UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark one)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2010

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission file number: 1-8606

Verizon Communications Inc.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**23-2259884** (I.R.S. Employer Identification No.)
140 West Street **New York, New York** (Address of principal executive offices)	**10007** (Zip Code)

Registrant's telephone number, including area code: (212) 395-1000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $.10 par value	New York Stock Exchange The NASDAQ Global Select Market London Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ✓ No __

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes __ No ✓

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ✓ No __

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ✓ No __

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ✓

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ✓ Accelerated filer __ Non-accelerated filer __ Smaller reporting company __

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes __ No ✓

At June 30, 2010, the aggregate market value of the registrant's voting stock held by non-affiliates was approximately $74,979,453,721.

At January 31, 2011, 2,828,072,313 shares of the registrant's common stock were outstanding, after deducting 139,537,806 shares held in treasury.

Documents Incorporated By Reference:

Portions of the registrant's Annual Report to Shareowners for the year ended December 31, 2010 (Parts I and II).

Portions of the registrant's definitive Proxy Statement to be filed with the Securities and Exchange Commission and delivered to shareholders in connection with the registrant's 2011 Annual Meeting of Shareholders (Part III).

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PART I

Item 1. Business

General

Verizon Communications Inc. (Verizon, or the Company) is a holding company, which, acting through its subsidiaries is one of the world's leading providers of communications services. Formerly known as Bell Atlantic Corporation, we were incorporated in 1983 under the laws of the State of Delaware. We began doing business as Verizon on June 30, 2000 following our merger with GTE Corporation. We have a highly diverse workforce of approximately 194,400 employees.

Our principal executive offices are located at 140 West Street, New York, New York 10007 (telephone number 212-395-1000).

We have two primary reportable segments, Domestic Wireless and Wireline, which we operate and manage as strategic business segments and organize by products and services. These segments and principal activities consist of the following:

Domestic Wireless	Domestic Wireless' communications products and services include wireless voice and data services and equipment sales, which are provided to consumer, business and government customers across the United States.
Wireline	Wireline's communications products and services include voice, Internet access, broadband video and data, Internet protocol (IP) network services, network access, long distance and other services. We provide these products and services to consumers in the United States, as well as to carriers, businesses and government customers in the United States and in over 150 other countries around the world.

The following portions of the 2010 Verizon Annual Report to Shareowners are incorporated into this report:

- "Overview" on pages 14 through 16; and,
- "Segment Results of Operations" on pages 22 through 27 and in Note 14 to the consolidated financial statements on pages 69 through 71.

Domestic Wireless

Background

Our Domestic Wireless segment, Cellco Partnership doing business as Verizon Wireless (Verizon Wireless), is a joint venture formed in April 2000 by the combination of the U.S. wireless operations and interests of Verizon and Vodafone Group Plc (Vodafone). Verizon owns a controlling 55% interest in Verizon Wireless, and Vodafone owns the remaining 45%. Verizon Wireless provides wireless voice and data services across one of the most extensive wireless networks in the United States and has the largest third generation (3G) network of any U.S. wireless service provider.

Verizon Wireless is one of the largest wireless service providers in the United States as measured by total number of customers and revenue. In addition, we have begun the deployment in our network of a fourth-generation (4G) technology, Long Term Evolution (LTE), which provides higher data throughput performance and improved network efficiencies. As of December 31, 2010, this 4G LTE network was deployed in 38 major metropolitan areas and more than 60 commercial airports in the United States. We expect to deploy 4G LTE in an additional 140 markets by the end of 2011 and in virtually our entire current 3G network footprint by the end of 2013.

In 2010, Domestic Wireless revenues were $63.4 billion, representing approximately 60% of Verizon's aggregate revenues.

Wireless Service and Product Offerings

Our wireless services described below are available to our customers receiving service under the *Verizon Wireless* brand. In addition, certain of our customers receive services on our network as a result of wholesale arrangements that are also described below.

Wireless Services

Voice Services

We offer voice services on a postpaid and prepaid basis. Approximately 88% of our retail customers received our voice services on a postpaid basis as of December 31, 2010. Postpaid customers typically enter into contracts for our services for a two-year period and are generally billed monthly in advance for access and in arrears for the preceding month's usage over the customer's plan allowance. Our prepaid service enables individuals to obtain wireless voice services without a long-term contract or credit verification by paying in advance.

We offer a variety of packages for voice services and features with competitive pricing, which we adjust from time to time to address changing customer preferences and needs and the availability of new technology, such as:

- Nationwide Calling Plans for individual customers, which provide a choice, at varying price points, of differently sized bundles of minutes of use, or unlimited minutes;
- Nationwide *Family SharePlans* and Nationwide *Small Business SharePlans* designed for multiple-line accounts; and
- Nationwide Business Plans targeted to business accounts with over 100 lines.

These nationwide postpaid plans include features, such as allowing the customer to place calls to, or receive calls from, any other Verizon Wireless customer mobile number without the call time counting against their minute allotment; night and weekend minute allowances; no domestic long distance charges; and no domestic roaming charges. Our customers can also make voice calls via our Push to Talk service, a walkie-talkie style voice service that is available on specialized phones as an add-on feature for an additional monthly charge. In addition, customers using certain smartphones and feature phones can make calls using Skype Mobile, an application that enables our customers to make and receive unlimited Skype calls and send and receive instant messages while within the United States to and from other Skype users anywhere in the world without these calls or messages counting against the customer's minute allotment or incurring additional data charges.

Data Services

As wireless service providers continue to upgrade their networks to enhance data-carrying capabilities and to permit higher-speed data transmission, the demand for full Internet browsing capabilities for phones and the proliferation of wireless data applications for wireless-enabled laptops, phones and other wireless devices is increasing and driving wireless data usage. This growing demand for wireless data services has, in turn, spurred the demand for still-higher-speed network technologies and the development of an array of more advanced wireless devices that include more robust data functionality. Our 4G LTE network, which we began deploying in 2010, provides us with higher data throughput performance and improved network efficiencies compared to those offered by 3G technologies. During the first half of 2011, we expect to begin offering an array of 4G-enabled devices, including smartphones, tablets, a netbook, a notebook computer and Mobile Hotspot devices.

We offer a wide variety of data services and applications, such as:

- Internet access via our smartphones and feature phones. Our customers can access the Internet on all of our smartphones and many of our feature phones. All of our smartphones, and some of our feature phones, include HTML web browsing capability. Our customers pay for data access under plans and arrangements that may vary based on the type of device and the customer's preference. For example, at this time, our retail postpaid customers using our smartphones are required to purchase a data package providing for unlimited data usage, while those using our feature phones have the option of paying for data usage on a pay-per-megabyte basis or purchasing a data package that includes either a limited data allowance or unlimited data usage.
- Our Mobile Broadband service, which enables our customers to access the Internet at broadband speeds. Our customers can access our Mobile Broadband service on netbook and notebook computers and tablets that either have embedded Evolution – Data Optimized (EV-DO) Mobile Broadband modules or that are used in conjunction with Mobile Broadband devices that enable access to this service, such as our USB modems; Mobile Hotspot devices; our EV-DO-enabled phones when used with connector cables; or our smartphones that are enabled with a 3G Mobile Hotspot that provides a Wi-Fi connection. We also offer USB modems that enable our customers to access our 4G LTE Mobile Broadband service on their computers. Our 3G and 4G LTE Mobile Broadband plans are offered at various price points, depending upon both the size of the gigabyte package purchased and the Mobile Broadband device covered by the plan.
- Messaging services, which enable our customers to send and receive text, picture and video messages.
- Business-focused offerings designed to increase the productivity of our business customers, including solutions for accessing the Internet and their corporate intranets and products that enable wireless e-mail across our diverse portfolio of wireless devices.
- Location-based services, which, among other things, can provide our customers with directions to their destination and enable our business customers to locate, monitor and communicate with their mobile field workers.
- Consumer-focused multimedia offerings, which provide our customers with access to applications providing music, video, gaming, news and other content.

In addition to the foregoing offerings, our customers, depending upon the wireless device they use, have access to thousands of data applications and services developed and distributed by third parties, such as those offered via Android Market, accessible on our smartphones running the Google, Inc. (Google) Android operating system, and those offered via the Apple, Inc. (Apple) iTunes store, accessible through the iPhone 4, which we began selling in February 2011.

Other Connection-Related Services

We provide data access and related services to support telemetry services, which are characterized by machine-to-machine (M2M) wireless interactions that do not include a voice component. Our telemetry services support M2M devices used by a variety of vertical market segments, such as healthcare, manufacturing, utilities, distribution and consumer products. For example, companies purchase data access from us in order to connect with and monitor equipment, such as medical devices used to monitor patients, and fleet management devices that monitor company-operated vehicles. Other companies purchase data access from us to support devices that they in turn sell to end users. In addition, we provide data access and related services to support telematics services, which generally involve the integration of wireless safety and security services into vehicles. We support telematics services for some of the largest automotive manufacturers, and we are currently the national provider of wireless service for OnStar, a subsidiary of General Motors Company. We do not include telemetry and telematics in our customer count.

International Voice and Data Services

We offer a variety of international wireless services targeted to the needs of our customers, ranging from our multinational business accounts to our consumer customers who occasionally travel outside of the United States. Through our roaming arrangements with certain wireless service providers outside of the United States, eligible customers can use any of our phones in more than 35 countries that provide CDMA wireless service, with data services available in more than 20 such countries. Our customers that use our Global Ready Phones can access voice service and, with the use of select Global Ready Phones, their e-mail accounts in hundreds of international destinations. In addition, our Global Data service enables our customers, while in such destinations, to access the Internet with a laptop or netbook that either has an embedded mobile broadband module or that is used in conjunction with other Global Ready devices that enable Internet access, such as our USB data modems, our global-ready Mobile Hotspot device or our Global Ready Phones when used with connector cables.

Wireless Devices

We believe that our position in the U.S. wireless industry has enabled us to become a wireless service provider of choice for wireless device manufacturers and has helped position us as the launch partner for new and innovative device offers for our customers and branded phones that complement our focus on high-quality service and an optimal user experience.

We offer several categories of wireless devices, including smartphones and feature phones, as well as Internet access devices, such as computers, tablets, Mobile Hotspot devices and USB modems. The majority of the phones we offer are EV-DO enabled, and all of these phones are compliant with the FCC's Enhanced 911 requirements. We also offer a number of devices that, in addition to working on our EV-DO network, enable our customers to access GSM (global system for mobile communications) networks when traveling abroad.

Smartphones. Our device line-up includes an array of smartphones that are enabled to utilize our EV-DO (Revision A) high-speed data service and have high-level operating platforms, such as Android, iOS 4, BlackBerry OS, webOS and Windows Mobile. We offer smartphones from Motorola, Apple, RIM, HTC, LG, Palm and Samsung. In addition, during the first half of 2011 we expect to offer smartphones that can operate on our 4G LTE network.

Feature Phones. Some of our feature phones are EV-DO-enabled and have HTML-browsing capability. Many of our feature phones can access services such as V CAST and VZ Navigator, as well as Mobile Web, which enables our customers to access the Internet on their phones through our customized web portal. Certain of these phones have other enhanced features, such as QWERTY keyboards and touch screens. Additionally, we offer a selection of feature phones that operate via our CDMA-1XRTT service. Some of our feature phones are ruggedized and support our Push to Talk service.

Internet Access Devices. Our customers can access the Internet wirelessly at broadband speeds on their computers via data cards we offer, via EV-DO-enabled phones connected to their computers with connector cables, or through the use of certain laptop computers and netbooks with embedded EV-DO Mobile Broadband modules offered by original equipment manufacturers (OEMs). In addition, we offer devices that provide a mobile Wi-Fi connection, which we refer to as Mobile Hotspot devices, capable of connecting up to five Wi-Fi–enabled devices to the Internet at one time. We also offer a 3G-enabled, Android-based tablet, the Samsung Galaxy Tab, which runs on our 3G network, and the Apple iPad, which also runs on our 3G network when used in conjunction with our Mobile Hotspot devices. In connection with the launch of our 4G LTE network, we introduced USB modems for use with personal computers that enable our customers to access the Internet through our 4G LTE network. In addition, we announced that during the first half of 2011, we expect to be offering an array of devices that will enable our customers to access the Internet via our 4G LTE network, including smartphones, tablets, a netbook, a notebook computer and Mobile Hotspot devices.

Device Suppliers

We purchase wireless devices and accessories from a number of manufacturers, with the substantial majority of our purchases made from LG Electronics, Apple, Samsung, Motorola, RIM, Palm and PCD (through which we purchase Pantech and HTC devices and accessories).

A key component of all wireless phones is the chipset, which contains the “intelligence” of the phone. Most of our smartphone and feature phone suppliers rely on Qualcomm Incorporated (Qualcomm) for manufacturing and supplying CDMA-1XRTT and EV-DO chipsets. We also sell phones that include CDMA-1XRTT chipsets manufactured by VIA Telecom under license from Qualcomm. The LTE chipsets used in our LTE-enabled devices are manufactured by various companies, each using its own LTE chipset technology. In addition, there are a number of other components common to wireless phones provided by various electronic component manufacturers that we do not deal with directly.

