

VERIZON COMMUNICATIONS INC

Form 424B3

May 15, 2017

Table of Contents

**Filed Pursuant to Rule 424(b)(3)
Registration Statement No. 333-213439**

PROSPECTUS SUPPLEMENT

(To Prospectus dated September 1, 2016)

Verizon Communications Inc.

Verizon InterNotes® Due Nine Months or More from the Date of Issue

We may offer to sell our InterNotes® Due Nine Months or More from the Date of Issue (the Notes) from time to time. You should carefully read this prospectus supplement, the accompanying prospectus and the applicable pricing supplement before you invest.

We may sell the Notes to the Purchasing Agent referred to below as principal for resale at a fixed offering price specified in the applicable pricing supplement or at varying prices. We may also agree with the Purchasing Agent and certain broker-dealers and securities firms (the Selling Group), including the Agents referred to below, that they will use their reasonable best efforts as agents on our behalf to solicit offers to purchase Notes through the Purchasing Agent from us, for which the Purchasing Agent will receive a discount. We expect to sell the Notes to the Purchasing Agent at discounts ranging between 0.300% and 3.150% or at discounts outside that range specified in the applicable pricing supplement. We also may offer the Notes directly to investors without the assistance of the Purchasing Agent or the members of the Selling Group. We have not set a date for the termination of our offering.

The Purchasing Agent and the members of the Selling Group have advised us that from time to time they may purchase and sell Notes in the secondary market, but they are not obligated to make a market in the Notes and may suspend or completely stop that activity at any time. Unless otherwise specified in any pricing supplements, we do not intend to list the Notes on any stock exchange.

Neither the U.S. Securities and Exchange Commission (SEC) nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement, the accompanying prospectus or the pricing supplement is truthful or complete. Any representation to the contrary is a criminal offense.

Investing in the Notes involves risks. See Risk Factors beginning on page S-3 of this prospectus supplement and the risks discussed elsewhere in this prospectus supplement, the accompanying prospectus and the related pricing supplement and the documents and reports we file with the SEC that are incorporated by reference in this prospectus supplement and the accompanying prospectus.

Purchasing Agent

Incapital

Agents

BofA Merrill Lynch

Citigroup

Morgan Stanley

RBC Capital Markets

Wells Fargo Advisors

The date of this Prospectus Supplement is May 15, 2017.

Table of Contents

You should rely only on the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus and any related pricing supplement. No one is authorized to provide you with different information.

You should not assume that the information in this prospectus supplement, the accompanying prospectus or any related pricing supplement is accurate as of any date other than its respective date of issue.

The Notes are not being offered in any jurisdiction where the offer is not permitted.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus, including the documents that we incorporate by reference, contain both historical and forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). These forward-looking statements are not historical facts, but only predictions and generally can be identified by use of statements that include phrases such as will, may, should, continue, anticipate, believe, plan, appear, project, estimate, intend, or other words or phrases of similar import. Similarly, statements that describe our objectives, plans or goals also are forward-looking statements. These forward-looking statements are subject to risks and uncertainties which could cause actual results to differ materially from those currently anticipated. Factors that could materially affect these forward-looking statements can be found in our periodic reports filed with the SEC. Potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on these forward-looking statements. The forward-looking statements included in this prospectus supplement are made only as of the date of this prospectus supplement, and we undertake no obligation to update publicly these forward-looking statements to reflect new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events might or might not occur. We cannot assure you that projected results or events will be achieved.

Table of Contents**TABLE OF CONTENTS**

	Page
PROSPECTUS SUPPLEMENT	
<u>About this Prospectus Supplement and the Pricing Supplements</u>	S-ii
<u>Summary</u>	S-1
<u>Risk Factors</u>	S-3
<u>Description of Notes</u>	S-5
<u>Registration and Settlement</u>	S-15
<u>U.S. Federal Income Taxation for U.S. Holders</u>	S-16
<u>Plan of Distribution</u>	S-18
<u>Legal Matters</u>	S-20
<u>Annex A - Repayment Election Form</u>	A-1
PROSPECTUS	
<u>About this Prospectus</u>	1
<u>Where You Can Find More Information</u>	1
<u>Disclosure Regarding Forward-Looking Statements</u>	2
<u>Verizon Communications</u>	2
<u>Ratios of Earnings to Fixed Charges</u>	3
<u>Use of Proceeds</u>	3
<u>Description of Capital Stock</u>	4
<u>Description of the Debt Securities</u>	5
<u>Clearing and Settlement</u>	9
<u>Experts</u>	11
<u>Legal Matters</u>	11
<u>Plan of Distribution</u>	12

ABOUT THIS PROSPECTUS SUPPLEMENT AND THE PRICING SUPPLEMENTS

As used in this prospectus supplement, we, our, us and Verizon refer to Verizon Communications Inc. and its consolidated subsidiaries.

We intend to use this prospectus supplement, the accompanying prospectus and related pricing supplements to offer the Notes from time to time. This prospectus supplement supplements a prospectus that is part of a registration statement that we have filed with the SEC. This prospectus supplement describes certain terms of the Notes we may offer in connection with our Notes program and supplements the description of the debt securities contained in the accompanying prospectus. We may sell the Notes from time to time in various offerings. Although we have various notes and other evidence of indebtedness outstanding, references in this prospectus supplement to Notes are to the Notes offered by this prospectus supplement.

Each time we offer or issue Notes, we will prepare a pricing supplement that will contain additional terms of the offering and the specific description of the Notes being offered. A copy of that pricing supplement will be provided to the purchaser along with a copy of this prospectus supplement and the accompanying prospectus. That pricing supplement also may add, update or change information in this prospectus supplement and the accompanying prospectus, including provisions describing the calculation of interest and the method of making payments under the terms of a Note. The flexibility available to us to set or negotiate individualized terms described in this prospectus

supplement means that there may be transactions that are complex. If there is any inconsistency between the information in this prospectus supplement and the accompanying prospectus and the applicable pricing supplement, you should rely on the information in the applicable pricing supplement. If any statement in this prospectus supplement, the accompanying prospectus or the applicable pricing supplement

S-ii

Table of Contents

conflicts with any statement in a document that we have incorporated by reference, then you should consider only the statement in the most recent document. You should read this prospectus supplement, the accompanying prospectus and the applicable pricing supplement, together with the additional information that is incorporated by reference in this prospectus supplement and the accompanying prospectus. That additional information is described under the heading "Where You Can Find More Information" in the accompanying prospectus.

