

This information is being provided by Dominion Resources, Inc. (Dominion) as a convenience to former shareholders of Louis Dreyfus Natural Gas Corporation (Louis Dreyfus) and should not be construed as tax advice. Shareholders should consult their tax advisors with respect to all tax-related aspects of the merger, including federal, foreign, state, and local tax implications which may vary greatly depending on an individual's particular circumstances. For a more complete discussion of the tax implications of the merger, see pages 46 – 51 of the proxy statement/prospectus dated September 27, 2001 and mailed to shareholders on October 1, 2001.

The Louis Dreyfus/Dominion Merger

On September 9, 2001, Dominion agreed to acquire Louis Dreyfus by merging Louis Dreyfus into a wholly owned subsidiary of Dominion. The merger was effective on November 1, 2001 at 12:01 AM Central Standard Time. Louis Dreyfus shares were exchanged for a combination of cash (at \$20 per Louis Dreyfus share) and Dominion stock (at an exchange rate of 0.3226 per Louis Dreyfus share). Cash paid in-lieu of a fractional Dominion share was paid based on \$61.12 per full share, Dominion's closing share price on October 31, 2001.

Tax Reporting for the Exchange of Louis Dreyfus Stock (see example on the next page)

We received an opinion from outside counsel that the exchange of Louis Dreyfus stock for a combination of cash and Dominion stock will qualify as a *reorganization* under the tax code. Therefore, shareholders should be treated as receiving cash and stock in exchange for all shares of Louis Dreyfus stock previously owned.

Generally, the gain or loss **realized** on the exchange will be an amount equal to the difference between (1) the sum of the cash received and the fair market value of Dominion stock received and (2) the shareholder's cost basis in the Louis Dreyfus stock exchanged. However, only realized gains will be **recognized** for U.S. federal income tax purposes, and such gains will be recognized only to the extent of the amount of cash received. Realized losses will not be **recognized**. In other words, if a shareholder has a realized gain on the exchange of a particular block of shares, a shareholder will report taxable income equal to the lesser of the realized gain or the total cash received. However, if a shareholder has a realized loss on the exchange of a particular block of shares, a shareholder will not be able to deduct such loss. Any loss will instead be reflected in the new cost basis of the Dominion stock received.

For purposes of computing gain or loss on the exchange, Louis Dreyfus shares that have different cost bases or holding periods will be treated as separate blocks of stock, and the gain or loss **realized** on the exchange must be computed separately for each block. Also, any loss realized from the exchange of one block of stock may not be used to offset gain realized on another block of stock.

Any gains **recognized** by a shareholder may, in certain circumstances, be treated as capital gain. The rules for determining the character of gain, however, are often quite complex.

Shareholders who received cash in-lieu of a fractional share of Dominion stock will **recognize** gain or loss equal to the difference between the cash received and the portion of their cost basis in the Louis Dreyfus stock attributable to that fractional share.

Information You Will Need to Report the Exchange of Louis Dreyfus Stock in the Merger

Number of shares of Dominion stock received in exchange for Louis Dreyfus stock

2. Total Cash Received

This amount will be reported on a Form 1099-B from Louis Dreyfus.

3. Number of Louis Dreyfus shares exchanged and the cost basis for each block of shares

Refer to your records for the number Louis Dreyfus shares exchanged as well as for the cost basis and holding period for those shares.

4. Amount of cash received in-lieu of a fractional share and cost basis for the fractional share

The cash-in-lieu amount will be reported on a Form 1099-B from Dominion. This amount is reportable as a sale of a fractional share of Dominion stock. Refer to the example on the next page for information on how to determine the cost basis for the fractional share.

Example

In this example, a shareholder exchanged 1,000 shares of Louis Dreyfus stock with a cost basis of \$15 per share. This example assumes that the gain can be reported as capital gain income by the shareholder.

In this example, the shareholder uses the following information to calculate the "gain or loss realized."