Application and Device Development

We have undertaken several initiatives to develop innovative devices, data services and applications available to run on our 3G and/or 4G LTE networks, including the following:

- *Open Access.* As part of our initiative intended to provide customers with the ability to use, on our network, third-party devices and mobile applications that we do not sell, we published the technical interface standards used by the development community to design such devices. Independent testing laboratories perform tests on third-party devices to ensure that they conform to these standards, and numerous devices have already been certified to run on our 3G network. While we initially commenced this initiative on a voluntary basis, we are also obligated to abide by certain "open access" rules imposed by the FCC with respect to the 700 MHz C block spectrum licenses we hold and are using in connection with the deployment of our 4G LTE network. These "open access" rules require, among other things, that we allow customers to use devices and applications of their choice on this spectrum, as long as such devices and applications meet certain network standards and have been approved by us. Consistent with these rules, further described in "Regulatory and Competitive Trends—FCC Regulation—Wireless Services", we have published standards for our 4G LTE network that developers will use to design devices that can run on this network, and we have established a certification process for such devices. We have also published guidelines for developers seeking to design applications that will run on our 4G LTE network.
- *Business Solutions*. Our business solutions organization is focused on delivering wireless solutions that address the needs of our business customers within the healthcare, manufacturing, transportation, utilities, finance, retail and government sectors. This organization has created the Business Solution Alliance, a joint marketing program with key device and application developers that brings industry-specific solutions to our business customers. We have also launched an external "Business Solution Finder" website, where businesses can learn more about the various solutions that have been developed by these device and application developers. In addition, we have dedicated resources to help design custom solutions aimed at improving the efficiency and productivity of our business customers.
- *nPhase*. nPhase, our joint venture with Qualcomm, is facilitating our provision of M2M wireless communications solutions to a variety of vertical market segments, including healthcare, manufacturing, utilities, telematics, distribution and consumer products.
- *LTE Innovation Center*. We operate the Verizon Wireless LTE Innovation Center, which we believe will serve as a catalyst for the early development of devices and applications for use on LTE networks. The center works with several of our strategic partners to help the consumer electronics industry quickly bring products to market.
- *ISIS*. In 2010, we formed ISIS, a joint venture with AT&T and T-Mobile, to create a mobile payment network that will enable customers to pay for point-of-sale purchases via their mobile phones via near field communications technology, rather than by using cash or a credit card.

Network

Our network is among the largest in the United States, with licensed and operational coverage in all of the top 100 most populous U.S. metropolitan areas. Our network covers a population of approximately 292 million and provides service to our customer base of approximately 94.1 million as of December 31, 2010.

Our goal is to provide the highest network reliability. We focus our efforts on designing and deploying our network in a manner that we believe maximizes the number of calls by our customers that are connected on the first attempt and completed without being dropped. Third-party studies conducted in the fourth quarter of 2010 show that, on a percentage basis, we have the fewest dropped calls and the fewest ineffective attempts among the national wireless service providers in the 98 most populous U.S. metropolitan areas. We plan to continue to build out, expand and upgrade our network and explore strategic opportunities to expand our national network coverage through selective acquisitions of wireless operations and spectrum licenses.

Technology

Our primary network technology platform is CDMA, based on spread-spectrum digital radio technology. CDMA-1XRTT technology is deployed in virtually all of the cell sites in our CDMA network. In addition, EV-DO, a 3G packet-based technology intended primarily for high-speed data transmission, is deployed in substantially all of the cell sites in our CDMA network. We also provide GSM service and fulfill GSM roaming obligations in certain markets as a result of our purchase of Rural Cellular and Alltel, as well as certain markets from AT&T that it had previously acquired from Centennial Communications.

Competing wireless service providers have chosen GSM/HSPA (high speed packet data) or other technologies as the technology platforms for their 3G networks. While we believe our 3G CDMA technology offers many advantages compared to GSM/HSPA, such as more efficient spectrum usage and lower overall operating costs, GSM/HSPA substantially leads in worldwide market share, affording its users certain scale advantages.

In 2010, we launched our 4G LTE network in 38 major metropolitan areas and more than 60 commercial airports in the United States, and we expect to deploy LTE in an additional 140 markets by the end of 2011 and in virtually our entire current 3G network footprint by the end of 2013. This new technology follows GSM's evolutionary path but is different from, and is an improvement upon, the previous generations of both GSM/HSPA- and CDMA-based digital radio technologies. LTE networks are designed to provide higher throughput performance and improved efficiencies for 4G LTE wireless voice and data services. Many other major wireless service providers, both domestic and foreign, have also selected LTE as the technology for their 4G LTE deployments. We believe that LTE will provide us with a 4G technology with global scale.

Our network includes various elements of redundancy designed to enhance the reliability of our service. Power and backhaul transport facilities can often become a network's vulnerability. Consequently, we have battery backup at every switch and virtually every cell site in our network. We also utilize backup generators at a majority of our cell sites and at every switch location. We further enhance reliability by providing secondary transport facilities for critical links in the network.

Spectrum and Network Coverage

The spectrum licenses we hold can be used for mobile wireless voice and data communications services, including text and multi-media messaging, location based services, machine-to-machine services and broadband Internet access. We have licenses to provide wireless services on portions of the 800 MHz band (also known as cellular spectrum) and/or 1800-1900 MHz band (also known as PCS spectrum) in areas where virtually all of the population of United States reside. In parts of the United States, we also have licenses for advanced wireless services (AWS) spectrum in segments of the 1700 and 2100 MHz bands. In addition, we hold licenses for portions of the 700 MHz band, including eight licenses that can be used to provide wireless service coverage to the entire United States. We plan on using both our 700 MHz and AWS spectrum to provide advance broadband services, and in December 2010 we began using certain of our 700 MHz licenses for that purpose in connection with the launch of our 4G LTE network.

In addition to our licensed coverage, we have roaming agreements with a number of wireless service providers to enable our customers to receive wireless service in virtually all other areas in the United States where wireless service is available. Certain of our roaming agreements are terminable at will by either party upon several months' notice; however, we do not believe that the termination of any of these at-will agreements would have a material adverse effect on our business.

We anticipate that we will need additional spectrum in a limited number of our markets to meet future demand. We can meet spectrum needs by acquiring licenses or leasing spectrum from other licensees, or by acquiring new spectrum licenses from the FCC, if and when offered by the FCC in future spectrum auctions. Although the availability of new spectrum for commercial wireless services and the possible dates of future FCC spectrum auctions are unknown at this time, the FCC and the Obama Administration have been seeking the release of an additional 300 MHz of mobile use spectrum by 2015 and a further 200 MHz by 2020. As we and competing wireless service providers have experienced spectrum shortages in certain markets and have spectrum surpluses in others, we have at times arranged spectrum swaps, and we expect to have opportunities to use the beneficial trading of spectrum licenses in order to meet certain of our capacity and expansion needs in the future, subject to obtaining governmental approvals for the transfer of spectrum licenses in each instance.

Network Equipment and Build-out

Our primary cell site equipment infrastructure vendors are Alcatel-Lucent, which provides more than half of our cell site equipment, and Motorola and Ericsson, which together provide nearly all of our remaining cell site equipment. We also rely upon Alcatel-Lucent, Motorola and Ericsson for our switching equipment. Alcatel-Lucent and Ericsson are currently our primary network vendors for our LTE network deployments.

As we continue to build and upgrade our existing network, we must complete a variety of steps, including securing rights to a large number of cell site and switch site locations and obtaining zoning and other governmental approvals. In some instances, we have encountered difficulty in obtaining the necessary site leases at commercially reasonable rates and the zoning approvals needed to construct new towers. We utilize tower site management firms, such as Crown Castle International Corp. and American Tower Corporation, as lessors or managers of our existing tower sites upon which our operations depend.

Marketing

We focus our marketing strategy on offering solutions that are targeted to satisfy the needs of our various customer market segments, such as young adults, seniors, families, small to large businesses, global enterprises and the federal government; promoting our brand; leveraging our extensive distribution network; and cross-marketing with Verizon's other business units and Vodafone.

Our marketing plan includes a coordinated program of television, print, radio, outdoor signage, Internet and point-of-sale media promotions designed to consistently present our marketing message across all of our markets. Our promotion of the *Verizon Wireless* brand is complemented by our marketing of the *Verizon* brand, reinforcing the awareness of our services in shared markets and capitalizing on the size and breadth of our Global Enterprise and Consumer Wireline base.

Sales and Distribution Channels

Our sales strategy is to use a combination of direct, indirect and alternative distribution channels in order to increase customer growth while reducing customer acquisition costs. We rely on third-party providers for device warehousing and distribution.

Direct

Company-Operated Stores. Company-operated stores are a core component of our distribution strategy. We operate stores and kiosks throughout the United States, including store-within-a-store kiosks in many BJ’s Wholesale and PC Richard and Son locations.

Business-to-Business. Our direct channel also includes our business-to-business operations and systems organization, which is focused on supporting the wireless communications needs of our local, regional and national business customers.

Enterprise and Government. We have a dedicated organization to more effectively serve the needs of our largest corporate customers and our federal and other large government accounts. This organization is focused on delivering to these customers integrated, industry-specific solutions to meet their telecommunications needs.

Telemarketing and Web-Based. We have a telemarketing sales force dedicated to handling incoming calls from customers, and we offer fully-automated, end-to-end web-based sales of wireless phones, accessories and service plans.

Indirect

Our agents sell our postpaid and prepaid wireless products and services at retail locations throughout the United States, as well as through the Internet.

Local Agents. We have local agents strategically placed within our markets, in many cases in communities that are not in close proximity to one of our company-operated store locations. The majority of these agents sell both our postpaid and prepaid products and services, and do so under exclusive selling arrangements with us.

National Retailers. High-profile, national retailers, such as Best Buy, Wal-Mart and Target, sell our postpaid and prepaid wireless products and services. Our customers can also purchase the iPhone 4 at Apple stores throughout the United States. In addition, stores, such as Dollar General, Big Lots and various drugstore chains sell our prepaid products and services. These and other national retailers constitute a significant portion of our indirect sales channel. Our ability to attract new subscribers and our revenue could be adversely affected if our relationship with any of our national indirect distributors were terminated or if they shifted the mix of their business to favor other wireless service providers.

OEMs. Our distribution network has been further expanded by forming relationships with OEMs in the computer industry. For example, OEMs such as Dell, Lenovo, Hewlett Packard, Panasonic, OQO and Samsung are embedding EV-DO Mobile Broadband modules into certain of their notebook computer models and tablets, enabling users to activate data service on our network and connect at broadband speeds to corporate networks, e-mail and the Internet.

Bulk Sale of Wireless Access

We sell wireless capacity on a bulk basis. Our traditional wholesale business involves the sale of voice and/or data access to independent companies, such as Tracfone, that in turn resell wireless services to their end users. We had approximately 6.6 million of these wholesale lines as of December 31, 2010. We also sell wireless capacity to support telemetry and telematics services, as described above.

Customer Service, Retention and Satisfaction

We believe that quality customer service is a key differentiator in the wireless industry because it increases customer satisfaction, which reduces the rate at which our customers disconnect individual lines of service (churn). Therefore, satisfying and retaining existing customers is critical to the financial performance of wireless service providers and an essential element of our strategy. Our customer service, retention and satisfaction programs are based on providing customers with convenient and easy-to-use products and services in order to promote long-term relationships and minimize churn.

We have customer service representatives available 24 hours a day, seven days a week to assist with technical customer issues, as well as dedicated customer service teams to address the specialized needs of our business customers. Customers can also conduct business with us at any time without having to speak with a customer service representative through our enhanced self-serve applications, which allow them to access their account information, make payments and make changes to their accounts. These applications include our interactive voice response system, our web site and applications accessible from a customer’s phone.

We have undertaken a variety of customer retention initiatives, including providing customers with the option to change their service plan at any time to any qualifying wireless service plan without paying any additional fees or requiring any contract extension; instituting an early termination fee that decreases after each full month that a customer remains on their contract; and providing customers with the ability to upgrade their phone prior to the end of their contract term at promotional pricing, provided that the customer signs a new qualifying service contract. We also contact customers at key times during the customer relationship about targeted offers and to provide proactive service plan analysis.

Competition

We compete primarily against three other national wireless service providers: AT&T, Sprint Nextel Corporation and T-Mobile USA. In addition, in many markets we also compete with regional wireless service providers, such as US Cellular, Metro PCS and Leap Wireless. We also compete for retail activations with resellers that buy bulk wholesale service from facilities-based wireless service providers for resale, including those that buy from us. We expect competition to intensify as a result of continuing increases in wireless market penetration levels, the development and deployment of new technologies, the introduction of new products and services, new market entrants, the availability of additional spectrum, both licensed and unlicensed, and regulatory changes. Competition may also increase if smaller, stand-alone wireless service providers merge or transfer licenses to larger, better capitalized and more experienced wireless service providers.

The wireless industry also faces competition from other communications and technology companies seeking to increase their brand recognition and capture customer revenue with respect to the provision of wireless products and services. For example, Skype, as well as Google, Apple and others, are offering alternative means for making wireless voice calls that, in certain cases, can be used in lieu of the wireless provider's voice service.

We believe that the following are the most important competitive factors in our industry:

- *Network reliability, capacity and coverage*. We believe that a wireless network that consistently provides high quality and reliable service is a key differentiator in the U.S. market and a driver of customer satisfaction. Lower prices, improved service quality and new data service offerings have led to increased customer usage of wireless services, which in turn puts pressure on network capacity. In order to compete effectively, wireless service providers must keep pace with network capacity needs and offer highly reliable national coverage through their networks. We have begun the deployment of our 4G LTE network. Certain other wireless service providers have also deployed, or are planning to deploy, LTE or other 4G technologies, such as Worldwide Interoperability for Microwave Access (WiMAX).
- *Pricing*. Service and equipment pricing play an important role in the wireless competitive landscape. As the demand for wireless data services continues to grow, wireless services providers are offering service plans that include bundled data packages in varying megabyte or gigabyte sizes or, in some cases, unlimited data usage. In addition, certain wireless service providers are also offering minutes-sharing plans; free mobile-to-mobile calling; offerings of larger bundles of included minutes at attractive price points, with no roaming or long distance charges; calling group features that enable customers to place and receive calls from a group of U.S. phone numbers they designate (including landline numbers) without the call time counting against their minute allotment; and both prepaid and postpaid plans offering unlimited voice and data usage. We seek to compete in this area by offering our customers services and equipment that they will regard as the best available value for the price, as well as service plans that meet their needs for both voice and data services.
- *Customer service*. We believe that high-quality customer service is a key factor in retaining customers and attracting both new-to-wireless customers and customers of other wireless providers. We continually focus on enhancing our customer service. Our competitors also recognize the importance of customer service and are also focusing on improving it.
- *Product and service development*. As wireless technologies develop and wireless broadband networks proliferate, continued customer and revenue growth will be increasingly dependent on the development of new and enhanced data products and services. We continue to pursue the development and rapid deployment of new and innovative wireless products and services both independently and in collaboration with application service providers. We also collaborate with various device manufacturers in the development of distinctive smartphones and other wireless devices that can access the growing array of data applications and content available over the Internet. We continue to focus on increasing smartphone penetration throughout our customer base.
- *Sales and distribution*. Key to achieving sales success in the wireless industry is the reach and quality of sales channels and distribution points. We believe that attaining the optimal combination of varying distribution channels is important to achieving industry-leading profitability, as measured by operating income. We endeavor to increase sales through our company-operated stores, outside sales teams and telemarketing and web-based sales and fulfillment capabilities, as well as through our extensive indirect distribution network of retail outlets and prepaid replenishment locations and netbook and notebook OEMs. In addition, we sell wireless access to both traditional resellers, which resell wireless services to their end-users, and to various companies to enable wireless communications for their M2M devices or for their provision of telematics services. See "Marketing—Sales and Distribution Channels."
- *Capital resources*. In order to expand the capacity and coverage of their networks and introduce new products and services, wireless service providers require significant capital resources. We generate significant cash flow from operations, as do some of our competitors.