S-iii

Table of Contents

SUMMARY

This section outlines the legal and financial terms of the Notes that are more fully described herein under Description of Notes. You should read the more detailed information appearing elsewhere in this prospectus supplement and the accompanying prospectus, as well as in the applicable pricing supplement relating to each offering of Notes.

Issuer	Verizon Communications Inc.
Title of Notes	Verizon InterNotes® Due Nine Months or More from the Date of Issue.
Purchasing Agent	Incapital LLC.
Agents	Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc., Morgan Stanley & Co. LLC, RBC Capital Markets, LLC and Wells Fargo Clearing Services, LLC.
Selling Group	The Purchasing Agent and the Agents and dealers comprising the Selling Group are broker-dealers and securities firms. The Purchasing Agent and Agents have entered into a Selling Agent Agreement with us dated as of May 15, 2017, as amended from time to time. Other agents and dealers who are members of the Selling Group have executed a Master Selected Dealer Agreement with the Purchasing Agent. The other agents and the dealers have agreed to market and sell the Notes in accordance with the terms of those respective agreements and all other applicable laws and regulations. You may contact the Purchasing Agent at info@incapital.com for a list of Selling Group members.
Amount	We may issue an unlimited amount of Notes in connection with this program.
No Listing	The Notes will not be listed on any securities exchange, unless we specify otherwise in the applicable pricing supplement.
Ranking	The Notes will be our unsecured and unsubordinated obligations and will rank equally with all of our other unsecured and unsubordinated indebtedness.

Denominations	Unless otherwise specified in the applicable pricing supplement, \$1,000 and integral multiples of \$1,000 in excess thereof.
Maturities	The Notes will be due nine months or more from the date of issue, as specified in the applicable pricing supplement.
Interest	Each Note will bear interest from its date of issue until the principal thereof is paid or duly provided for, at either a fixed rate per annum specified in the applicable pricing supplement, or at a floating rate, which unless otherwise specified in the applicable pricing supplement will be based on LIBOR, as more fully described in this prospectus supplement.

S-1

Table of Contents

Interest on each such Note will be payable as set forth in the applicable pricing supplement.

Principal

The principal amount of each Note will be payable on its stated maturity date specified in the applicable pricing supplement, unless redeemed or repaid prior thereto in accordance with its terms, at the corporate trust office of the paying agent and issuing agent for the Notes or at such other office we may designate.

Redemption and Repayment

Unless otherwise specified in the applicable pricing supplement, the Notes will not be redeemable at our option or repayable at the option of the holder prior to the maturity date. The Notes will not be subject to any sinking fund.

Survivor's Option

Unless otherwise specified in the applicable pricing supplement, a Note will be subject to repayment prior to maturity following the death of a beneficial owner of the Note, if requested, so long as the Note was acquired by the deceased beneficial owner at least six months prior to the request for repayment, such request for repayment is made by a person having authority to act on behalf of the deceased owner's estate and the option is exercised by or on behalf of the person having such authority within one year of the date of death of the deceased beneficial owner. The right to require repayment in these circumstances is referred to as the Survivor's Option. This option is subject to limits set by us, both individually with respect to a beneficial owner of a Note and on an aggregate basis with respect to all beneficial owners of Notes, on the dollar amount that may be exercised in any calendar year.

Sale and Clearance

We will sell Notes in the United States only. Notes will be issued in book-entry form through the facilities of The Depository Trust Company (DTC).

Trustee

U.S. Bank National Association.

Table of Contents

RISK FACTORS

An investment in the Notes involves risks. Before making an investment decision, you should carefully consider the risks and uncertainties described in this prospectus supplement, the accompanying prospectus and any related pricing supplement, including the risk factors set forth in the documents and reports filed with the SEC that are incorporated by reference in this prospectus supplement, the accompanying prospectus and the related pricing supplement. Our business, financial condition, operating results and cash flows can be impacted by these factors, any one of which could cause our actual results to vary materially from recent results or from our anticipated future results.

We cannot assure you that a trading market for the Notes will ever develop or be maintained.

There currently is no secondary market in which the Notes can be resold, and there can be no assurance that a secondary market will ever develop or be maintained. If a secondary market does develop, there can be no assurance that it will continue or that it will be sufficiently liquid to allow you to resell your Notes if or when you want to or at a price that you consider acceptable. The Notes are not listed on any securities exchange, and we do not intend to list the Notes on any securities exchange. In evaluating the Notes, you should assume that you will be holding the Notes until their maturity.

If you try to sell the Notes before they mature, the market value, if any, may be less than the principal amount of the Notes.

Unlike savings accounts, certificates of deposit and other similar investment products, the Survivor's Option may be the only way that you can require us to repay the Notes before their scheduled maturity date. If you try to sell your Notes prior to maturity, there may be a very limited market for the Notes, or no market at all. Even if you are able to sell your Notes, there are many factors that may affect the market value of the Notes. Some of these factors, but not all, are mentioned below. Some of these factors are interrelated. As a result, the effect of any one factor may be offset or magnified by the effect of another factor. These factors include, without limitation:

the method of calculating the principal, premium (if any), interest or any other amounts payable on the Notes;

the time remaining to the maturity of the Notes;

the outstanding principal amount of the Notes;

the redemption or repayment features, if any, of the Notes;

rates of interest prevailing in the markets that may be higher than rates borne by the Notes;

the level, direction and volatility of interest rates generally and other conditions in credit markets;

the credit ratings assigned to us or the Notes; and

our perceived creditworthiness, which may be impacted by our financial condition or results of operations. There may be a limited number of buyers, or no buyers at all, when you decide you would like to sell your Notes. This can affect the price you receive for your Notes or your ability to sell your Notes at all.

If we redeem the Notes, you may not be able to reinvest the redemption proceeds and obtain an equal effective interest rate.

If your Notes are redeemable at our option, we may choose to redeem your Notes from time to time. Prevailing interest rates at the time we redeem your Notes may be lower than the rate borne by the Notes as of

Table of Contents

their original issue date. In such a case you would not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the interest rate on the Notes being redeemed. Our redemption right also may adversely impact your ability to sell your Notes as the redemption date approaches.

Any Survivor's Option may be limited in amount and time.

We may choose to limit the aggregate principal amount of Notes that may be redeemed under the Survivor's Option in any calendar year to the greater of (i) \$2,000,000 or (ii) 2% of the aggregate principal amount of all Notes outstanding as of the end of the most recent calendar year. This limit is described in detail under the heading Description of Notes Repayment upon Exercise of Survivor's Option; Repurchases by Verizon. We also may limit to \$250,000 the aggregate principal amount of Notes subject to the Survivor's Option that may be exercised in any calendar year on behalf of any one deceased owner of beneficial interests in one or more tranches of Notes. Accordingly, no assurance can be given that exercise of the Survivor's Option for the desired amount will be permitted in any single calendar year. Furthermore, a Survivor's Option may not be exercised until at least six months after the date the Note was acquired by its deceased beneficial owner.