Number of shares (and assumed value*) of Dominion stock received in exchange for Louis Dreyfus stock

322 shares Dominion stock received. (1,000 Louis Dreyfus shares X .3226 = 322.6)
 \$19,716.06 Assumed value based on \$61.23* per share (322 DRI shares X \$61.23 = \$19,716.06)

Total Cash Received

\$20,000.00 Total cash received and reported on 1099-B (1,000 Louis Dreyfus shares times \$20 per share)

Number of Louis Dreyfus shares exchanged and the cost basis for each block of shares.

1,000 Louis Dreyfus shares exchanged. Cost basis as determined by the shareholder was \$15.00 per share.

\$15,000.00 Cost basis of Louis Dreyfus shares
(\$13.86) Cost basis for the fractional share**
\$14,986.14 Cost basis for Louis Dreyfus shares exchanged, less the cost of the fractional share exchanged for cash.

In this example, the shareholder follows these steps to determine the amount to report as taxable income and to determine the cost basis of new Dominion shares received.

Step 1 Calculate the "Gain or Loss Realized"	
Assumed value of Dominion stock*	\$ 19,716.06
Plus: Total cash received	<u>\$ 20,000.00</u>
Total value of cash and stock received	\$ 39,716.06
Minus: Cost basis of Louis Dreyfus shares exchanged	<u>(\$ 14,986.14)</u>
TOTAL GAIN REALIZED	<u>\$ 24,729.92</u>

Step 2 If the result of Step 1 is a realized loss, proceed to Step 3 and do not deduct the loss. Otherwise, compare the "Gain Realized" to "Total Cash Received". Report the lesser amount as taxable income.	
<u>Total Gain Realized</u>	<u>Total Cash Received</u>
\$24,729.92	\$20,000.00
<p><i>In this example, Total Cash Received is less than Total Gain Realized. Therefore, the shareholder will report \$20,000.00 as taxable income. Assuming the transaction qualifies for capital gain treatment, the gain will be reported on Schedule D.</i></p>	

Step 3 Calculate the new cost basis for Dominion Shares Received***	
Cost of Louis Dreyfus shares exchanged	\$15,000.00
Minus: Total cash received	(\$20,000.00)
Minus: Basis of fractional share**	(\$13.86)
Plus: Amount reported as taxable income	<u>\$20,000.00</u>
COST BASIS FOR 322 DOMINION SHARES	<u>\$14,986.14</u>

Step 4 Calculate gain or loss for cash-in-lieu of a fractional share.**	
Cash received in-lieu of fractional share	\$36.67
Minus: Cost allocated to fractional share	<u>(\$13.86)</u>
Gain on sale of fractional share	<u>\$22.81</u>

* For the above example, the value of Dominion stock received is based on the average of the high and low selling prices of Dominion stock on November 1, 2001. Please consult your tax advisor for other acceptable methods of determining the fair market value of stock received.

** For the above example, the fractional share equals a 0.6 share. Fractional shares were paid based on \$61.12 per share, the closing price of Dominion stock on October 31, 2001. The cash received in-lieu of a fractional share of Dominion stock is \$36.67 in this example (\$61.12 x 0.6 = \$36.67). The cost basis allocated to the fractional share in this example is \$13.86. The basis was determined by using the following calculation:

- 1) FMV of total Dominion stock received, including fractional share = 322.6 x \$61.23 = \$19,752.80
- 2) FMV of total consideration received = \$19,752.80 stock + \$20,000 cash = \$39,752.80
- 3) Cost allocated to fractional share = \$15,000 x (\$19,752.80/\$39,752.80) x (0.6 share/322.6 shares) = \$13.86.

*** The new cost basis for Dominion stock received will equal the shareholder's cost in Louis Dreyfus shares exchanged decreased by the amount of cash received for Louis Dreyfus shares, decreased by the cost allocated to the fractional share, and increased by any gain reported by the shareholder.