Our success will depend on our ability to anticipate and respond to various factors affecting the wireless industry, including the factors described above, as well as new technologies, new business models, changes in customer preferences, regulatory changes, demographic trends, economic conditions and pricing strategies of competitors.

Wireline

Background

The Wireline segment provides customers with communications products and services that include voice, Internet access, broadband video and data, IP network services, network access, long distance and other services. We provide these products and services to consumers in the United States, as well as to businesses, government customers and carriers both in the United States and in over 150 other countries around the world. In 2010, Wireline revenues were $41.2 billion, representing approximately 39% of Verizon's aggregate revenues.

Wireline Service and Product Offerings

We organize our service and product offerings by the primary market targeted by these offerings – mass markets, global enterprise, global wholesale and other.

In July 2010, the Company spun off a subsidiary of Verizon (Spinco) to its stockholders which held defined assets and liabilities of the local exchange business and related landline activities of the Company in predominantly rural areas in 14 states. Immediately following the spin-off, Spinco merged with Frontier Communications Corporation (Frontier) pursuant to a definitive agreement with Frontier. This transaction further focused the Company's Mass Markets asset base around its fastest growing business – FiOS fiber-optic services.

Mass Markets

Mass Markets operations provide local exchange (basic service and end-user access), long distance (including regional toll), broadband services (including high-speed Internet and FiOS Internet) and FiOS TV services to residential and small business subscribers. In partnership with DIRECTV, Verizon also offers satellite television service to enable double- and triple-play offers in non-FiOS markets. In 2010, Mass Markets revenue were $16.3 billion, representing approximately 40% of Wireline's aggregate revenues.

Our goal is to be the customer's first choice for communications and entertainment services. To achieve this, we offer a variety of services at different price points.

Video Services. We offer Verizon's fiber-optic TV and video service as well as market a variety of DIRECTV packages that are delivered over satellite systems. As of December 31, 2010, FiOS TV is available to approximately 12.4 million homes across 11 states: New York, New Jersey, California, Delaware, Texas, Florida, Maryland, Pennsylvania, Massachusetts, Virginia and Rhode Island, as well as the District of Columbia. We believe FiOS TV has features that differentiate it from the competition, including its channel line-up, breadth of high definition content and video on demand, as well as the following:

- *Interactive Media Guide* – Our FiOS TV guide helps customers quickly and easily find content from television listings, video on demand catalogs and their own personal music and photo files.
- *Home Media DVR* – Our multi-room digital video recorder, which allows recording in one room and viewing in another, also includes the Interactive Media Guide. The device also provides customers with the flexibility of moving content seamlessly from the PC/laptop to the wide screen for a richer viewing experience of user-generated content such as videos and photos.
- FiOS TV Widgets – Viewers have one-touch, on demand access to local weather, traffic and community information and increasingly popular social media applications such as Facebook and Twitter, as well as online commerce opportunities. The widget platform has evolved to an open-development environment, which provides opportunities for third parties to develop enhanced customer features via the FiOS TV product.
- *FlexView* – With FlexView, FiOS customers can view nearly 2,000 titles outside the home from a computer, tablet, netbook or compatible mobile phone. We expect that FlexView will also include TV shows in the near future.

Data Services. We offer high speed Internet and FiOS broadband data products with varying downstream and upstream processing speeds. In 2010, we continued to see increased demand for upstream bandwidth to support video and photo sharing in a secure environment. We also enhanced our FiOS offerings with faster speeds. Residential customers can now order FiOS Internet with speeds of up to 150 Mbps downstream and 35 Mbps upstream, which is currently the fastest mass-market broadband service in the United States.

Voice Services. We offer packages that include local exchange, regional, long distance, wire maintenance and voice messaging services, as well as VoIP services, which use the Internet or private broadband networks to transmit voice communications. We also offer calling plans to bundle landline and wireless services with calling features and unlimited calling between a Verizon customer's home phone and wireless handset, all on a single bill.

Global Enterprise

Global Enterprise offers voice, data and Internet communications services to medium and large business customers, multinational corporations and state and federal government customers. Our focus areas of growth in this segment include IP services and value-added solutions that make communications more secure, reliable and efficient. In 2010, Global Enterprise revenues were $15.7 billion, representing approximately 38% of Wireline's aggregate revenues.

We believe that we are well positioned to take advantage of economic and technological trends in this area. With a strong global IP network and robust service portfolio, we are able to assist customers with their transition to next generation services. Our portfolio of services consists of traditional core voice and data services and strategic services comprised of managed and advanced products and solutions.

On January 27, 2011, Verizon announced that it had entered into a definitive agreement to acquire all of the common stock of Terremark Worldwide, Inc., a global provider of IT infrastructure and cloud services, for $19 per share in cash (or approximately $1.4 billion). Terremark had approximately $0.5 billion of debt outstanding as of December 31, 2010. The acquisition, which is subject to the satisfaction of conditions, including the receipt of a regulatory approval, is expected to close in the first quarter of 2011. The acquisition will enhance Verizon's offerings to governmental and large enterprise customers.

Core Services. Core voice services consist of a comprehensive portfolio of global voice solutions utilizing traditional voice and newer VoIP technologies. Core data services include frame relay, ATM and private line access technologies. Core services also include providing customer premises equipment, installation, maintenance and site services.

Strategic Services. We have professional services personnel in more than 30 countries to assist customers in adopting new IT solutions, such as application management, infrastructure services, unified communications, contact center solutions and security and business continuity services, as we seek to assist customers in transforming the way they operate.

We have introduced new offerings for multinational corporate and government customers including IT consulting and managed services to help enterprises transition to cloud computing technologies; telehealth collaboration services; consulting services designed to help track and protect corporate data; a cloud-based application performance monitoring service; and solutions to prevent hacker threats to corporate applications.

Our Strategic Services include:

- *Private IP* – Our fastest growing service around the world, our multiprotocol label switching (MPLS) based solution enables customers to securely leverage the efficiency, performance and value of IP by increasing the speed of network traffic as it travels over various platforms including IP, ATM and Frame Relay. Due to a new network alliance with Gateway Business Africa, we are expanding our Private IP network capabilities in several African countries. The alliance also allows us to extend the coverage of the Verizon MPLS network to an additional 14 African countries by using interconnection points between the countries' networks.
- *Managed Services* – Offers companies the opportunity to outsource the management of their networks, security, remote access, and web applications.
- *Enterprise Mobility* – Enables customers to remotely access our global IP network and leverage wireless applications.
- *Applications Hosting* – Offers hosting and managing of corporate software applications and provides content delivery for customers.
- *Customer Service Management* – Provides tools that improve the customers' experience and increase call center efficiency and productivity.
- *Security* – Provides integrated solutions to help companies secure their networks and data. Over the past two years, we have expanded our managed security services portfolio, based on risk issues identified by our investigative response and forensics team. We have also invested in data breach research, culminating in the Verizon Data Breach Investigations Report, the Verizon Payment Card Industry Compliance Report and the ICSA Labs Product Assurance Report, and established a state-of-the art hygienic lab that prevents external contaminants, such as dust, from spoiling sensitive evidence.

In 2010, we began a multi-year reorganization of our Global Enterprise operating model to allow us to continue to be competitive in the information and communication technology market. The goal of this project is to improve the customer experience, our geographic balance, and the global consistency of our operations and to transform our business models and our talent in order to further grow our revenues and our business.

Global Wholesale

Global Wholesale offers switched access and special access services primarily to long distance and other carriers who use our facilities to provide services to their customers. A portion of Global Wholesale revenues is generated by a few large telecommunication companies, many of whom compete directly with us. In 2010, Global Wholesale revenues were $8.4 billion, representing approximately 20% of Wireline's aggregate revenues.

We offer a comprehensive portfolio of voice, data, value-added business and local telecommunications services to a wide array of customers, including interexchange carriers, resellers, cable service operators, Internet service providers, network and systems integrators and content data network providers. These include:

- *Voice Services.* We offer regional access, VoIP services and long distance services both domestically and internationally. We are a leading provider of international voice services, serving customers on six continents and in over 150 countries. In addition, we offer interconnection services for local and wireless service providers who need to terminate traffic in our networks to reach their end users and subscribers.
- *Data Services.* We offer a robust portfolio of data services with varying speeds and options to enhance wholesale customer networks and to provide connections to their end users and subscribers. Our data services include: private line special access, fast packet, optical, Ethernet and IP services, each available in multiple options and configurations to support the complex needs of our customers. Our wireless customers in the United States represent the largest growth opportunity in wholesale, as they are significantly building up backhaul connections from their cell sites back to mobile switching centers. At the same time, they are migrating networks from time division multiplexing (TDM) to Ethernet, which will better scale and service the growth of broadband services driven by smartphones, mobile broadband and mobile video. Global Wholesale offers a complete suite of services to support the expansion of 3G networks and the roll-out of 4G LTE.
- *Value Added Business Services.* Global Wholesale offers value-added business services, leveraging many of the same offerings available in the Global Enterprise portfolio, including:
  - *Managed Services* – Offers wholesale customers the opportunity to outsource the management of their networks, security, remote access, and web applications to Verizon.
  - *Mobility* – Enables wholesale customers to complement their portfolio to triple-play or quad-play capability by leveraging wireless devices and services offered through Verizon Wireless and packaged and resold under their own carrier brand.
  - *Security* – Provides wholesale customers integrated solutions to help their enterprise end users secure their networks and data.
- *Local Services.* We offer an array of local dial tone and broadband services to competitive local exchange carriers, some of which are offered to comply with telecommunications regulations. In addition, we offer services such as collocation, resale and unbundled network elements in compliance with mandated regulation.

Other

Other services include such services as local exchange and long distance services derived from former MCI mass market customers, operator services, pay phone, card services and supply sales, as well as dial around services including 10-10-987, 10-10-220, 1-800-COLLECT and prepaid cards. In 2010, Other revenues were $0.9 billion, representing approximately 2% of Wireline's aggregate revenues.

Network

In order to provide services to our Mass Markets, Global Enterprise and Global Wholesale customers, we operate advanced telecommunications networks in the United States and around the world.

Our goal is to be the premier broadband and entertainment service provider in the mass market. Network reliability and functionality are key to achieving that goal. Our deployment of Fiber-to-the-Premise (FTTP) access technologies over fiber optic cables provides the highest possible bandwidth to the customer premise based on current technology and allows us the flexibility to adapt our facilities more easily to future product development. For example, new optical terminals can be added to the FTTP network providing greater bandwidth and new services without any additional field construction. Verizon's recent launch of 150/35 Mbps Internet service delivers the fastest mass-market broadband service in the United States over our FiOS network. Our new Internet service offers three times the downstream speed previously available to FiOS customers. Recent field trials successfully achieved connection speeds of nearly 1 gigabit per second (Gbps) downstream and upstream, and when a more advanced XG-PON2 technology was connected to the network, connection speeds of 10 Gbps were reached on the fiber-optic network, demonstrating the significant headroom built into the FiOS network.

The FTTP network is also supporting the introduction of FlexView, giving FiOS TV customers the ability to take video programming outside of the home and view it on a computer, tablet, netbook or compatible mobile phone. FiOS also supports 3-D programming, including several feature films and the first televised National Football League and Major League Baseball games in 3-D. Other emerging applications that will be supported by our expanded network capacity include high definition video sharing, video telephony, telemedicine and offsite backups and storage services.

In conjunction with the evolution of our access plant, we are also transitioning our metro (local) network infrastructure from traditional TDM/SONET (Synchronous Optical Network)/ATM technologies to Ethernet over Dense Wavelength Division Multiplexing (DWDM). This new optical transport network provides features optimized for video distribution services and high speed data services, while maintaining the level of network reliability achieved with SONET.

To leverage this new network infrastructure and allow for the more efficient sharing of our network across services, we are upgrading our multiplexing and routing infrastructure to use IP, Ethernet and MPLS technologies. In addition, we are migrating from traditional TDM-based voice switching to VoIP. This migration lowers the cost of current data and voice services and creates a network that can offer future multi-media communications services by adding service platforms without requiring widespread network upgrades. We have been focused on growing our Ethernet infrastructure to support the full range of Ethernet private line and E-LAN services locally, domestically and globally. To lower the access cost and provide significant service flexibility, we are using a converged packet access strategy that replaces the private circuit-based customer access and aggregates traffic from multiple customers onto a shared Ethernet and MPLS network. We also continue to focus on emerging optical transport technologies to lower overall cost as we integrate Ethernet, SONET and Optics, and ultra-long-haul technologies.

We have expanded our Virtual Private LAN service to Europe, Asia-Pacific, and additional North American locations. We have focused on the expansion of our private IP network to serve all key international markets with managed Quality of Service-aware IP Virtual Private Network services. Our Public IP network is now interconnected to our private IP network through Security Gateway platforms that allow business customers to extend the reach of their private virtual networks to 'off-net' sites, such as employees' homes, small branch offices and mobile work forces. We have installed additional private IP edge routers for a total of 814 edge routers in 233 sites throughout 61 countries; and added nineteen new converged packet architecture switches, for a total of 153 CPA switches in 132 sites across 36 countries.