Any credit ratings assigned to the Notes may not reflect all risks affecting the market value of the Notes.

Any credit ratings assigned to the Notes reflect the rating agencies' opinion of our ability to make payments on the Notes when such payments are due. Actual or anticipated changes in the credit ratings assigned to the Notes will generally affect the trading value of your Notes. The credit ratings assigned to the Notes, however, may not reflect the impact of fluctuations in the market value of the Notes that may result from changes in prevailing interest rates, our credit spreads or other factors.

Floating rate notes have risks that conventional fixed rate notes do not.

Because the interest rate of floating rate notes may be based on LIBOR or such other interest rate basis or interest rate formula as specified in the applicable pricing supplement, floating rates notes will be subject to significant risks not associated with conventional fixed rate notes. These risks include fluctuation of the interest rates and the possibility that you will receive a lower amount of interest in the future as a result of such fluctuations. We have no control over various factors that are important in determining the existence, magnitude and longevity of these risks, including economic, financial and political events. In recent years, interest rates have been volatile, and volatility may be expected in the future.

The interest rate paid on the Notes may not bear any relation to the investment risk.

The interest rate on the Notes does not necessarily bear any relation to the risks associated with or change in the creditworthiness, credit rating or financial condition of Verizon.

Table of Contents

DESCRIPTION OF NOTES

The following summary of certain terms of the Notes is not complete. For additional terms of your Notes, you should also read the pricing supplement that applies to them, the accompanying prospectus and the indenture under which the Notes are issued. The following description of the Notes supplements and, where the descriptions are inconsistent, replaces the description of the general terms and provisions of the debt securities that is found under the heading "Description of the Debt Securities" in the accompanying prospectus. The following descriptions will apply to each Note unless otherwise specified in the applicable pricing supplement. For purposes of this section, "Note" refers to a tranche of Notes.

General

Our Notes being offered by this prospectus supplement and the accompanying prospectus and any pricing supplement will be issued under an indenture, dated as of December 1, 2000 (the "Indenture"), between us and U.S. Bank National Association (as successor to Wachovia Bank, National Association, formerly known as First Union National Bank), as trustee (the "Trustee"), as amended and supplemented from time to time, which is more fully described in the accompanying prospectus. The Indenture does not limit the aggregate amount of debt securities that may be issued under it and provides that the debt securities may be issued under it from time to time in one or more series. The following statements are summaries of the material provisions of the Indenture and the Notes. These summaries do not purport to be complete and are qualified in their entirety by reference to the Indenture, including for the definitions of certain terms. The Notes, taken together, constitute a single series of debt securities for purposes of the Indenture, and we have not specified a limit as to the aggregate principal amount of Notes that we may issue.

The Notes are not deposits or savings accounts and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other U.S. or foreign governmental agency or instrumentality.

We may issue Notes that bear interest at a fixed rate described in the applicable pricing supplement. We refer to these Notes as "fixed rate notes." We may issue Notes that bear interest at a floating rate of interest determined by reference to one or more interest rate bases, or by reference to one or more interest rate formulae, described in the applicable pricing supplement. We refer to these Notes as "floating rate notes." In some cases, the interest rate of a floating rate note also may be adjusted by adding or subtracting a spread or by multiplying the interest rate by a spread multiplier. As further described below, a floating rate note also may be subject to a maximum interest rate limit, or ceiling, and/or a minimum interest rate limit, or floor, on the interest that may accrue during any interest period (as defined below).

Unless a different party is identified in the applicable pricing supplement, U.S. Bank National Association will be the calculation agent. The calculation agent will be responsible for calculating the interest rate, reference rates, principal, premium, if any, interest or other amounts payable, if any, applicable to the floating rate notes, as the case may be, and for certain other related matters. The calculation agent, at the request of the holder of any floating rate note, will provide the interest rate then in effect and, if already determined, the interest rate that is to take effect on the next Interest Reset Date, as described below, for the floating rate note. We may replace any calculation agent or elect to act as the calculation agent for some or all of the Notes, and the calculation agent also may resign.

Notes issued in accordance with this prospectus supplement, the accompanying prospectus, the applicable pricing supplement and any other written communication from us or the Purchasing Agent will have the following general characteristics:

the Notes will be our unsecured and unsubordinated obligations and will rank equally with all of our other unsecured, unsubordinated indebtedness from time to time outstanding;

the Notes will not be subject to any sinking fund;

S-5

Table of Contents

the Notes may be offered from time to time by us through the Purchasing Agent and the Selling Group and each Note will mature on a day that is at least nine months or more from its date of original issuance;

each Note will bear interest from its issue date at a fixed or a floating rate; and

unless otherwise specified in the applicable pricing supplement, the Notes may be issued and held in denominations of \$1,000 and integral multiples of \$1,000 in excess thereof.

In addition, the pricing supplement relating to each offering of Notes will describe specific terms of the Notes, including:

the price, which may be expressed as a percentage of the aggregate principal amount of the Note, at which the Note will be issued to the public;

the date on which the Note will be issued to the public;

the maturity date of the Note;

whether the Note is a fixed rate note or a floating rate note;

if the Note is a fixed rate note, the rate per year at which the Note will bear interest;

if the Note is a floating rate note, the method of determining and paying interest, including any interest rate basis or bases other than LIBOR, any initial interest rate, any Interest Reset Dates, any maximum or minimum interest rate, and any applicable spread or spread multiplier;

the interest payment frequency and any Interest Payment Dates (as defined below);

the purchase price, Purchasing Agent's discount and net proceeds to us;

whether the Survivor's Option is applicable;

if the Note may be redeemed at our option or may be required to be repaid by us at the option of the holder prior to its maturity date, and the provisions relating to any such redemption or repayment;

if we decide to list any Note on a securities exchange, the name of such exchange;

any special U.S. federal income tax consequences of the purchase, ownership and disposition of the Note;
and

any other material terms of the Note, which in no event shall be inconsistent with the Indenture.

We may at any time purchase Notes at any price or prices, in the open market or otherwise. Notes so purchased by us may, at our discretion, be held, resold or surrendered to the Trustee for cancellation.

