier Spin-off =		
Post FairPoint Cost Basis of \$3,583.33 x 93.7989%	\$3,361.12	

## **Calculating the Cost Basis for Verizon Communications Inc. Common Stock and Frontier Communications, Inc. Common Stock Following the Spin-off / Merger of New Communications Holdings Inc. into Frontier Communications Corporation**

Shareholders of Verizon Communications Inc. ("Verizon") who received shares of Frontier Communications Corporation ("Frontier") as a result of the spin-off and subsequent merger of the New Communications Holdings Inc. ("Spinco") into Frontier are required to allocate their aggregate cost basis in their Verizon shares between the Verizon shares and the Spinco/Frontier shares that they received in the spin-off / merger in proportion to the relative fair market values of their Verizon and Frontier shares (including any cash received in lieu of fractional shares of Frontier). The distribution ratio in the spin-off was 1 share of Spinco for 1 share of Verizon. In the subsequent merger, 4.165977 shares of Spinco were exchanged for one share of Frontier.

U.S. federal income tax law does not specifically provide a method for determining the fair market values of the Verizon and Frontier shares. There are several potential methods for determining the fair market values of the Verizon and Frontier shares, including:

7. the opening trading prices of Verizon and Frontier on the New York Shares Exchange ("NYSE") on the first regular trading day (July 2, 2010) following the spin-off / merger; and
8. the average of the high and low trading prices of the Verizon and Frontier shares on the NYSE on the first regular trading following the spin-off / merger; and
9. the closing trading prices of Verizon and Frontier on the NYSE on the first regular trading day following the spin-off / merger.

There may be other methods to determine the fair market values of shares of Verizon and Frontier for purposes of allocating cost basis following the spin-off.

Verizon is providing an example below of how to allocate a shareholder's aggregate cost basis in Verizon common stock between his or her shares of Verizon and Spinco/Frontier. This example is provided solely for illustrative purposes and as a convenience because shareholders and their tax advisors may find it useful when establishing their specific tax positions. Please remember that Verizon does not provide its shareholders with tax advice, and this notice is not intended to provide tax advice. Verizon encourages its shareholders to consult with their own tax advisors with their specific questions pertaining to their own tax positions including the application of the cost basis allocation rules to different blocks of Verizon shares acquired at different times and/or at different prices.

### EXAMPLE

The following example is based on the first of the three alternatives above. It assumes that a Verizon shareholder owned 100 shares of Verizon that had all been acquired at the same time and for the

same price of \$30.00 per share, for an aggregate cost basis of \$3,000.00. This shareholder received 100 shares of Spinco in the spin-off, which were exchanged for 24 shares of Frontier in the merger, plus cash in lieu ("CIL") of a .004 fractional share of Frontier. Based on the calculations below using the first of the three alternatives above, the shareholder would allocate \$2,813.97 of the original \$3,000.00 aggregate cost basis to Verizon shares (for a tax basis of \$28.1397 per share), \$186.00 of the original \$3,000.00 aggregate cost basis to Frontier shares (for a cost basis of \$7.7501 per share), and the remaining \$0.03 of the original \$3,000.00 aggregate cost basis to the .004 fractional share of Frontier sold for CIL of fractional shares.

In the calculations below, the original basis in Verizon stock of \$30 per share is first allocated between a full share of Verizon stock (\$28.1397 per share) and a full share of Spinco stock (\$1.8603 per share). This basis per Spinco share is then multiplied by 4.165977, the number of Spinco shares exchanged in the merger for a single share of Frontier. The resulting dollar amount (\$7.7501) is the shareholder's basis per share in his or her Frontier Shares.

	<u>Verizon</u>	<u>Frontier</u>
Opening trade on the NYSE of July 2, 2010	\$27.05	\$7.45
1/4.165977 of Frontier opening price (A)		\$1.7883
Opening price of Verizon plus 1/4.165977 of Frontier opening price (B)	\$28.8383	
Divide opening price of Verizon by (B) (i.e., \$27.05 / \$28.84)	93.7989 %	
Divide 1/4.165977 of Frontier opening price (A) By (B) (i.e., \$1.7883 / \$28.8383)		6.2011%
Allocated cost basis ratios:	93.7989%	6.2011%
Verizon Cost Basis per share (\$30.00 x 93.7989 %)	\$28.1397	
Frontier Cost Basis per share (\$30.00 x 6.2011 % x 4.165977)		\$7.7501
Allocation of New Cost Basis =		
Verizon: 100 shares x \$28.1397	\$2,813.97	
Frontier: 24 shares x \$7.7501		\$186.00
Frontier fractional share of .004 x \$7.7501		\$ 0.03
Combined Cost Basis	\$3,000.00	

**To ensure compliance with Treasury Department regulations, we advise you that the information contained herein was not intended or written to be used, and cannot be used, for the purpose of (i) avoiding tax-related penalties under the Internal Revenue Code or applicable state or local tax law provisions or (ii) promoting, marketing or recommending to another party any tax-related matters addressed herein.**

**This information represents our understanding of existing federal income tax law and regulations and does not constitute tax advice. It does not purport to be complete or to describe tax consequence that may apply to particular categories of shareowners. Please consult your tax advisor for further assistance.**