We deployed the industry's first commercial 100G (gigabits per second) ultra-long-haul optical system for live traffic on our European optical core network, and successfully completed other field trials of 100G technology in North America and Great Britain in preparation for further ultra-long-haul deployments. We expect to activate the Europe India Gateway system in early 2011, linking countries/territories between Europe, the Middle East and India, delivering significant network capacity and diversity into emerging international markets. In addition, we added a Japan landing to the Trans-Pacific Express (TPE) submarine cable system connecting the west coast of the United States to China, Korea and Taiwan.

Our Fiber-to-the-Cellsite (FTTCS) backhaul initiative is critical to supporting the substantial growth requirements of expanding 3G and 4G LTE wireless data networks nationwide. To support this initiative, over 8,900 cell site connections were completed in 2010, totaling almost four times the sites completed in 2009.

Customer Service

We are committed to providing superior customer service as a key factor in achieving customer satisfaction and retention. As part of that endeavor, we focus on allowing our customers to conduct business with us in the way that is most convenient for them.

Increasingly, our customers are choosing to do business with us online, including diagnosing and fixing problems and ordering our products and services. In light of this, in 2010, we completed a redesign of our website to make it easier for customers to use. We also deployed In-Home Agent to our broadband and FiOS TV customers. This tool allows our individual and small business customers to self-diagnose and correct issues they may encounter without having to make a call to us or schedule a technician visit.

In addition we enhanced the online experience for our business customers by providing content targeted directly to our major segments to address their particular needs, as well as information about all of our core and strategic solutions.

We provide live 24/7 customer support on all FiOS sales and service issues. We have also undertaken several customer service initiatives, including our FiOS Worry Free Guarantee for consumers and small businesses and our Service Level Agreements for Enterprise and Global Wholesale, which guarantee our service.

Competition

The wireline telecommunications industry is highly competitive. We expect competition to intensify further with traditional, non-traditional and emerging players seeking increased market share. Current and potential competitors include cable companies, wireless service providers, other domestic and foreign telecommunications providers, satellite television companies, Internet service providers and other companies that offer network services and managed enterprise solutions.

In the Mass Markets business, cable operators are significant competitors. Cable operators have increased the size and digital capacity of their networks so that they can offer digital products and services. We continue to market competitive bundled offerings that include high-speed Internet access, digital television and voice services. Several major cable operators also offer bundles with wireless services through strategic relationships.

In addition, wireless substitution is an ongoing competitive trend, which we expect to continue as wireless companies position their service as a landline alternative. We also face increasing competition from companies that provide VoIP services. VoIP services are available from a wide range of companies including cable companies, and national and regional providers. Internet portal providers are also entering our competitive space.

As a result of the Telecommunications Act of 1996, which requires us to allow potential competitors to purchase our services for resale, or access components of our network on an unbundled basis at a prescribed cost, competition in our local exchange markets continues. Our telephone operations generally have been required to sell their services to competitive local exchange carriers at significant discounts from the prices our telephone operations charge their retail customers. The scope of these obligations going forward and the rates we receive, are subject to ongoing review and revision by the FCC and state regulators. See "Regulatory and Competitive Trends" in the 2010 Verizon Annual Report to Shareowners.

In the Global Enterprise business, the customer's need to reduce technical complexity coupled with the growth opportunity created by technology convergence is driving the expansion of the competitive landscape. Major competitors include system integrators, carriers, hardware and software providers. Some of the biggest companies in IT services are either making acquisitions or forging new alliances to be better positioned for a rebound in technology spending. Most new alliances and acquisitions have focused on emerging fields such as cloud computing, software delivery, communication applications and other computing tasks via the network, rather than on in-house machines. Carriers have also utilized acquisitions to make significant inroads into enterprise outsourcing markets that have long been dominated by the major IT outsourcers.

Global Wholesale competes with traditional carriers for long-haul, voice and IP services. Additionally, mobile video and data needs are driving a greater need for wireless backhaul. Network providers, cable companies and niche players are competitors for this new revenue opportunity.

In addition, companies with a global presence increasingly compete with our wireline businesses. A relatively small number of telecommunications and integrated service providers with global operations serve customers in the global enterprise and, to a lesser extent, global wholesale markets. We compete with these full, or near-full service providers for large contracts to provide integrated services to global enterprises. Many of these companies have a strong market presence, brand recognition, and existing customer relationships, all of which contribute to intensifying competition and which may affect our future revenue growth.

We believe the following are the most important competitive factors and trends in the wireline industry:

- *Customer Service*: Customers expect industry leading service from their service providers in the Mass Markets, Global Enterprise and Global Wholesale businesses. As technologies and services evolve, the ability of a carrier to excel in this area is very important for customer acquisition and retention. In Mass Markets, we compete in this area through our service representatives and online support, recently recognized as industry leading by an independent survey organization. In Global Enterprise, we provide our customers with ready access to their system and performance information and conduct proactive testing of the network to identify minor issues before they affect customers. In the Wholesale business, service improvement can be achieved through continued system automation initiatives.
- *Network reliability and bandwidth (speed):* As both consumers and small business customers look to leverage high speed connections for entertainment, communications, and productivity, we expect broadband penetration will continue to increase over the next several years. As online and online-enabled activities increase, so will bandwidth requirements, both downstream and upstream. To succeed, we and other network-based providers must ensure that our networks can deliver against these increasing bandwidth requirements. We are continuing to build out our network to be able to meet this future demand. In addition, network reliability and security are increasingly important competitive factors in the Global Enterprise business.
- *Pricing*: Cable, telecommunications companies and integrated service providers use pricing to capture market share from incumbents. Pricing is also significant as non-traditional modes of providing communication services emerge and new entrants compete for customers. For example, portal-based and VoIP calling is free or nearly free to customers and is often supported by advertising revenues.
- *Product differentiation*: As a result of pricing pressures, providers need to differentiate their products. Customers are shifting from an access to an applications mindset and are focused on how they can leverage their broadband and video connections. Converged features, such as integrated wireless and wireline functionality, are becoming similarly important, enabled by both customer demand and technological advancement.

Patents, Trademarks and Licenses

Verizon owns or has licenses to various patents, copyrights, trademarks, domain names and other intellectual property rights necessary to conduct our business. We actively pursue the filing and registration of patents, copyrights, domain names, trademarks and service marks to protect our intellectual property rights within the United States and abroad, and have significantly increased the rate of such filings each year. Verizon also actively grants licenses, in exchange for appropriate fees or other consideration and subject to appropriate safeguards and restrictions, to other companies that enable such companies to utilize certain Verizon intellectual property rights and proprietary technology as part of their products and services. Such licenses enable such third party licensees to take advantage of the results of Verizon's research and development efforts. While these licenses result in valuable consideration being paid to Verizon, we do not believe that loss of such consideration, or the expiration of any of our intellectual property rights, would have a material effect on our results of operations.

Verizon periodically receives offers from third parties to purchase or obtain licenses for patents and other intellectual property rights in exchange for royalties or other payments. We also periodically receive notices alleging that our products or services infringe on third party patents or other intellectual property rights. These claims, whether against us directly or against third-party suppliers of products or services that we, in turn, sell to our customers, if successful, could require us to pay damages or royalties, or cease offering the relevant products or services.

Acquisitions and Divestitures

"Acquisitions and Divestitures" included in "Other Factors That May Affect Future Results" on page 36 of the 2010 Verizon Annual Report to Shareowners is incorporated by reference into this report.

Regulatory and Competitive Trends

"Regulatory and Competitive Trends" included in "Other Factors That May Affect Future Results" on pages 37 through 39 of the 2010 Verizon Annual Report to Shareowners is incorporated by reference into this report.

Environmental Matters

"Environmental Matters" included in "Other Factors That May Affect Future Results" on page 39 of the 2010 Verizon Annual Report to Shareowners is incorporated by reference into this report.

Executive Officers

See Part III, Item 10. "Directors, Executive Officers and Corporate Governance" of this Annual Report on Form 10-K for information about our executive officers.

Employees

As of December 31, 2010, Verizon and its subsidiaries had approximately 194,400 employees. Unions represent approximately 30% of our employees.

Information on Our Internet Website

We make available, free of charge on our website, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports at www.verizon.com/investor. Verizon has adopted a code of ethics, as that term is defined in Item 406(b) of Regulation S-K, which applies to our Chief Executive Officer, Chief Financial Officer and Controller. A copy of this code may be found on our website at www.verizon.com/investor. Any amendments to this code, or any waiver of this code for any executive officer will be posted on that website.

Cautionary Statement Concerning Forward-Looking Statements

In this Report we have made forward-looking statements. These statements are based on our estimates and assumptions and are subject to risks and uncertainties. Forward-looking statements include the information concerning our possible or assumed future results of operations. Forward-looking statements also include those preceded or followed by the words "anticipates," "believes," "estimates," "hopes" or similar expressions. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

The following important factors, along with those discussed elsewhere in this Report could affect future results and could cause those results to differ materially from those expressed in the forward-looking statements:

- the effects of adverse conditions in the U.S. and international economies;
- the effects of competition in our markets;
- materially adverse changes in labor matters, including labor negotiations, and any resulting financial and/or operational impact;
- the effect of material changes in available technology;
- any disruption of our key suppliers' provisioning of products or services;
- significant increases in benefit plan costs or lower investment returns on plan assets;
- the impact of natural disasters, terrorist attacks, breaches of network or information technology security or existing or future litigation and any resulting financial impact not covered by insurance;
- technology substitution;
- an adverse change in the ratings afforded our debt securities by nationally accredited ratings organizations or adverse conditions in the credit markets impacting the cost, including interest rates, and/or availability of financing;
- any changes in the regulatory environments in which we operate, including any increase in restrictions on our ability to operate our networks;
- the timing, scope and financial impact of our deployment of broadband technology;
- changes in our accounting assumptions that regulatory agencies, including the SEC, may require or that result from changes in the accounting rules or their application, which could result in an impact on earnings;
- our ability to complete acquisitions and dispositions; and
- the inability to implement our business strategies.

Item 1A. Risk Factors

The following discussion of "Risk Factors" identifies the most significant factors that may adversely affect our business, operations, financial position or future performance. This information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and related notes included in this report. The following discussion of risks is not all-inclusive but is designed to highlight what we believe are important factors to consider when evaluating our business and expectations. These factors could cause our future results to differ materially from our historical results and from expectations reflected in forward-looking statements.

Adverse conditions in the U.S. and international economies could impact our results of operations.

Unfavorable general economic conditions, such as a recession or economic slowdown in the United States or in one or more of our other major markets, could negatively affect the affordability of and demand for some of our products and services. In difficult economic conditions, consumers may seek to reduce discretionary spending by forgoing purchases of our products, electing to use fewer higher margin services or obtaining products and services under lower-cost programs offered by other companies. Similarly, under these conditions the business customers that we serve in the United States and abroad may delay purchasing decisions, delay full implementation of service offerings or reduce their use of services. In addition, adverse economic conditions may lead to an increased number of our consumer and business customers that are unable to pay for services. If these events were to occur, it could have a material adverse effect on our results of operations.

We face significant competition that may reduce our market share and lower our profits.

We face significant competition in our industry. The rapid development of new technologies, services and products has eliminated the traditional distinctions between local, long distance, wireless, cable and Internet communication services and brought new competitors to our markets, including other telephone companies, cable companies, wireless service providers, satellite providers, application and device providers, electric utilities, and providers of VoIP services. While these changes have enabled us to offer new types of services, they have also allowed other service providers to broaden the scope of their own competitive offerings. Our ability to compete effectively will depend on, among other things, our network quality, capacity and coverage, the pricing of our services and equipment, the quality of our customer service, our development of new and enhanced products and services, the reach and quality of our sales and distribution channels and our capital resources. It will also depend on how successfully we anticipate and respond to various factors affecting our industry, including new technologies and business models, changes in consumer preferences and demand for existing services, demographic trends and economic conditions. If we are not able to successfully respond to these competitive challenges, we could lose market share and experience reduced profits.

If we are not able to take advantage of technological developments in the telecommunications industry on a timely basis, we may experience a decline in the demand for our services or may be unable to implement our business strategy.

Our industry is experiencing rapid change as new technologies are developed that offer consumers an array of choices for their communications needs. In order to grow and remain competitive, we will need to adapt to future changes in technology, to enhance our existing offerings and introduce new offerings to address our customers' changing demands. If we are unable to meet future advances in competing technologies on a timely basis or at an acceptable cost, we could lose customers to our competitors. In general, the development of new services in our industry requires us to anticipate and respond to the varied and continually changing demands of our customers. We may not be able to accurately predict technological trends or the success of new services in the market. In addition, there could be legal or regulatory restraints to our introduction of new services. If these services fail to gain acceptance in the marketplace, or if costs associated with implementation and completion of the introduction of these services materially increase, our ability to retain and attract customers could be adversely affected.

For example, we have selected Long Term Evolution technology (LTE) as our next-generation wireless network access technology. We expect this new technology to enable us to offer a mobile data network with higher speeds and improved efficiencies. Other wireless service providers have announced their plans to adopt LTE as their next-generation technology, and we believe that it will become the principal next-generation global standard. There are risks, however, that these other wireless service providers may delay their deployment of LTE or change their selection and adopt different next-generation technologies, including technologies that are incompatible with ours. As a result, LTE may not become the principal next-generation global standard and may not provide us with the global scale, compatibility and other benefits that we expect in a timely manner or at all. In addition, our ability to deploy LTE on our network successfully and in a timely manner depends on various factors that are beyond our control, including the risk that our suppliers may be unable to manufacture and deliver LTE devices and network equipment on schedule and according to our specifications. Furthermore, our deployment of LTE may not occur at the cost we have estimated. If these risks materialize, our ability to provide next generation wireless services to our customers, to retain and attract customers, and to maintain and grow our customer revenues could be materially adversely affected.