Maturity

Each Note will mature on any day nine months or more from its date of issue (the Stated Maturity Date), as specified in the applicable pricing supplement, unless the principal of the Note (or any installment of principal) becomes due and payable prior to the Stated Maturity Date, whether by the declaration of acceleration of maturity, notice of redemption at our option, notice of election to exercise the Survivor's Option or otherwise. (The Stated Maturity Date or any date prior to the Stated Maturity Date on which a particular Note becomes due and payable is referred to as the Maturity Date with respect to the principal of the particular Note repayable on that date).

Payments of Principal and Interest

Principal of and interest on the Notes will be paid to owners of a beneficial interest in the Notes in accordance with the arrangements then in place between the paying agent and DTC and its participants as

Table of Contents

described under **Registration and Settlement**. Payments in respect of any Notes in certificated form will be made as described under **Description of Debt Securities Book-Entry Only Form** in the accompanying prospectus.

In accordance with the terms of the applicable pricing supplement and as described under **Interest**, interest on each Note will be payable either monthly, quarterly, semi-annually or annually on each Interest Payment Date and on the Stated Maturity Date or the date of earlier redemption or repayment (if the Note is redeemed or repaid prior to the Stated Maturity Date). Interest is payable to the person in whose name a Note is registered at the close of business on the regular record date before each Interest Payment Date. Interest payable at the Stated Maturity Date, on a date of earlier redemption or repayment or in connection with the exercise of a Survivor's Option is payable to the person to whom principal is payable.

We will irrevocably deposit with the paying agent no later than 1:00 p.m. New York time on each Interest Payment Date, Stated Maturity Date or the date of earlier redemption or repayment (if the Notes are to be redeemed or repaid prior to the Stated Maturity Date), and the paying agent will deliver to DTC, funds sufficient to make payments of the amount payable in respect of the Notes on such date. We will give DTC irrevocable instructions and authority to pay such amount to the holders of the Notes entitled thereto.

In the event that any Interest Payment Date, Stated Maturity Date or date of earlier redemption or repayment for any fixed rate note is not a Business Day (as defined below), principal and/or interest on such fixed rate note will be paid on the next succeeding Business Day; however, we will not pay any additional interest due to the delay in payment. If an Interest Payment Date, Stated Maturity Date or date of earlier redemption or repayment for any floating rate note based on LIBOR falls on a day that is not a Business Day, it will be postponed to the following Business Day and no additional interest will accrue as a result of the delay in payment, except that if that Business Day would fall in the next calendar month, the Interest Payment Date, Stated Maturity Date or date of earlier redemption or repayment will be the immediately preceding Business Day.

Unless we specify otherwise in the applicable pricing supplement, **Business Day** means any day, other than a Saturday or a Sunday, that is neither a legal holiday nor a day on which commercial banks are authorized or required by law, regulation or executive order to close in The City of New York. With respect to Notes as to which LIBOR is an applicable interest rate basis, the day also must be a London Business Day in order to be a Business Day. **London Business Day** means a day on which commercial banks are open for business (including dealings in U.S. dollars) in London.

Any tax, assessment or governmental charge imposed upon payments, including, without limitation, any withholding tax, is the responsibility of the holders of a beneficial interest in the Notes in respect of which such payments are made.

Interest

Each Note will bear interest from its date of issue at the rate per annum in the case of a fixed rate note, or pursuant to the interest rate formula in the case of a floating rate note, in each case as stated in the applicable pricing supplement, until the principal of the Note is paid or made available for payment. The applicable pricing supplement will specify the interest rate or interest rate formula applicable to each Note and the frequency with which interest is payable.

Unless otherwise specified in the applicable pricing supplement, each interest payment on a Note will include interest accrued from, and including, its date of issue or the last Interest Payment Date to which interest has been paid or duly provided for, as the case may be, to, but excluding, the applicable Interest Payment Date or the Maturity Date, as the case may be (each such time period an **interest period**).

Unless otherwise stated in the applicable pricing supplement, interest on a Note will be payable beginning on the first Interest Payment Date after its date of issue to holders of record on the corresponding regular record

S-7

Table of Contents

date. However, if the original issue date of a Note is between a regular record date and the corresponding Interest Payment Date, the first interest payment will be made on the Interest Payment Date following the next succeeding regular record date. Unless otherwise specified in the applicable pricing supplement, the regular record date for any Interest Payment Date will be the first day of the calendar month in which the Interest Payment Date occurs (whether or not a Business Day), except that the regular record date for interest due on the Stated Maturity Date or date of earlier redemption or repayment will be that particular date.

Interest rates that we offer on the Notes will vary depending upon, among other factors, the aggregate principal amount of Notes purchased in any single transaction. Notes with different variable terms other than interest rates also may be offered at the same time to different investors. We may change interest rates and other terms of the Notes from time to time, but no change of terms will affect any Note we have previously issued or as to which we have accepted an offer to purchase.

The Interest Payment Date for each Note with the stated interest payment frequencies will be as follows unless the applicable pricing supplement provides otherwise:

Interest Payment Frequency	Interest Payment Dates
Monthly	Fifteenth day of each calendar month, beginning in the calendar month immediately following the month the Note was issued.
Quarterly	Fifteenth day of every third month, beginning in the third calendar month following the month the Note was issued.
Semiannual	Fifteenth day of every sixth month, beginning in the sixth calendar month following the month the Note was issued.
Annual	Fifteenth day of every twelfth month, beginning in the twelfth calendar month following the month the Note was issued.

Notes may be offered that switch from a fixed rate to a floating rate or from a floating rate to a fixed rate during the term of the Notes.

Fixed Rate Notes

Each fixed rate note will bear interest at a fixed interest rate per annum. Unless otherwise specified in the applicable pricing supplement, the interest on fixed rate notes will be computed on the basis of a 360-day year of twelve 30-day months and, in the case of an incomplete month, the number of days elapsed calculated on the basis of a 30-day month.

Floating Rate Notes

Unless otherwise specified in the applicable pricing supplement, the interest rate on each floating rate note will be calculated by reference to LIBOR. The pricing supplement will indicate any spread that will be added to or subtracted from (or that will be applied as a multiplier to) LIBOR to determine the interest rate. If you purchase floating rate notes, the applicable pricing supplement will specify whether a spread or spread multiplier will apply to your Notes and, if so, the amount of the applicable spread or spread multiplier and any increases or decreases in the spread or spread multiplier during the term of your Notes. The actual interest rate, after being adjusted by the spread or spread multiplier, may also have either or both of the following: (i) a ceiling on the rate at which interest may accrue during

any interest period (a Maximum Interest Rate), and/or (ii) a floor on the rate at which interest may accrue during any interest period (a Minimum Interest Rate). If you purchase floating rate notes, the applicable pricing supplement will specify whether a Maximum Interest Rate and/or Minimum Interest Rate will apply to your Notes and, if so, what those rates are. In addition to any Maximum Interest Rate limitation, the interest rate on the floating rate notes will in no event be higher than the maximum rate permitted by New York law, as the same may be modified by United States law for general application.

