



## **Calculating the Tax Basis for Verizon Communications Inc. Common Stock and Frontier Communications Corporation 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 tax 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:

1. the opening trading prices of Verizon and Frontier on the New York Stock Exchange ("NYSE") on the first regular trading day (July 2, 2010) following the spin-off / merger; and
2. 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
3. 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 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 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 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 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 tax 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 tax basis to Verizon shares (for a tax basis of \$28.1397 per share), \$186.00 of the original \$3,000.00 aggregate tax basis to Frontier

shares (for a tax basis of \$7.7501 per share), and the remaining \$0.03 of the original \$3,000.00 aggregate tax 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 stock.

|  | <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<br>1/4.165977 of Frontier opening price (B)              | \$28.8383      |                 |
| Divide opening price of Verizon<br>by (B) (i.e., \$27.05 / \$28.84)                    | 93.7989 %      |                 |
| Divide 1/4.165977 of Frontier opening price (A)<br>By (B) (i.e., \$1.7883 / \$28.8383) |                | 6.2011%         |
| Allocated tax basis ratios:  | 93.7989%       | 6.2011%         |
| Verizon Tax Basis per share (\$30.00 x 93.7989 %)                                      | \$28.1397      |                 |
| Frontier Tax Basis per share (\$30.00 x 6.2011 % x 4.165977)                           |                | \$7.7501        |
| Allocation of New Tax 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 Tax 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.**