We depend on key suppliers and vendors to provide equipment that we need to operate our business.

We depend on various key suppliers and vendors to provide us, directly or through other suppliers, with equipment and services, such as switch and network equipment, handsets and other devices and equipment, that we need in order to operate our business and provide products to our customers. For example, our handset and other device suppliers often rely on one vendor for the manufacture and supply of critical components, such as chipsets, used in their devices. If these suppliers or vendors fail to provide equipment or service on a timely basis or fail to meet our performance expectations, we may be unable to provide products and services as and when requested by our customers. We also may be unable to continue to maintain or upgrade our networks. Because of the costs and time lags that can be associated with transitioning from one supplier to another, our business could be substantially disrupted if we were required to, or chose to, replace the products or services of one or more major suppliers with products or services from another source, especially if the replacement became necessary on short notice. Any such disruption could increase our costs, decrease our operating efficiencies and have a material adverse effect on our business, results of operations and financial condition.

The suppliers and vendors on which we rely may also be subject to litigation with respect to technology on which we depend, including litigation involving claims of patent infringement. Such claims have been growing rapidly in the communications industry. We are unable to predict whether our business will be affected by any such litigation. We expect our dependence on key suppliers to continue as we develop and introduce more advanced generations of technology.

Changes in the regulatory framework under which we operate could adversely affect our business prospects or results of operations.

Our domestic operations are subject to regulation by the FCC and other federal, state and local agencies, and our international operations are regulated by various foreign governments and international bodies. These regulatory regimes frequently restrict our ability to operate in or provide specified products or services in designated areas, require that we maintain licenses for our operations and conduct our operations in accordance with prescribed standards. We are frequently involved in regulatory and non-regulatory governmental proceedings related to the application of these requirements. It is impossible to predict with any certainty the outcome of pending federal and state regulatory proceedings relating to our operations, or the reviews by federal or state courts of regulatory rulings. Unless we are able to obtain appropriate relief, existing laws and regulations may inhibit our ability to expand our business and introduce new products and services. Similarly, we cannot guarantee that we will be successful at obtaining the licenses we need to carry out our business strategy or in maintaining our existing licenses. For example, the FCC grants wireless licenses for terms generally lasting 10 years that are subject to renewal. The loss of, or a material limitation on, certain of our licenses could have a material adverse effect on our wireless business, results of operations and financial condition.

The adoption of new laws or regulations or changes to the existing regulatory framework at the federal or state level could also adversely affect our business plans. New regulations could restrict the ways in which we can manage our wireline and wireless networks, impose additional costs, impair revenue opportunities, and potentially impede our ability to provide services in a manner that would be attractive to us and our customers. For example, the development of new technologies, such as IP-based services, including VoIP and super high-speed broadband and video, could be subject to conflicting regulation between the FCC and various state and local authorities, which could significantly increase the cost of implementing and introducing new services based on this technology.

As the holder of 700 MHz C Block licenses, we are required to comply with certain "open access" regulations that the FCC has imposed on all licensees of 700 MHz C Block spectrum. These rules require us to allow customers to use devices and applications of their choice on the LTE network we are deploying on that spectrum, including those obtained from sources other than us or our distributors or dealers, subject to certain technical limitations established by us. The FCC has not yet finally determined what level of access will satisfy the "open access" requirements. Once finally determined, these requirements may increase the costs or limit the revenue-generating potential associated with our use of the C block. In addition, on December 21, 2010, the FCC adopted an order in which it imposed so-called "net neutrality" rules that it describes as intended to preserve the openness of the Internet. These new rules limit the ways that a broadband Internet access service provider can manage its network and the services it can provide over the network. Given that the scope of the restrictions and many critical terms in this order are not fully defined and given that the order creates procedural mechanisms for parties to complain of violations of the order, it is reasonable to expect litigation to resolve ambiguities, which could lead to yet further regulation. The regulation of broadband activities and any related court decisions could restrict our ability to compete in the marketplace and limit the return we can expect to achieve on past and future investments in our broadband networks.

Natural disasters, terrorist attacks or breaches of network or information technology security could have an adverse effect on our business.

Natural disasters, terrorist acts, acts of war, cyber attacks or other breaches of network or information technology (IT) security may cause equipment failures or disrupt our operations. While we maintain insurance coverage for some of these events, the potential liabilities associated with these events could exceed the insurance coverage we maintain. Our inability to operate our wireline or wireless networks as a result of such events, even for a limited period of time, may result in significant expenses and/or loss of market share to other communications providers. In addition, a failure to protect the privacy of customer and employee confidential data against breaches of network or IT security could result in damage to our reputation. Any of these occurrences could result in a material adverse effect on our results of operations and financial condition.

Adverse changes in the credit markets could increase our borrowing costs and the availability of financing.

We require a significant amount of capital to operate and grow our business. We fund our capital needs in part through borrowings in the public and private credit markets. Adverse changes in the credit markets, including increases in interest rates, could increase our cost of borrowing and make it more difficult for us to obtain financing for our operations. In addition, our borrowing costs can be affected by short and long-term debt ratings assigned by independent rating agencies which are based, in significant part, on our performance as measured by customary credit metrics. A decrease in these ratings would likely increase our cost of borrowing and/or make it more difficult for us to obtain financing. A severe disruption in the global financial markets could impact some of the financial institutions with which we do business, and such instability could affect our access to financing.

Increases in costs for pension benefits and active and retiree healthcare benefits may reduce our profitability and increase our funding commitments.

With approximately 194,400 employees and approximately 215,400 retirees as of December 31, 2010 participating in Verizon's benefit plans, the costs of pension benefits and active and retiree healthcare benefits have a significant impact on our profitability. Our costs of maintaining these plans, and the future funding requirements for these plans, are affected by several factors including the recently enacted Patient Protection and Affordable Care Act and the Health Care Education Reconciliation Act of 2010, the enactment of any similar health care reform measures at the state level, increases in healthcare costs, decreases in investment returns on funds held by our pension and other benefit plan trusts and changes in the discount rate used to calculate pension and other postretirement expenses. If we are unable to limit future increases in the costs of our benefit plans, those costs could reduce our profitability and increase our funding commitments.

A significant portion of our workforce is represented by labor unions and we could incur additional costs or experience work stoppages as a result of the renegotiation of our labor contracts or additional organizing activity.

As of December 31, 2010, approximately 30% of our workforce was represented by labor unions. Labor contracts covering many of our employees will expire in 2011. Accordingly, in 2011, we will be engaged in negotiations with our labor unions regarding new contracts. Depending on the outcome of these negotiations, we could incur additional costs and/or experience lengthy work stoppages, which could adversely affect our business operations, including a loss of revenue and strained relationships with customers, and we cannot predict the length of any such work stoppage. In addition, while the workforce of our wireless business is almost entirely non-union, we cannot predict what level of success unions may have in organizing this workforce or the potentially negative impact it would have on our costs.

We are subject to a significant amount of litigation, which could require us to pay significant damages or settlements.

Our business faces a substantial amount of litigation, including, from time to time, patent infringement lawsuits, antitrust class actions, wage and hour class actions, personal injury claims and lawsuits relating to our advertising, sales, billing and collection practices. In addition, our wireless business also faces personal injury and consumer class action lawsuits relating to alleged health effects of wireless phones or radio frequency transmitters, and class action lawsuits that challenge marketing practices and disclosures relating to alleged adverse health effects of handheld wireless phones. We may incur significant expenses in defending these lawsuits. In addition, we may be required to pay significant awards or settlements.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our principal properties do not lend themselves to simple description by character and location. Our total investment in plant, property and equipment was approximately $212 billion at December 31, 2010 and $230 billion at December 31, 2009, including the effect of retirements, but before deducting accumulated depreciation. Our gross investment in plant, property and equipment consisted of the following at December 31:

	2010	2009
Network equipment	**80.3%**	80.3%
Land, buildings and building equipment	**10.4%**	9.8%
Furniture and other	**9.3%**	9.9%
	100.0%	100.0%

Our properties as a percentage of total properties are as follows:

	2010	2009
Wireline	**67.9%**	72.5%
Wireless	**30.9%**	26.0%
Other	**1.2%**	1.5%
	100.0%	100.0%

Network equipment consists primarily of cable (predominantly aerial, buried, underground or undersea) and the related support structures of poles and conduit, wireless plant, switching equipment, network software, transmission equipment and related facilities. Land, buildings and building equipment consists of land and land improvements, central office buildings or any other buildings that house network equipment, and buildings that are used for administrative and other purposes. Substantially all the switching centers are located on land and in buildings we own due to their critical role in the network and high set-up relocation costs. We also maintain facilities throughout the United States comprised of administrative and sales offices, customer care centers, retail sales locations, switching centers, cell sites and data centers. Furniture and other consists of public telephones and telephone equipment, furniture, data processing equipment, office equipment, motor vehicles, plant under construction, capitalized non-network computer software costs and leasehold improvements. A portion of our property is subject to the liens of their respective mortgages securing funded debt.

Item 3. Legal Proceedings

Verizon Communications Inc. (Verizon), and a number of other telecommunications companies, have been the subject of multiple class action suits concerning its alleged participation in intelligence-gathering activities allegedly carried out by the federal government, at the direction of the President of the United States, as part of the government's post-September 11 program to prevent terrorist attacks. Plaintiffs generally allege that Verizon has participated by permitting the government to gain access to the content of its subscribers' telephone calls and/or records concerning those calls and that such action violates federal and/or state constitutional and statutory law. Relief sought in the cases includes injunctive relief, attorneys' fees, and statutory and punitive damages. On August 9, 2006, the Judicial Panel on Multidistrict Litigation (Panel) ordered that these actions be transferred, consolidated and coordinated in the U.S. District Court for the Northern District of California. The Panel subsequently ordered that a number of "tag along" actions also be transferred to the Northern District of California. Verizon believes that these lawsuits are without merit. On July 10, 2008, the President signed into law the FISA Amendments Act of 2008, which provides for dismissal of these suits by the court based on submission by the Attorney General of the United States of a specified certification. On September 19, 2008, the Attorney General made such a submission in the consolidated proceedings. Based on this submission, the court ordered dismissal of the complaints on June 3, 2009. Plaintiffs have appealed this dismissal, and the appeal remains pending in the United States Court of Appeals for the Ninth Circuit.

On September 15, 2010, the U.S. Bank National Association (U.S. Bank), as Litigation Trustee for the Idearc, Inc. Litigation Trust (Litigation Trust), filed suit in U.S. District Court for the Northern District of Texas against Verizon and certain subsidiaries challenging the November 2006 spin-off of Verizon's former directories business then known as Idearc Inc. U.S. Bank, which represents a group of creditors who filed claims in the Idearc, Inc. bankruptcy proceedings, alleges that Idearc Inc. was insolvent at the time of the spin-off or became insolvent shortly thereafter. The Litigation Trust seeks over $9 billion in damages.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The principal market for trading in the common stock of Verizon is the New York Stock Exchange. As of December 31, 2010, there were 738,059 shareowners of record.

High and low stock prices, as reported on the New York Stock Exchange composite tape of transactions, and dividend data are as follows:

		Market Price		Cash Dividend
		High	Low	Declared
2010	**Fourth Quarter**	**$ 36.00**	**$ 31.60**	**$ .4875**
	Third Quarter*	**33.09**	**25.79**	**.4875**
	Second Quarter*	**29.63**	**24.75**	**.4750**
	First Quarter*	**31.26**	**26.45**	**.4750**
2009	Fourth Quarter*	$ 31.89	$ 26.70	$ .4750
	Third Quarter*	30.55	26.45	.4750
	Second Quarter*	30.90	26.76	.4600
	First Quarter*	32.48	24.39	.4600

* Prices have been adjusted to reflect the spinoff of certain of Verizon's local exchange business and related landline activities in 14 states.

On February 3, 2011, the Board approved a share buyback program which authorized the repurchase of up to 100 million shares of Verizon common stock terminating no later than the close of business on February 28, 2014. The Board also determined that no additional shares were to be purchased under the previously authorized buyback program. The program permits Verizon to repurchase shares over time, with the amount and timing of repurchases depending on market conditions and corporate needs. The Board may also enter into Rule 10b5-1 plans from time to time to facilitate repurchases of its shares under this authorization. A Rule 10b5-1 plan permits the Company to repurchase shares at times when it might otherwise be prevented from doing so, provided the plan is adopted when the Company is not aware of material non-public information.

During the fourth quarter of 2010, Verizon did not repurchase any shares of Verizon common stock. At December 31, 2010, the maximum number of shares that could be purchased by or on behalf of Verizon under the share buyback program in place at that time was 60,015,938.

For other information required by this item, see the section entitled "Stock Performance Graph" on page 13 of the 2010 Verizon Annual Report to Shareowners, which is incorporated herein by reference.

Item 6. Selected Financial Data

Information required by this item is included in the 2010 Verizon Annual Report to Shareowners under the heading “Selected Financial Data” on page 13, which is incorporated herein by reference.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Information required by this item is included in the 2010 Verizon Annual Report to Shareowners under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on pages 14 through 39, which is incorporated herein by reference.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Information required by this item is included in the 2010 Verizon Annual Report to Shareowners under the heading “Market Risk” on page 33, which is incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data

Information required by this item is included in the 2010 Verizon Annual Report to Shareowners on pages 42 through 75, which is incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Our chief executive officer and chief financial officer have evaluated the effectiveness of the registrant’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934), as of the end of the period covered by this Annual Report, that ensure that information relating to the registrant which is required to be disclosed in this report is recorded, processed, summarized and reported, within required time periods. Based on this evaluation, our chief executive officer and chief financial officer have concluded that the registrant’s disclosure controls and procedures were effective as of December 31, 2010.

There were no changes in the registrant’s internal control over financial reporting during the fourth quarter of 2010 that have materially affected, or are reasonably likely to materially affect, the registrant’s internal control over financial reporting.

Management’s report on internal control over financial reporting and the attestation report of Verizon’s independent registered public accounting firm are included in the 2010 Verizon Annual Report to Shareowners on pages 40 and 41 and are incorporated herein by reference.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Set forth below is information with respect to our executive officers.