S-8

Table of Contents

Under current New York law, the maximum rate of interest that may be charged is 25% per annum on a simple interest basis, but that limit does not apply to floating rate notes in which \$2,500,000 or more has been invested.

A floating rate note will have a specified Interest Reset Date and Interest Determination Date associated with it. An Interest Reset Date is the date on which the interest rate on a floating rate note changes, which change may occur on each Interest Payment Date or as otherwise specified in the applicable pricing supplement. An Interest Determination Date is the date as of which the new interest rate is determined.

Interest Reset Date. Except as otherwise specified in the applicable pricing supplement, the rate of interest on a floating rate note will be reset by the calculation agent on each Interest Payment Date. The applicable pricing supplement will describe the initial interest rate and/or interest rate formula for each Note. That rate will be effective until the following Interest Reset Date. Thereafter, the interest rate will be the rate determined as of each Interest Determination Date. Each time a new interest rate is determined, it becomes effective on the next Interest Reset Date. If any Interest Reset Date is not a Business Day, then the Interest Reset Date will be postponed to the next Business Day, except if the next Business Day is in the next calendar month, the Interest Reset Date will be the immediately preceding Business Day.

Interest Determination Date. Except as otherwise specified in the applicable pricing supplement, the Interest Determination Date relating to a particular Interest Reset Date will be the second London Business Day preceding the Interest Reset Date.

Index Maturity. The applicable pricing supplement will specify an Index Maturity for the Notes, which is the period to maturity of the instrument or obligation on which the floating interest rate formula is based (e.g., Three Month LIBOR).

Payment of Interest. Payments of interest on floating rate notes will be paid on the Interest Payment Dates and on the Stated Maturity Date or, if applicable, the earlier date of redemption or repayment.

The amount of accrued interest that we will pay for any interest period can be calculated by multiplying the face amount of the floating rate note by an accrued interest factor. This accrued interest factor will be computed by adding the interest factor calculated for each day from, and including, the date of issuance, or from, and including, the last Interest Payment Date to which interest has been paid or duly provided for, to, but excluding, the date for which accrued interest is being calculated. For floating rate notes based on LIBOR, unless otherwise specified in the applicable pricing supplement, the interest factor for each day is computed by dividing the interest rate applicable to that day by 360.

All dollar amounts used in or resulting from any calculation on floating rate notes will be rounded to the nearest cent, with one-half cent being rounded upward. Unless we specify otherwise in the applicable pricing supplement, all percentages resulting from any calculation with respect to a floating rate note will be rounded, if necessary, to the nearest one hundred-thousandth of a percent, with five one-millionths of a percentage point rounded upwards (e.g., 9.876545% (or .09876545) being rounded to 9.87655% (or .0987655)).

Calculation of Interest. Unless otherwise specified in the applicable pricing supplement, LIBOR will be determined by the calculation agent in accordance with the following provisions:

(1) With respect to any Interest Determination Date, LIBOR will be the rate for deposits in U.S. dollars having the Index Maturity specified in the applicable pricing supplement as such rate appears on the Designated LIBOR Page (as defined below) as of 11:00 a.m., London time, on that Interest Determination Date. If no such rate appears, then

LIBOR, in respect to that Interest Determination Date, will be determined in accordance with the provisions described in clause (2) below.

(2) With respect to an Interest Determination Date on which no rate appears on the Designated LIBOR Page, as specified in clause (1) above, the calculation agent will request the principal London offices of each of

S-9

Table of Contents

four major reference banks in the London interbank market, as selected by the calculation agent, to provide the calculation agent with its offered quotation for deposits in U.S. dollars for the period of the Index Maturity specified in the applicable pricing supplement, commencing on the first day of the applicable interest period, to prime banks in the London interbank market at approximately 11:00 a.m., London time, on that Interest Determination Date and in a principal amount that is representative for a single transaction in U.S. dollars in that market at that time. If at least two quotations are provided, then LIBOR on that Interest Determination Date will be the arithmetic mean of those quotations. If fewer than two quotations are provided, then LIBOR on the Interest Determination Date will be the arithmetic mean of the rates quoted at approximately 11:00 a.m., in The City of New York, on the Interest Determination Date by three major banks in The City of New York selected by the calculation agent for loans in U.S. dollars to leading European banks, having the Index Maturity specified in the applicable pricing supplement and in a principal amount that is representative for a single transaction in U.S. dollars in that market at that time; provided, however, that if the banks selected by the calculation agent are not providing quotations in the manner described in this sentence, LIBOR determined as of that Interest Determination Date will be LIBOR in effect on that Interest Determination Date.

The Designated LIBOR Page means the Reuters screen LIBOR01 page, or any successor page on Reuters selected by us with the consent of the calculation agent, or if we determine that no such successor page shall exist on Reuters, an equivalent page on any successor service selected by us with the consent of the calculation agent.

Redemption and Repayment

Unless we otherwise provide in the applicable pricing supplement, a Note will not be redeemable or repayable prior to its Stated Maturity Date.

If the applicable pricing supplement states that the Notes will be redeemable at our option prior to its Stated Maturity Date, then on such date or dates specified in the pricing supplement, we may redeem those Notes at our option either in whole or from time to time in part, upon not less than 30 nor more than 60 days written notice to the holders of those Notes.

If the applicable pricing supplement states that the Notes will be repayable at your option prior to its Stated Maturity Date, we will require receipt of notice of the request for repayment at least 30 but not more than 60 days prior to the date or dates for repayment as specified in such pricing supplement. We also must receive the completed form entitled Option to Elect Repayment. Exercise of the repayment option by the holder of a Note is irrevocable. In addition, we will not permit you to exercise the repayment option except in principal amounts of \$1,000 and integral multiples of \$1,000 in excess thereof.

Since the Notes will be represented by a master note (Master Note), DTC or its nominee will be treated as the holder of the Notes; therefore DTC or its nominee will be the only entity that may receive notices of redemption of Notes from us, in the case of our redemption of Notes, and will be the only entity that can exercise the right to repayment of Notes, in the case of optional repayment. See Registration and Settlement.

