



## **Calculating the Tax Basis for Verizon Communications Inc. Common Stock and FairPoint Communications, Inc. Common Stock Following the Spin-off / Merger of Northern New England Spinco Inc. into FairPoint Communications, Inc.**

Shareholders of Verizon Communications Inc. ("Verizon") who received shares of FairPoint Communications, Inc. ("FairPoint") as a result of the spin-off and subsequent merger of the Northern New England Spinco Inc. ("Spinco") into FairPoint are required to allocate their aggregate tax 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.

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:

1. the opening trading prices of Verizon and FairPoint on the New York Stock Exchange ("NYSE") on the first regular trading day (April 1, 2008) following the spin-off / merger; and
2. 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
3. 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 tax basis following the spin-off.

Verizon is providing an example below of how to allocate a shareholder's aggregate tax 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 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 tax 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 tax 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 tax basis to Verizon shares, \$14.73 of the original \$3,600.00 aggregate tax basis to FairPoint shares and the remaining \$1.94 of the original \$3,600.00 aggregate tax 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 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 tax basis ratios:	99.5370%	0.4630%
Verizon Tax Basis per share (\$30.00 x 99.5370 %)	\$29.8611	
FairPoint Tax Basis per share (\$30.00 x 0.4630 % x 53.0245)		\$7.3649
Allocation of New Tax 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 Tax Basis		\$3,600.00

**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.**