Name	Age	Office	Held Since
Ivan G. Seidenberg	64	Chairman and Chief Executive Officer	2000
Lowell C. McAdam	56	President and Chief Operating Officer	2010
Robert J. Barish	49	Senior Vice President and Controller	2009
John W. Diercksen	61	Executive Vice President – Strategy, Development and Planning	2003
Roger Gurnani	50	Executive Vice President and Chief Information Officer	2010
Daniel S. Mead	57	Executive Vice President and President and Chief Executive Officer – Verizon Wireless Joint Venture	2010
Anthony J. Melone	50	Executive Vice President and Chief Technology Officer	2010
Randal S. Milch	52	Executive Vice President and General Counsel	2008
Marc C. Reed	52	Executive Vice President – Human Resources	2004
Virginia P. Ruesterholz	49	Executive Vice President and President – Verizon Services Operations	2009
Francis J. Shammo	50	Executive Vice President and Chief Financial Officer	2010
Thomas J. Tauke	60	Executive Vice President – Public Affairs, Policy and Communications	2004

Prior to serving as an executive officer, each of the above officers has held high level managerial positions with the company or one of its subsidiaries for at least five years. Officers are not elected for a fixed term of office and may be removed from office at any time at the discretion of the Board of Directors.

For other information required by this item, see the sections entitled “Election of Directors,” “About Verizon’s Governance Practices,” “About the Board of Directors and its Committees” and “Security Ownership of Certain Beneficial Owners and Management—Section 16(a) Beneficial Ownership Reporting Compliance” in our definitive Proxy Statement to be filed with the Securities and Exchange Commission and delivered to shareholders in connection with our 2011 Annual Meeting of Shareholders, which are incorporated herein by reference.

Item 11. Executive Compensation

For information with respect to executive compensation, see the section entitled “Executive Compensation” in our definitive Proxy Statement to be filed with the Securities and Exchange Commission and delivered to shareholders in connection with our 2011 Annual Meeting of Shareholders, which is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

For information with respect to the security ownership of the Directors and Executive Officers, see the section entitled “Security Ownership of Certain Beneficial Owners and Management” in our definitive Proxy Statement to be filed with the Securities and Exchange Commission and delivered to shareholders in connection with our 2011 Annual Meeting of Shareholders, which is incorporated herein by reference. In addition, the following table provides other equity compensation plan information as of December 31, 2010:

Plan category	**Number of securities to be issued upon exercise of outstanding options, warrants and rights**	**Weighted-average exercise price of outstanding options, warrants and rights**	**Number of securities remaining available for future issuance under equity compensation plans**
Equity compensation plans approved by security holders	63,616,937	$ 42.61	112,930,698
Equity compensation plans not approved by security holders	306,333	35.78	–
Total	63,923,270	42.57	112,930,698

Item 13. Certain Relationships and Related Transactions, and Director Independence

For information with respect to certain relationships and related transactions and director independence, see the sections entitled "About Verizon's Governance Practices" and "About the Board of Directors and its Committees" in our definitive Proxy Statement to be filed with the Securities and Exchange Commission and delivered to shareholders in connection with our 2011 Annual Meeting of Shareholders, which are incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

For information with respect to principal accounting fees and services, see the section entitled "Ratification of Appointment of Independent Registered Public Accounting Firm" in our definitive Proxy Statement to be filed with the Securities and Exchange Commission and delivered to shareholders in connection with our 2011 Annual Meeting of Shareholders, which is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) Documents filed as part of this report:

		Page
(1)	Report of Management on Internal Control Over Financial Reporting	*
(2)	Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting	*
(3)	Report of Independent Registered Public Accounting Firm on Financial Statements	*
	Financial Statements covered by Report of Independent Registered Public Accounting Firm:	
	Consolidated Statements of Income	*
	Consolidated Balance Sheets	*
	Consolidated Statements of Cash Flows	*
	Consolidated Statements of Changes in Equity	*
	Notes to Consolidated Financial Statements	*

* Incorporated herein by reference to the appropriate portions of the registrant's Annual Report to Shareowners for the fiscal year ended December 31, 2010. (See Part II.)

(4)	Financial Statement Schedule	
	II – Valuation and Qualifying Accounts	29
(5)	Exhibits	

Exhibit Number	Description
3a	Restated Certificate of Incorporation of Verizon Communications Inc. (Verizon) (filed as Exhibit 3a to Form 10-K for the year ended December 31, 2005 and incorporated herein by reference).
3b	Bylaws of Verizon, as amended, effective as of December 3, 2009 (filed as Exhibit 3b to Form 8-K dated December 7, 2009 and incorporated herein by reference).
4	No instrument which defines the rights of holders of long-term debt of Verizon and its consolidated subsidiaries is filed herewith pursuant to Regulation S-K, Item 601(b)(4)(iii)(A). Pursuant to this regulation, Verizon hereby agrees to furnish a copy of any such instrument to the SEC upon request.
10a	Description of Verizon Deferred Compensation Plan for Non-Employee Directors (filed as Exhibit 10a to Form 10-K for the year ended December 31, 2000 and incorporated herein by reference).**
10a(i)	Description of Amendment to Plan (filed as Exhibit 10a(i) to Form 10-K for the year ended December 31, 2004 and incorporated herein by reference).**
10b	Bell Atlantic Deferred Compensation Plan for Outside Directors, as amended and restated (filed as Exhibit 10a to Form 10-K for the year ended December 31, 1998 and incorporated herein by reference).**
10c	Deferred Compensation Plan for Non-Employee Members of the Board of Directors of GTE, as amended (filed as Exhibit 10-1 to GTE's Form 10-K for the year ended December 31, 1997 and Exhibit 10.1 to GTE's Form 10-K for the year ended December 31, 1998, File No. 1-2755 and incorporated herein by reference).**
10d	GTE's Directors' Deferred Stock Unit Plan (filed as Exhibit 10-8 to GTE's Form 10-K for the year ended December 31, 1997, File No. 1-2755 and incorporated herein by reference).**
10e	Description of Non-Employee Directors Travel Accident Insurance Coverage (filed as Exhibit 10e to Form 10-K for the year ended December 31, 2007 and incorporated by reference).**
10f	Bell Atlantic Directors' Charitable Giving Program, as amended (filed as Exhibit 10p to Form SE dated March 29, 1990 and Exhibit 10p to Form SE dated March 29, 1993 and incorporated herein by reference).**
10g	GTE's Charitable Awards Program (filed as Exhibit 10-10 to GTE's Form 10-K for the year ended December 31, 1992, File No. 1-2755 and incorporated herein by reference).**
10h	NYNEX Directors' Charitable Award Program (filed as Exhibit 10i to Form 10-K for the year ended December 31, 2000 and incorporated herein by reference).**
10i	Verizon Long-Term Incentive Plan, As Amended and Restated (incorporated by reference to Appendix B of the Registrant's Proxy Statement included in Schedule 14A filed on March 23, 2009).**
10i(i)	Restricted Stock Unit Agreement 2008-10 Award Cycle (filed as Exhibit 10a to Form 10-Q for the period ended March 31, 2008 and incorporated herein by reference).**
10i(ii)	Performance Stock Unit Agreement 2008-10 Award Cycle (filed as Exhibit 10b to Form 10-Q for the period ended March 31, 2008 and incorporated herein by reference).**
10i(ii)(a)	Form of Addendum to Performance Stock Unit Agreement (filed as Exhibit 10c to Form 10-Q for the period ended March 31, 2008 and incorporated by reference).**
10i(iii)	Restricted Stock Unit Agreement 2009-11 Award Cycle (filed as Exhibit 10a to Form 10-Q for the period ended March 31, 2009 and incorporated herein by reference).**
10i(iv)	Performance Stock Unit Agreement 2009-11 Award Cycle (filed as Exhibit 10b to Form 10-Q for the period ended March 31, 2009 and incorporated herein by reference).**
10i(iv)(a)	Form of Addendum to Performance Stock Unit Agreement (filed as Exhibit 10c to Form 10-Q for the period ended March 31, 2009 and incorporated herein by reference).**

10i(v) Special Performance Stock Unit Agreement (filed as Exhibit 10j(vii) to Form 10-K for the year ended December 31, 2010 and incorporated herein by reference).**

10i(vi) Performance Stock Unit Agreement 2010-12 Award Cycle (filed as Exhibit 10a to Form 10-Q for the period ended March 31, 2010 and incorporated herein by reference).**

10i(vi)(a) Form of Addendum to Performance Stock Unit Agreement (filed as Exhibit 10b to Form 10-Q for the period ended March 31, 2010 and incorporated herein by reference).**

10i(vii) Restricted Stock Unit Agreement 2010-12 Award Cycle (filed as Exhibit 10c to Form 10-Q for the period ended March 31, 2010 and incorporated herein by reference).**

10j GTE's Long-Term Incentive Plan, as amended (Exhibit B to GTE's 1997 Proxy Statement and Exhibit 10.5 to GTE's 1998 Form 10-K for the year ended December 31, 1998, File No. 1-2755); Description of Amendments (filed as Exhibit 10l to Form 10-K for the year ended December 31, 2000 and incorporated herein by reference).**

10k Verizon Short-Term Incentive Plan, As Amended and Restated (incorporated by reference to Appendix C of the Registrant's Proxy Statement included in Schedule 14A filed on March 23, 2009).**

10l Verizon Income Deferral Plan (filed as Exhibit 10f to Form 10-Q for the period ended June 30, 2002 and incorporated herein by reference).**

10l(i) Description of Amendment to Plan (filed as Exhibit 10o(i) to Form 10-K for the year ended December 31, 2004 and incorporated herein by reference).**

10m Verizon Excess Pension Plan (filed as Exhibit 10p to Form 10-K for the year ended December 31, 2004 and incorporated herein by reference). **

10m(i) Description of Amendment to Plan (filed as Exhibit 10p(i) to Form 10-K for the year ended December 31, 2004 and incorporated herein by reference).**

10n GTE's Executive Salary Deferral Plan, as amended (filed as Exhibit 10.10 to GTE's Form 10-K for the year ended December 31, 1998, File No. 1-2755 and incorporated herein by reference).**

10o Bell Atlantic Senior Management Long-Term Disability and Survivor Protection Plan, as amended (filed as Exhibit 10h to Form SE filed on March 27, 1986 and Exhibit 10b(ii) to Form 10-K for the year ended December 31, 1997 and incorporated herein by reference).**

10p Description of Bell Atlantic Senior Management Estate Management Plan (filed as Exhibit 10rr to Form 10-K for year ended December 31, 1997 and incorporated herein by reference).**

10q fGTE Executive Retiree Life Insurance Plan filed herewith.**

10r NYNEX Supplemental Life Insurance Plan (filed as Exhibit No. 10 iii 21 to NYNEX's Form 10-Q for the period ended June 30, 1996, File No. 1-8608 and incorporated herein by reference).**

10s Verizon Executive Life Insurance Plan, As Amended and Restated September 2009, filed herewith.**

10t Summary Plan Description of Verizon Executive Deferral Plan (filed as Exhibit 10e to Form 10-Q for the period ended June 30, 2009 and incorporated herein by reference).**

10u Employment Agreement between Verizon and Marc C. Reed (filed as Exhibit 10a to Form 10-Q for the period ended June 30, 2004 and incorporated herein by reference).**

10v Form of Aircraft Time Sharing Agreement filed herewith.**

10w Consultant Agreement between Verizon and Doreen A. Toben (filed as Exhibit 10f to Form 10-Q for the period ended June 30, 2009 and incorporated herein by reference).**

10x Description of the Split-Dollar Insurance Arrangements (filed as Exhibit 10dd(i) to Form 10-K for the year ended December 31, 2004 and incorporated herein by reference).**

10x(i) Description of Changes to Arrangements (filed as Exhibit 10dd(i) to Form 10-K for the year ended December 31, 2004 and incorporated herein by reference).**

10y Employment Agreement between Verizon and Thomas J. Tauke (filed as Exhibit 10b to Form 10-Q for the period ended June 30, 2004 and incorporated herein by reference).**

10z Form of Employment Agreement between Verizon and Band 1 Senior Management Employee (filed as Exhibit 10gg to the Form 10-K for the year ended December 31, 2004 and incorporated herein by reference).**

10z(i) Form of Addendum to Employment Agreement between Verizon and Band 1 Senior Management Employee (filed as Exhibit 10a to Form 10-Q for the period ended June 30, 2009 and incorporated herein by reference).**

10aa Form of Amendment to Employment Agreement between Verizon and Band 1 Senior Management Employee (filed as Exhibit 10e to Form 10-Q for the period ended March 31, 2010 and incorporated herein by reference).**

10bb NYNEX Deferred Compensation Plan for Non-Employee Directors (filed as Exhibit 10gg to NYNEX's Registration Statement No. 2-87850, File No. 1-8608 and incorporated herein by reference).**

10bb(i) Amendment to NYNEX Deferred Compensation Plan for Non-Employee Directors (filed as Exhibit 10iii 5a to NYNEX's Quarterly Report on Form 10-Q for the period ended June 30, 1996, File No. 1-8608 and incorporated herein by reference).**

10cc U.S. Wireless Agreement, dated September 21, 1999, among Bell Atlantic and Vodafone Airtouch plc, including the forms of Amended and Restated Partnership Agreement and the Investment Agreement (filed as Exhibit 10 to Form 10-Q for the period ended September 30, 1999 and incorporated herein by reference).

10dd Credit Agreement, dated as of December 19, 2008, among Verizon Wireless and Verizon Wireless Capital LLC, as co-borrowers, Bank of America, N.A., as administrative agent, and the lenders named therein (filed as Exhibit 99 to Form 8-K dated December 19, 2008 and incorporated herein by reference).

10ee Agreement and Plan of Merger dated as of May 13, 2009 by and among Verizon, New Communications Holdings Inc. and Frontier Communications Corporation (filed as Exhibit 2.1 to Form 10-Q for the period ended June 30, 2009 and incorporated herein by reference).