To ensure that DTC or its nominee will timely exercise a right to repayment with respect to a particular beneficial interest in a Note, the beneficial owner of the interest in that Note must instruct the broker or other direct or indirect participant through which it holds the beneficial interest to notify DTC or its nominee of its desire to exercise a right to repayment. Because different firms have different cut-off times for accepting instructions from their customers, each beneficial owner should consult the broker or other direct or indirect participant through which it holds an interest in a Note to determine the cut-off time by which the instruction must be given for timely notice to be delivered to DTC or its nominee. Conveyance of notices and other communications by DTC or its nominee to participants, by

participants to indirect participants and by participants and indirect participants to beneficial owners of the Notes will be governed by agreements among them and any applicable statutory or regulatory requirements.

S-10

Table of Contents

The actual redemption or repayment normally will occur on the Interest Payment Date or dates following receipt of a valid notice. Unless otherwise specified in the applicable pricing supplement, the redemption or repayment price will equal 100% of the principal amount of the Note plus accrued interest to the date or dates of redemption or repayment.

We may at any time purchase Notes at any price or prices in the open market or otherwise. We also may purchase Notes otherwise tendered for repayment by a holder, or a holder's duly authorized representative pursuant to the Survivor's Option described in the next paragraph, at the price set forth in the second succeeding paragraph. If we purchase the Notes in this manner, we have the discretion to hold, resell or surrender the Notes to the Trustee for cancellation.

Repayment upon Exercise of Survivor's Option; Repurchases by Verizon

Unless otherwise specified in the applicable pricing supplement, the estate of the deceased beneficial owner of a Note will be eligible to exercise a Survivor's Option. A Survivor's Option is our agreement with the beneficial owner of a Note to repurchase that Note, in whole or in part, prior to maturity if requested by the estate of the deceased beneficial owner. A Survivor's Option can only be exercised if the Note was acquired by the deceased beneficial owner at least six months prior to the request for repayment.

If a Survivor's Option is exercised, we will repay the related Note if it is properly tendered for repayment by or on behalf of the person that has authority to act on behalf of the estate of the deceased beneficial owner of that Note under the laws of the relevant jurisdiction. Such repayment will be at a price equal to 100% of the portion of the unpaid principal amount of the Note to be repaid, together with unpaid interest accrued thereon to the date of repayment.

Depending on market conditions, including changes in interest rates, and our creditworthiness, the secondary market value of the Notes may be greater than the repayment amount pursuant to the Survivor's Option. **Accordingly, the authorized representative should contact his or her broker to determine the secondary market price of the Notes and should carefully consider whether to sell the Notes to such broker or another market participant rather than requesting repayment of the Notes at the repayment price pursuant to a Survivor's Option.**

We have the discretionary right to limit the aggregate principal amount of Notes subject to a Survivor's Option that may be exercised in any calendar year (the Annual Option Limitation) by all beneficial owners of Notes to an amount equal to the greater of (i) \$2,000,000 or (ii) 2% of the aggregate principal amount of all Notes outstanding as of the end of the most recently completed calendar year. We also have the discretionary right to limit the aggregate principal amount of Notes subject to a Survivor's Option that may be exercised in any calendar year on behalf of any individual deceased beneficial owner of one or more Notes to \$250,000 (the Individual Option Limitation). In addition, we will not permit the exercise of a Survivor's Option for an amount that is less than \$1,000 or is not an integral multiple of \$1,000 in excess thereof or that will result in a Note with a principal amount of less than \$1,000 to remain outstanding, unless otherwise specified in the applicable pricing supplement.

Except in the case when the Annual Option Limitation or the Individual Option Limitation has been reached, an otherwise valid election to exercise the Survivor's Option may not be withdrawn and, after such exercise, the Notes with respect to which the Survivor's Option has been exercised may not be transferred prior to repayment by us. Each election to exercise a Survivor's Option will be accepted in the order received by the Trustee, except for any Note the acceptance of which would contravene the Annual Option Limitation or the Individual Option Limitation. Notes accepted for repayment under the Survivor's Option will be repaid no later than the first Interest Payment Date that occurs 20 or more calendar days after the date of the acceptance. Each Note validly submitted for repayment that is not accepted in any calendar year due to the application of the Annual Option Limitation or the Individual Option

Limitation will be deemed to be tendered on the first day of

S-11

Table of Contents

the following calendar year in the order in which all such Notes were originally tendered, and unless the election to exercise the Survivor's Option is withdrawn, may not be traded by the registered holder after such election is made. If a Note submitted for repayment pursuant to a valid election of the Survivor's Option is not accepted, the Trustee will deliver a written notice by first-class mail to the registered holder, at the most recent address given in the Security Register (as defined in the Indenture), that states the reason that particular Note has not been accepted for repayment; in such an event, the registered holder will have the option to withdraw its election to exercise the Survivor's Option, provided that the election is withdrawn prior to the first day of the following calendar year.

To be valid, within one year of the date of death of the deceased beneficial owner, the Survivor's Option must be exercised by or on behalf of the person who has authority to act on behalf of the estate of the deceased beneficial owner of the Note or the surviving joint owner of the Note with the deceased beneficial owner (including, without limitation, the personal representative or executor of the estate of the deceased beneficial owner or the surviving joint owner of the Note with the deceased beneficial owner) under the laws of the applicable jurisdiction.

With respect to Notes represented by the Master Note, DTC or its nominee will be treated as the registered holder of the Notes and will be the only entity that can exercise the Survivor's Option for such Notes. To obtain repayment through the exercise of the Survivor's Option for these Notes, an authorized representative of a deceased beneficial owner's estate must provide the following items to the DTC participant (Participant) through which the related beneficial interest is owned:

a written instruction to such Participant to notify DTC of the authorized person's desire to obtain repayment pursuant to exercise of the Survivor's Option;

appropriate evidence satisfactory to us and the Trustee that (a) the deceased was the beneficial owner of the Note at the time of death and the deceased beneficial owner acquired his or her interest in the Note at least six months prior to the request for repayment, (b) the death of the beneficial owner has occurred and (c) the person has authority to act on behalf of the deceased beneficial owner's estate;

if the beneficial interest in the related Note is held by a nominee of the deceased beneficial owner (for example, through a brokerage account), a certificate satisfactory to us and the Trustee from the nominee attesting to the deceased owner's ownership of a beneficial interest in such Note;

a written request for repayment signed by the authorized representative of the deceased beneficial owner's estate with signature guaranteed by a member firm of a registered national securities exchange or of the Financial Industry Regulatory Authority, Inc. (FINRA) or a commercial bank or trust company having an office or correspondent in the United States;

if applicable, a properly executed assignment or endorsement;

tax waivers and any other instruments or documents reasonably required by us or the Trustee in order to establish the validity of the ownership of the beneficial interest in the related Note and the claimant's

entitlement to payment; and

any additional information reasonably required by us or the Trustee to document the beneficial ownership or authority to exercise the Survivor's Option and to cause the repayment of the related Note.

