

Freeze of the Magellan Fund

The Plan administrator has decided to temporarily suspend participant contributions and investment reallocations into the Fidelity Magellan Mutual Fund, effective May 16, 2012. This action is based on a recommendation by the investment fiduciary for the Verizon savings plans, Verizon Investment Management Corp. (VIMCO). In VIMCO's view, the Fidelity Magellan Fund has experienced greater volatility in its investment performance in recent years than would have been expected from a broad based equity fund. In addition, Fidelity recently changed the Magellan Fund portfolio manager. Consequently, VIMCO has recommended that participants be cautious and prudent in deciding whether to continue to invest in the Magellan Fund and that there be a temporary suspension on further contributions or investment reallocations into the fund until the fund builds a history of acceptably stable performance.

VIMCO will continue monitoring all aspects of the Magellan Fund and will recommend further action at a later date. In the meantime, Plan participants will not be able to make any new dollar investments in the Magellan Fund, including those through payroll allotment, loan repayment, or investment reallocations. These restrictions will be implemented May 16, 2012. Balances currently in the Magellan Fund will remain in the fund until a participant elects to withdraw those balances and/or transfer those balances to another fund. Plan participants will receive a communication about this new restriction and will be advised that any existing elections to allocate new contributions to the Magellan Fund will be re-directed by default into the Active US Equity Fund option within the Plan. Participants will be permitted to affirmatively elect a different investment option.

Transition to Class K Shares

On May 16, 2012, there will also be a transition within the Plan with respect to the Fidelity Magellan, Dividend Growth and Diversified International mutual funds. For each of these investment options, there will be a change in share class. The new share class, called Class K shares, will have slightly lower investment fees providing savings of 14 cents per \$100 invested for the Magellan Fund; 15 cents for the Dividend Growth Fund and 17 cents for the Diversified International Fund. From an investment standpoint, there will be no changes in the underlying investments in the funds as a result of the transition to the Class K shares.

We believe the transition will be seamless for participants, and they will not have any action to take. There will be no blackout period, and the transition will not be considered a transaction in connection with Fidelity's round trip trading rules. On participant statements, there will be a transfer from the old class of shares into the new class of shares. Also, the new class of shares will have a different ticker symbol and a different performance history. Participants will be advised of the transition in the same communication relating to the freeze of the Magellan Fund. In the event the transition raises questions, the Fidelity representatives will be prepared to explain the transition.