10ee(i) Amendment No. 1 to Agreement and Plan of Merger (filed as Exhibit 2.1(i) to Form 10-Q for the period ended June 30, 2009 and incorporated herein by reference).

10ff Distribution Agreement by and between Verizon and New Communications Holdings Inc. dated as of May 13, 2009 (filed as Exhibit 10a to Form 10-Q for the period ended June 30, 2009 and incorporated herein by reference).

10ff(i) Amendment No. 1 to Distribution Agreement (filed as Exhibit 10a(i) to Form 10-Q for the period ended June 30, 2009 and incorporated herein by reference).

10gg Cellco Partnership Amended and Restated Partnership Agreement among the Bell Atlantic Group and the Vodafone Group, dated as of April 3, 2000 (filed August 24, 2000 as Exhibit 10.3 to the Verizon Wireless Inc. Registration Statement on Form S-1 (No. 333-44394) and incorporated herein by reference).

10hh Amendment and Joinder to Cellco Partnership Amended and Restated Partnership Agreement, dated as of July 10, 2000 (filed July 10, 2002 as Exhibit 3.3.1 to Cellco Partnership's Registration Statement on Form S-4 (No. 333-92214) and incorporated herein by reference).

10ii Amendment to Cellco Partnership Amended and Restated Partnership Agreement, dated as of July 24, 2003 (filed as Exhibit 3.3.2 to Cellco Partnership's Quarterly Report on Form 10-Q for the period ended June 30, 2003 (No. 333-92214) and incorporated herein by reference).

10jj Amendment No. 3 to Cellco Partnership Amended and Restated Partnership Agreement, dated as of February 6, 2004 (filed as Exhibit 3.3.3 to Cellco Partnership's Quarterly Report on Form 10-Q for the period ended March 31, 2004 (No. 333-92214) and incorporated herein by reference).

10kk Amendment No. 4 to Cellco Partnership Amended and Restated Partnership Agreement, dated as of July 16, 2010 (filed as Exhibit 3.1 to Cellco Partnership's Quarterly Report on Form 10-Q for the period ended June 30, 2010 (No. 333-92214) and incorporated herein by reference).

10ll Amendment No. 5 to Cellco Partnership Amended and Restated Partnership Agreement, dated as of January 21, 2011, filed herewith.

10mm Verizon Senior Manager Severance Plan (filed as Exhibit 10d to Form 10-Q for the period ended March 31, 2010 and incorporated herein by reference).**

12 Computation of Ratio of Earnings to Fixed Charges filed herewith.

13 Portions of Verizon's Annual Report to Shareowners for the fiscal year ended December 31, 2010 filed herewith. Only the information incorporated by reference into this Form 10-K is included in the exhibit.

18 Preferability Letter, dated February 28, 2011, from Ernst & Young LLP, Verizon's Independent Registered Public Accounting Firm filed herewith.

21	List of principal subsidiaries of Verizon filed herewith.
23	Consent of Ernst & Young LLP filed herewith.
24	Power of Attorney filed herewith.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 filed herewith.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 filed herewith.
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 filed herewith.
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 filed herewith.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.PRE	XBRL Taxonomy Presentation Linkbase Document.
101.CAL	XBRL Taxonomy Calculation Linkbase Document.
101.LAB	XBRL Taxonomy Label Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.

** Indicates management contract or compensatory plan or arrangement.

Schedule II - Valuation and Qualifying Accounts

Verizon Communications Inc. and Subsidiaries

For the Years Ended December 31, 2010, 2009 and 2008

(dollars in millions)

Description	Balance at Beginning of Period	Additions: Charged to Expenses	Additions: Charged to Other Accounts Note (a)(b)	Deductions Note (c)(d)	Balance at End of Period
Allowance for Uncollectible Accounts Receivable:					
Year 2010	**$ 976**	**$ 1,246**	**$ 103**	**$ 1,449**	**$ 876**
Year 2009	941	1,306	418	1,689	976
Year 2008	1,025	1,085	474	1,643	941
Valuation Allowance for Deferred Tax Assets:					
Year 2010	**$ 2,942**	**$ 675**	**$ 4**	**$ 200**	**$ 3,421**
Year 2009	2,995	404	43	500	2,942
Year 2008	2,944	127	404	480	2,995

(a) Allowance for Uncollectible Accounts Receivable includes: (1) amounts previously written off which were credited directly to this account when recovered; and (2) accruals charged to accounts payable for anticipated uncollectible charges on purchases of accounts receivable from others which were billed by us. Also includes amounts transferred from other accounts.

(b) Valuation Allowance for Deferred Tax Assets includes current year increase to valuation allowance charged to equity and reclassifications from other balance sheet accounts.

(c) Amounts written off as uncollectible or transferred to other accounts or utilized.

(d) Reductions to valuation allowances related to deferred tax assets.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

VERIZON COMMUNICATIONS INC.

By: /s/ Robert J. Barish

Robert J. Barish
Senior Vice President and Controller

Date: February 28, 2011

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Principal Executive Officer:

/s/ Ivan G. Seidenberg Ivan G. Seidenberg	Chairman and Chief Executive Officer	February 28, 2011

Principal Financial Officer:

/s/ Francis J. Shammo Francis J. Shammo	Executive Vice President and Chief Financial Officer	February 28, 2011

Principal Accounting Officer:

/s/ Robert J. Barish Robert J. Barish	Senior Vice President and Controller	February 28, 2011

/s/ * Ivan G. Seidenberg	Director	February 28, 2011
/s/ * Richard L. Carrión	Director	February 28, 2011
/s/ * M. Frances Keeth	Director	February 28, 2011
/s/ * Robert W. Lane	Director	February 28, 2011
/s/ * Sandra O. Moose	Director	February 28, 2011
/s/ * Joseph Neubauer	Director	February 28, 2011
/s/ * Donald T. Nicolaisen	Director	February 28, 2011
/s/ * Thomas H. O'Brien	Director	February 28, 2011
/s/ * Clarence Otis, Jr.	Director	February 28, 2011
/s/ * Hugh B. Price	Director	February 28, 2011
/s/ * Rodney E. Slater	Director	February 28, 2011
/s/ * John W. Snow	Director	February 28, 2011
/s/ * John R. Stafford	Director	February 28, 2011

*By : /s/ Robert J. Barish
Robert J. Barish
(as attorney-in-fact)

EXHIBIT 10q

fGTE EXECUTIVE RETIREE LIFE INSURANCE PLAN

I. **INTRODUCTION**. This document states the terms and conditions of the fGTE Executive Retiree Life Insurance Plan effective January 1, 2008. The purpose of the ERLIP is to provide retirement income to certain eligible executives.

II. **DEFINITIONS**.

A. "Administrator" means the most senior human resources officer of Verizon Communications Inc. or any delegate of such individual.

B. "Code" means the Internal Revenue Code of 1986, as amended.

C. "Company" means Verizon Corporate Services Group Inc.

D. "ERLIP" means the fGTE Executive Retiree Life Insurance Plan.

E. "ERLIP Benefit" means the benefit payable pursuant to Article IV.

F. "Insurance Amount" means the figure determined pursuant to Section IV.B.1.

G. "Net Credited Service" has the same meaning us under the Verizon Management Pension Plan.

H. "Participant" means an individual designated as a Participant by the Administrator. To be a Participant, an individual must have been in a ZM/ZL Career Band (including comparable grandfathered Salary Bands and Grades) or above as of December 31, 2001.

I. "Participating Affiliate" means any entity designated by the Company as a Participating Affiliate.

J. "Payment Date" means a date that occurs within the 60-day period following the date the Participant Separates from Service, except that if a Specified Employee Separates from Service for a reason other than death, the Payment Date shall be the earlier of (1) the first business day that occurs more than six (6) months after the date the Participant Separated from Service or (2) a date that occurs within 60 days following the Participant's death.

K. "Separate from Service" means a Participant's separation from service (within the meaning of Treasury Regulation Section 1.409A-1(h)(1)) with the Company and any entity required to be aggregated with the Company under Treasury Regulation Section 1.409A-1(h)(3).

L. “Specified Employee” means an employee who was among the 200 employees of the Company (or an entity that is aggregated with the Company under Section 414(b) or (c) of the Code) having the highest annual compensation for the calendar year ending on the Specified Employee Identification Date. For this purpose, “compensation” is all compensation actually paid or made available in gross income to an employee by the Company which the Participating is required to report to the employee as wages on a Form W-2 for federal income tax purposes under the Code, plus amounts that would be included in wages but for an election under Section 125(a), 132(f)(4), 402(e)(3), 402(h)(1)(B), 402(k), or 457(b) of the Code.

M. “Specified Employee Identification Date” means, if a Participant Separates from Service on or after April 1 and on or before December 31 of a calendar year, the last day of the calendar year immediately preceding the calendar year in which he Separates from Service, and, if a Participant Separates from Service on or after January 1 and before April 1 of a calendar year, the last day of the second calendar year that precedes the calendar year in which he Separates from Service.

N. “Termination Date” means the date that a Participant’s Separates from Service.

III. **PARTICIPATION**. Participation in the ERLIP was frozen on January 1, 2002. Only persons who were Participants on that date are eligible to participate in the Plan. A list of Participants is maintained by the Administrator. A former Participant who Separates from Service with the Company and is subsequently reemployed is not eligible for any additional benefit under the ERLIP, regardless of whether he received an ERLIP Benefit upon his prior Separation from Service.

IV. **BENEFIT ELIGIBILITY AND CALCULATION**.

A. **Benefit Eligibility**. To receive an ERLIP Benefit, a Participant must:

1. Separate from Service with the Company with entitlement to a pension (other than a deferred vested pension) under the terms of a defined benefit plan for management employees that is sponsored by the Company or a Participating Affiliate and meet the requirements under the Rule of 75 under such defined benefit pension plan;

2. Have attained age 60 as of his or her Termination Date, and have at least 10 years of Net Credited Service; or

3. Separate from Service with the Company under the “55 and 10” Early Retirement provision of the Contel Amendment to the Verizon Management Pension Plan.

No ERLIP Benefit is payable in the event that the Participant Separates from Service with the Company by reason of his death.

B. **Benefit Calculation**.

1. The ERLIP lump sum benefit is derived from the Insurance Amount. The Insurance Amount for a Participant is determined based on the Participant's final annual base salary on his Termination Date and his career band, as indicated in the following chart:

Career Band at Termination of Employment	Grandfathered Salary Grades/Bands	Insurance Amount
ZM/ZL Sales and Non-Sales	Yellow Band/15–16	1.0 × final annual base salary (former Grade 16s are grandfathered at 1.5 × final annual base salary)
4	17	2.0 × final annual base salary
3	18	2.5 × final annual base salary
2	19 and Above	3.0 × final annual base salary
1 & Above	19 and Above	3.0 × final annual base salary

The Insurance Amount is rounded to the next highest $1,000 increment after the formula is applied, unless the formula results in an even $1,000 increment.

2. A Participant's ERLIP Benefit is calculated by multiplying his Insurance Amount by the Conversion Factor.

V. **PAYMENT**. The ERLIP Benefit is paid in a single lump sum amount on the applicable Payment Date. Payment will be made via direct deposit to the Participant's Fidelity Brokerage Account.

VI. **ADMINISTRATION, AMENDMENT, AND TERMINATION OF THE ERLIP**.

A. The Administrator shall have the discretion to interpret the terms of the ERLIP, to delegate such responsibilities or duties as it deems desirable, to appoint agents and advisors and otherwise govern the conduct of its business, and to make all decisions necessary or proper for the administration of the ERLIP. The Administrator's decisions relating to the administration of the ERLIP shall be final.

B. The Company reserves the right to amend or terminate the ERLIP at any time. An Eligible Executive's rights and interests under the ERLIP may not be assigned or transferred.

C. If any provision of the ERLIP shall be held unlawful or otherwise invalid or unenforceable in whole or in part, such unlawfulness, invalidity, or unenforceability shall not affect any other provision of the ERLIP or part thereof, each of which shall remain in full force and effect. If the making of any payment in full would be unlawful or otherwise invalid or unenforceable, then such unlawfulness, invalidity, or unenforceability shall not prevent such payment from being made in part, to the extent that it would not be unlawful, invalid, or unenforceable.

D. The maintenance of the ERLIP shall not be deemed to constitute a contract of employment nor as giving any employee any right to be retained in the employment of the Company or its affiliates.

E. To the extent that any payment under the ERLIP may be made within a specified number of days on or after any date or the occurrence of any event, the date of payment shall be determined by the Company in its sole discretion, and not by any Participant or other individual.

F. A Participant's rights and interests under the ERLIP may not be assigned or transferred, provided that, in the case an order which satisfies the requirements for a qualified domestic relations order set forth in Section 206(d)(3)(B)(i) of the Employee Retirement Income Security Act of 1974, as amended ("QDRO") which is issued with respect to an Participant's interest in the ERLIP, benefits shall be payable to the alternate payee designated therein in accordance with the terms and conditions thereof.

G. Except to the extent preempted by federal law, this ERLIP is subject to the laws of the State of Delaware without regard to the choice of law rules of any jurisdiction.

EXHIBIT 10s

Verizon
Executive Life Insurance Plan
As Amended and Restated

September 2009

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(continued)

Table of Contents
(continued)

VERIZON EXECUTIVE LIFE INSURANCE PLAN

1. INTRODUCTION

The Verizon Executive Life Insurance Plan ("VELIP") is a successor to the NYNEX Supplemental Life Insurance Plan ("SLIP"), the Bell Atlantic Estate Management Plan ("EMP"), and Verizon's original Executive Life Insurance Plan ("Original VELIP"). These predecessor arrangements all were financed using an employee-contributory collateral-assignment split dollar approach. In addition, GTE's Executive Retirement Life Insurance Plan ("ERLIP") was incorporated into VELIP. In December 2003 the contributory collateral assignment split dollar approach was replaced by an employee-contributory, bonus-premium approach with a "gross-up" for taxes, resulting in this Plan. In 2009, the VELIP was amended to eliminate the tax "gross-up" feature for all active employee participants and for all retired participants whose date of separation from service is after December 31, 2009. In addition to changing the funding method, the funding schedule applicable to the policies issued in connection with the former NYNEX SLIP was changed. For all NYNEX SLIP policies, the schedule of fixed premiums was terminated, and a "dynamic funding" method (already used by Verizon for the other predecessor arrangements) was adopted. Under the "dynamic funding" approach the Plan compares actual policy performance to certain actuarial assumptions to adjust the policy premiums each year so as to guide the policy cash value to the value estimated to be required to provide a prescribed amount of paid-up post-retirement life insurance coverage.