In turn, the applicable Participant will deliver each of these items to the Trustee, together with evidence satisfactory to us and the Trustee from the Participant stating that it represents the deceased owner of the beneficial interest in the related Note.

The form to be used to exercise the Survivor's Option is attached as Annex A to this prospectus supplement.

We retain the discretionary right to limit the aggregate principal amount of Notes subject to a Survivor's Option that may be exercised in any one calendar year, as described above. All other questions regarding the

S-12

Table of Contents

eligibility or validity of any exercise of the Survivor's Option will be determined by us, in our sole discretion, and this determination will be final and binding on all parties.

The death of a person beneficially owning a Note in joint tenancy or tenancy by the entirety with another or others will be deemed the death of the beneficial owner of that Note, and the entire principal amount of the Note so owned will be subject to repayment upon exercise of a Survivor's Option with respect thereto as described above.

The death of a person owning a Note by tenancy in common will be deemed the death of a beneficial owner of that Note only with respect to the deceased's interest in that Note. However, if a Note is held by husband and wife as tenants in common, the death of either spouse will be deemed the death of the beneficial owner of that Note, and the entire principal amount of the Note so owned will be subject to repayment upon exercise of a Survivor's Option with respect thereto as described above.

Notes beneficially owned by a trust will be regarded as beneficially owned by each beneficiary of the trust to the extent of that beneficiary's interest in the trust. The death of a beneficiary of a trust will be deemed the death of the beneficial owner of the Notes beneficially owned by the trust to the extent of that beneficiary's interest in the trust. The death of an individual who was a tenant by the entirety or joint tenant in a tenancy which is the beneficiary of a trust will be deemed the death of the beneficiary of the trust. The death of an individual who was a tenant in common in a tenancy which is the beneficiary of a trust will be deemed the death of the beneficiary of the trust only with respect to the deceased holder's beneficial interest in the Note, unless a husband and wife are the tenants in common, in which case the death of either will be deemed the death of the beneficiary of the trust.

The death of a person who, during his or her lifetime, was entitled to substantially all of the beneficial interests of ownership of a Note will be deemed the death of the owner of that Note if the beneficial interest can be established to the satisfaction of Verizon and the Trustee. The beneficial interest will be deemed to exist in typical cases of nominee ownership, ownership under the Uniform Transfers or Gifts to Minors Acts, community property or other joint ownership arrangements between a husband and wife and custodial and trust arrangements where one person has substantially all of the beneficial interests of ownership in a Note during his or her lifetime.

The applicable Participant will be responsible for disbursing payments received from the Trustee to the authorized representative of the deceased beneficial owner's estate.

If applicable, we will comply with the requirements of Section 14(e) of the Exchange Act, and the rules promulgated under it, and any other securities laws or regulations in connection with any repayment of Notes at the option of the registered holders thereof.

Additional Information

See "Description of the Debt Securities" in the accompanying prospectus for additional important information about the Notes. That information includes:

additional information about the terms of the Notes;

general information about the Indenture and the Trustee;

a description of certain restrictions; and

a description of events of default under the Indenture.

S-13

Table of Contents

Clearance and Settlement

Unless we specify otherwise in an applicable pricing supplement, the Notes will be issued only in book-entry form through the facilities of DTC and will be represented by the Master Note. The Master Note will be registered in the name of the nominee of DTC. Transfers or exchanges of the Notes may only be effected through a participating member of DTC. So long as DTC or its nominee is the registered owner of a Note, DTC or its nominee, as the case may be, will be considered the sole owner or holder of the Note for all purposes under the Indenture. Except as set forth under **Description of the Debt Securities Book-Entry Only Form** in the accompanying prospectus, no Note issued in book-entry form will be issuable in certificated form.

S-14

Table of Contents

REGISTRATION AND SETTLEMENT

The Depository Trust Company

Unless we specify otherwise in an applicable pricing supplement, all of the Notes we offer will be issued in book-entry form only. This means that we will not issue certificates for Notes. Instead, we will issue a single Master Note in registered form. The Master Note will be held through DTC. Accordingly, Cede & Co., as nominee of DTC, will be the holder of record of the Notes. Each Note represents a beneficial interest in the Master Note. For purposes of this section, Note refers to a tranche of Notes.

Beneficial interests in a Note will be shown on, and transfers are effected through, records maintained by DTC or its Participants. In order to own a beneficial interest in a Note, you must be an institution that has an account with DTC or have a direct or indirect account with such an institution. Transfers of beneficial interests in the Notes will be accomplished by making entries in DTC Participants' books acting on behalf of beneficial owners.

So long as DTC or its nominee is the registered owner of the Master Note, DTC or its nominee, as the case may be, will be the sole holder of the Notes represented thereby for all purposes, including payment of principal and interest, under the Indenture. Except as otherwise provided below, you will not be entitled to receive physical delivery of certificated notes (Certificated Notes) and will not be considered a holder for any purpose under the Indenture. Accordingly, you must rely on the procedures of DTC and the procedures of the DTC Participant through which you own your Note in order to exercise any rights of a holder of a Note under the Indenture. The laws of some jurisdictions require that certain purchasers of securities take physical delivery of such securities in certificated form. Those limits and laws may impair the ability to transfer beneficial interests in the Notes.

The Master Note representing Notes will be exchangeable for Certificated Notes in fully-registered form of like tenor and terms and of differing authorized denominations in a like aggregate principal amount only if (1) DTC notifies us that it is unwilling or unable to continue as depository; (2) DTC ceases to be a clearing agency registered under applicable law and a successor depository is not appointed by us within 90 days; or (3) we instruct the Trustee that the Master Note is exchangeable for Certificated Notes. Upon any such exchange, the Certificated Notes shall be registered in the names of the owners of beneficial interests in the Master Note representing the Notes and the appropriate reduction shall be reflected in the records evidencing the tranche of Notes held in book-entry form.

Registration and Transfer of Certificated Notes

If we ever issue Notes in certificated form, those Notes may be presented for registration of transfer or exchange and for payment at the office or agency of the Company. We have originally designated U.S. Bank National Association to act in those capacities as registrar for the Notes. The registrar will make the registration of transfer or exchange only if it is satisfied with the documents of title and identity of the person making the request. There will not be a service charge for any registration of transfer or exchange of the Notes, but we may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the registration of transfer or exchange. At any time we may change registrars or approve a change in the location through which any registrar acts. We also may designate additional registrars for any Notes at any time.

We will not be required to (1) issue, register the transfer of or exchange any Note to be redeemed for a period of 15 days preceding the day of mailing of the relevant notice of redemption; or (2) register the transfer of or exchange any Note that was selected for redemption, except the unredeemed portion of any Note being redeemed in part.

Table of Contents

U.S. FEDERAL INCOME TAXATION FOR U.S. HOLDERS

The following is a summary of material U.S. federal income tax considerations that may be relevant to a U.S. holder (as defined below) of a Note. This summary is based on laws, regulations, rulings and decisions now in effect, all of which are subject to change. This summary deals only with beneficial owners of Notes that will hold Notes as capital assets as part of the initial distribution at their issue price, and does not address particular tax considerations that may be applicable to investors that are subject to special tax rules, such as banks, tax-exempt entities, insurance companies, regulated investment companies, dealers in securities or currencies, traders in securities electing to mark to market, persons that will hold Notes as a position in a straddle or conversion transaction, or as part of a synthetic security or other integrated financial transaction, entities taxed as partnerships or the partners therein, persons subject to the alternative minimum tax, U.S. expatriates, nonresident alien individuals present in the United States for more than 182 days in a taxable year, or persons that have a functional currency other than the U.S. dollar.

This summary addresses only U.S. federal income tax consequences, and does not address consequences arising under state, local, foreign tax laws or the Medicare tax on net investment income. Further, because the Notes are not marketed to non-U.S. investors, this summary does not include considerations relevant for any non-U.S. investors. Investors should consult their own tax advisors in determining the tax consequences to them of holding Notes under such tax laws, as well as the application to their particular situation of the U.S. federal income tax considerations discussed below.

As used herein, a U.S. holder is a beneficial owner of a Note that is, for U.S. federal income tax purposes, a citizen or resident of the United States or a domestic corporation or that otherwise is subject to U.S. federal income taxation on a net income basis in respect of the Note.

This summary describes only tax considerations relating to fixed or floating rate notes issued at par or with no more than a de minimis amount of original issue discount (OID). Any special U.S. federal income tax considerations relevant to a particular issue of Notes will be provided in the applicable pricing supplement. Purchasers of such Notes should carefully examine the applicable pricing supplement and consult with their tax advisors with respect to such Notes.

Payments of Interest

Payments of interest on a Note will be taxable to a U.S. holder as ordinary interest income at the time that such payments are accrued or are received in accordance with the U.S. holder's method of tax accounting for U.S. federal income tax purposes.

We may issue floating rate notes. Floating rate notes generally will be treated as variable rate debt instruments under applicable Treasury Regulations. Additional rules may apply if interest on a floating rate note is based on more than one interest index. If a floating rate note does not qualify as a variable rate debt instrument, the Note will be subject to special rules that govern the tax treatment of debt obligations that provide for contingent payments. A description of the tax considerations relevant to U.S. holders of any such Notes will be provided in the applicable pricing supplement.

Notes that pay interest annually that are issued between a regular record date and the corresponding interest payment date will have an initial payment period that is longer than one year. Such notes will have OID for U.S. federal income tax purposes. Certain of the Notes may also be subject to special redemption, repayment or interest rate reset features, as indicated in the applicable pricing supplement. Additional tax considerations relating to any such Notes will be set forth in the applicable pricing supplement.

Purchasers of Notes should carefully examine the applicable pricing supplement and consult their own tax advisors with respect to the Notes since the tax consequences with respect to such features will depend on the particular terms of the Notes.

S-16

Table of Contents

Purchase, Sale, Retirement or Other Taxable Disposition of Notes

Upon the sale, exchange, retirement or other taxable disposition (including redemption) of a Note, a U.S. holder generally will recognize gain or loss equal to the difference between the amount realized on the sale, exchange, retirement or other taxable disposition (less any accrued and unpaid interest, which will be taxable as such) and the U.S. holder's tax basis in such Note. A U.S. holder's tax basis in a Note generally will equal the cost of such Note to such holder.

Except as discussed below with respect to short-term notes, gain or loss recognized by a U.S. holder generally will be long-term capital gain or loss if the U.S. holder has held the Note for more than one year at the time of disposition. Long-term capital gains recognized by an individual holder generally are subject to tax at a lower rate than short-term capital gains or ordinary income. The deduction of capital losses is subject to limitations.

Short-Term Notes

Special U.S. federal income tax rules will apply to Notes with maturities of one year or less (short-term notes). Those rules provide that payments on a short-term note give rise to OID that is subject to special tax rules. A U.S. holder of a short-term note that uses the cash method of tax accounting and is not a bank, securities dealer, regulated investment company or common trust fund, and does not identify the short-term note as part of a hedging transaction, will generally not be required to include OID in income on a current basis. Such a U.S. holder may not be allowed to deduct all of the interest paid or accrued on any indebtedness incurred or maintained to purchase or carry such Note until the Maturity Date of the Note or its earlier disposition in a taxable transaction. In addition, the U.S. holder will be required to treat any gain realized on a sale, exchange or retirement of the Note as ordinary income to the extent such gain does not exceed the OID accrued with respect to the Note during the period the U.S. holder held the Note. Notwithstanding the foregoing, a cash-basis U.S. holder of a short-term note may elect to accrue OID into income on a current basis or to accrue the acquisition discount on the Note under the rules described below. If the U.S. holder elects to accrue OID or acquisition discount, the limitation on the deductibility of interest described above will not apply.

A U.S. holder using the accrual method of tax accounting and certain cash-basis U.S. holders (including banks, securities dealers, regulated investment companies and common trust funds) generally will be required to include OID on a short-term note in income on a current basis. Alternatively, a U.S. holder of a short-term note can elect to accrue the acquisition discount, if any, with respect to the Note on a current basis. If such an election is made, the OID rules described above will not apply to the Note. Acquisition discount is the excess of the short-term note's stated redemption price at maturity (i.e., all amounts payable on the short-term note) over the purchase price. Acquisition discount will be treated as accruing ratably or, at the election of the U.S. holder, under a constant-yield method based on daily compounding.

Information Reporting and Backup Withholding

Information returns will be filed with the IRS in connection with payments on the Notes made to, and the proceeds of dispositions of Notes effect