2. PURPOSE

The purposes of VELIP are to (i) provide participants with life insurance coverage while they are employed by Verizon, and (ii) help participants build policy cash value to allow them to enjoy continued life insurance coverage on a paid-up basis after they retire. To accomplish these goals, the participants purchase an individually-owned universal life insurance policy underwritten by the Metropolitan Life Insurance Company (MetLife). Specifically, Verizon will annually pay to a participant a "Premium Bonus" designed to (i) pay a portion of the cost of the current life insurance coverage (in an amount determined by formula), plus (ii) add to the cash value an actuarially determined amount, which if contributed on a level basis to a Plan Maturity Date, is estimated to be sufficient to provide a level of paid-up insurance at retirement (in an amount determined by formula).

3. DEFINITIONS

3.1 Actively-at-Work — has the meaning set forth in Section 4.1.

3.2 Actuarial Assumptions — are set forth in Appendix A.

3.3 Annual Compensation — has the meaning set forth in Section 5.2.

3.4 Company — means Verizon.

3.5 Downgrade — has the meaning described in Section 9.8

3.6 Employee — means a common law employee of Verizon.

3.7 EMP — means the Bell Atlantic EMP, as defined in the Introduction.

3.8 ERLIP — means the GTE ERLIP, as defined in the Introduction.

3.9 Estimated Cost of Current Life Insurance Coverage — has the meaning set forth in Section 8.2.

3.10 Executive — means an Employee who is a Senior Manager.

3.11 MetLife — means the Metropolitan Life Insurance Company.

3.12 NYNEX Participant — has the meaning set forth in Section 6.1.

3.13 Original VELIP — means the original Verizon VELIP, as defined in the Introduction.

3.14 Participant — means an Executive for whom a Policy has been purchased and who is entitled to receive a Premium Bonus.

3.15 Plan — means the VELIP.

3.16 Plan Administrator — means Verizon.

3.17 Plan Maturity Date — has the meaning set forth in Section 7.3.

3.18 Policy — means the MetLife universal life insurance policy issued on the life of the Participant in connection with this Plan.

3.19 Premium Bonus — has the meaning set forth in Section 8.2.

3.20 Program Administrator — means the third party administrator appointed by the Plan Administrator to manage the day-to-day operations of the Plan.

3.21 Retire or Retirement — has the meaning set forth in Section 9.2.

3.22 Retirement-Eligible — has the meaning set forth in Section 9.2.

3.23 Senior Manager — Career Band 4 or higher

3.24 SLIP — means the NYNEX SLIP, as defined in the Introduction.

3.25 VELIP — means the Verizon Executive Life Insurance Plan, as set forth in this plan document, as amended from time to time.

3.26 Verizon — means Verizon Communications Inc. and its controlled subsidiaries.

3.27 Voluntary Premium Contribution — has the meaning set forth in Section 8.3.

4. ELIGIBILITY AND ENROLLMENT

4.1 Eligibility Requirements. To be eligible to participate in the Plan, an employee must: (i) be actively employed by Verizon in a Senior Manager position; and (ii) satisfy MetLife's "Actively-at-Work" requirement. Generally, Actively-at-Work means that the Executive cannot have been absent from work due to illness or medical treatment for a period of more than five (5) consecutive working days in the three (3) months preceding completion of the application for the Policy. If an Executive does not meet the "Actively-at-Work" requirement when they are first eligible to participate in the Plan, they may apply for coverage as soon as they meet the requirement. Participation is contingent on the employee continuing to hold a Senior Manager position until they are Retirement-Eligible.

4.2 Enrollment Procedure. When an Executive becomes eligible to participate in the Plan, they will automatically receive an enrollment kit from the Program Administrator. The kit may contain:

(a) A personalized life insurance exhibit showing illustrative projection of the benefits and cost of the life insurance policy;

(b) A Plan participation election form;

(c) An application for the Policy;

(d) A form for Certification of Trustee(s) and Proposed Insured, which is required if the Executive elects to assign the ownership of their Policy to a trust; and

(e) Illustration Certification.

The Executive must complete the forms and return them to the Program Administrator within sixty (60) days after satisfying the eligibility requirements to enroll in the Plan. *This will be the Executive's only opportunity to enroll in the Plan* If an Executive elects *not* to participate in the Plan, they may instead participate in Verizon's group term life insurance program.

4.3 Effective Date of Participation. An Executive who is eligible to Participate becomes a Participant upon the approval of MetLife of the Executive's application for a Policy.

4.4 MetLife Policy Coverage. The Policy coverage will begin as soon as practicable after: the Executive completes and returns the enrollment forms to the Program Administrator, the application is approved by MetLife, and the Executive pays the initial premium. The Policy normally will have an issue date of (and coverage will be effective as of) the first day of the month in which the Executive became eligible to participate in the Plan. If the Executive has been participating in Verizon's group term life insurance plan while their application to participate in the Plan is pending, then (i) such group term coverage shall cease as of the date coverage under the Policy is effective, (ii) the Executive will be reimbursed for any group term life insurance premiums that they may have paid for the period after the effective date of the Policy's coverage, and (iii) the Executive will not be imputed income for such group term life insurance coverage for such period after the effective date of the Policy. Once an Executive is covered by the MetLife Policy, they no longer qualify for any basic or supplemental life insurance coverage on their life under Verizon's group term life insurance plan. The company-paid AD&D coverage, however, is ***not*** affected by coverage under the MetLife Policy.

No dependents' coverage is available under the Policy.

5. **LIFE INSURANCE POLICY RIGHTS**

5.1 Ownership. The coverage under VELIP is provided through a universal life insurance policy underwritten by MetLife. The participant will be the owner of the life insurance policy unless they assign ownership to a trust or another person. The Policy may be assigned in accordance with its terms. Any assignment shall be effective only after MetLife receives the properly completed assignment form, and only if the form is received while the participant is still alive.

5.2 Beneficiary Designation. The owner of the Policy may designate a beneficiary to receive life insurance benefits under the policy. If the owner fails to name a beneficiary or if all of the named beneficiaries pre-decease the participant or are deemed to die contemporaneously with the participant, then the participant's estate shall be the beneficiary.

The owner of the Policy can change beneficiary designation at any time. Any beneficiary designation shall be effective only after MetLife receives the properly completed designation form, and only if the form is received while the participant is still alive.

5.3 Cash Value Account. The Plan is designed such that the Policy will accumulate cash value to provide for continuation of coverage after retirement. The owner of the Policy owns all of the cash value in the Policy.

5.4 Premium Payment Procedure. The participant (or the owner of the Policy) is required to pay the *entire* annual premium for the Policy by April 1st of each calendar year. During each calendar year, prior to each premium due date, Verizon will pay each participant a Premium Bonus to help pay the Policy premium. Participants cannot pay the Policy premiums by payroll deduction.

6. AMOUNT OF COVERAGE WHILE EMPLOYED

6.1 Coverage Formula. Subject to MetLife underwriting requirements, until Retirement (or, if earlier, the Plan Maturity Date), the life insurance coverage under the Policy will be equal to five (5) times the participant's Annual Compensation. On March 1 of each year, the amount of coverage will be adjusted to reflect any increases in the Annual Compensation for such year, provided that the amount of coverage will not be adjusted if the participant has attained age 60 by such January 1. The amount of the coverage will not be affected by decreases in the Annual Compensation.

6.2 Annual Compensation. In general, Annual Compensation means the sum of the Executive's: (i) annual base salary, plus (ii) 50% of the *Maximum* Short Term Incentive compensation (not the Short Term Incentive actually paid). The Annual Compensation will be rounded up to the next higher multiple of $1,000, if not an exact multiple. For example, if the annual base salary is $200,400 and the Maximum Short Term Incentive for the executive's position is $160,000, the coverage amount will be calculated as follows:

Preliminary Annual Compensation = $200,400 + (50% of $160,000) = $280,400

Rounded Annual Compensation = $281,000

Coverage Amount = 5 x $281,000 = $1,405,000

For those Executives who became participants in the Plan under NYNEX SLIP, see Section 6.4 for special rules for calculating Annual Compensation and the amount of coverage.

6.3 Evidence of Insurability. An employee, who enrolls in the Plan when first eligible will be eligible to receive coverage of up to a maximum of $6 million without evidence of good health, provided they satisfy the "Actively-at-Work" requirement.

In the event that (1) the initial coverage, as defined by the formula in Section 6.1, exceeds $6 million or (2) the increase in the coverage amount from one year to the next is unusually large, the employee may have to provide MetLife with evidence of good health to qualify for full coverage. For evidence of good health MetLife typically requires the employee to complete health and lifestyle questionnaires and, sometimes, to undergo medical tests and a physical examination. To the extent MetLife will provide the coverage only at rates higher than standard premium rates, it will not affect the cost-sharing under the Plan; the participant's share of the premium cost will continue to be calculated using MetLife's substitute PS-58 rates as described in Section 8.2 and the Premium Bonus will be increased for any extra cost.

6.4 Special Rule for NYNEX SLIP. If an Executive is a NYNEX Participant, their amount of coverage is equal to five (5) times their Annual Compensation, but their Annual Compensation depends on their position at the time of entry into the NYNEX SLIP. If a NYNEX Participant was an officer of NYNEX when they first became a participant, then their Annual Compensation is their Adjusted Position Rate on the date of entry into the NYNEX SLIP; if they were a department head of NYNEX, then their Annual Compensation is their Adjusted Position Rate plus the Adjusted Standard Incentive Award or its equivalent on the date of entry into the NYNEX SLIP.

"Adjusted Position Rate" means the position rate as in effect in 1992, increased by 5% per year until the participant's year of entry into the NYNEX SLIP. "Adjusted Standard Incentive Award" similarly means the Standard Incentive Award in effect in 1992, increased by 5% per year until the participant's year of entry into the NYNEX SLIP. Annual Compensation will be rounded up to the next higher multiple of $1,000.

After the first year of participation, the amount of coverage will be automatically increased each year by 5% through age 60 at which time the amount of coverage will be frozen. Any exceptions, for example, to reflect significant increases in compensation due to a promotion, must be approved by the Plan Administrator.

7. TARGET AMOUNT OF COVERAGE AFTER RETIREMENT

7.1 Target Amount of Post-Retirement Coverage. In general, the target post-retirement amount of coverage for a participant is two (2) times the participant's highest annual base salary earned while a participant (prior to Plan Maturity Date), provided that for a NYNEX Participant, the amount of coverage shall be the same amount of coverage as the participant had prior to retirement. The target cash value of the Policy at Plan Maturity Date will be designed (using the Actuarial Assumptions), but not guaranteed, to provide this target amount of paid-up coverage to age 95.

7.2 Retirement Prior to Plan Maturity Date. If the participant has reached their Plan Maturity Date on or before the date they retire, their participation in the Plan (and all of the Premium Bonuses) will have ended on their Plan Maturity Date, and the amount of coverage provided under the Policy will be decided by the owner of the Policy. However, if the participant has not yet reached their Plan Maturity Date when they retire, they will continue to be eligible to participate in the Plan, meaning that Verizon will continue to pay Premium Bonuses in accordance with the Plan (up to their Plan Maturity Date). During this period, after retirement but prior to Plan Maturity Date, the amount of coverage under the Policy will depend upon the terms of the program under which the participant first became, and continues to be, a participant, as follows:

(a) New Plan and Original VELIP. If the participant has only been a participant in this Plan or was part of the Original VELIP, then during this period prior to Plan Maturity Date, the amount of coverage shall be equal to what they had at retirement.

(b) Bell Atlantic EMP. If the participant was a participant in the Bell Atlantic EMP, then during this period prior to Plan Maturity Date, but in no event for more than 5 years following retirement, the amount of coverage shall be equal to what they had at retirement. For the remainder of this period (if any), the amount of coverage shall be equal to two (2) times the participant's highest annual base salary earned while a participant (prior to retirement).

(c) NYNEX SLIP. If the participant was a participant in the NYNEX SLIP, then during this period prior to Plan Maturity Date, the amount of coverage shall be equal to what he had at retirement (without any increase, for example, for the 5% annual increase).

(d) GTE ERLIP. If the participant was an employee of GTE at the time of formation of Verizon and was eligible for GTE's ERLIP benefit, then during the period prior to Plan Maturity Date, the amount of coverage the participant will receive depends upon which predecessor plan the participant entered the plan:

(i) Original VELIP: If the participant became a participant in the Plan through their participation in the Original VELIP, then during this period the amount of coverage shall be equal to what they had at retirement.

(ii) Bell Atlantic EMP: If the participant became a participant in the Plan through their participation in the Bell Atlantic EMP plan, then during this period prior to Plan Maturity Date, but in no event for more than 5 years after retirement, the amount of coverage shall be equal to what they had at retirement. For the remainder of the period (if any), the amount of coverage shall be equal to two (2) times the participant's highest annual base salary earned while a participant (prior to retirement), or, if higher, the amount of post-retirement coverage that they would have received under GTE's ERLIP.

7.3 Plan Maturity Date. The definition of Plan Maturity Date depends on the terms of the program under which the Participant first became, and continues to be, a participant, as follows:

(a) New Plan and Original VELIP. If the participant has only been a participant in this Plan or was part of the Original VELIP, then Plan Maturity Date means the anniversary of the Policy's issue date on or next following the latest of: (i) participant's attainment of age 60; (ii) completion of 5 years of VELIP participation; and (iii) retirement from Verizon.

(b) Bell Atlantic EMP. If the participant was a participant in the Bell Atlantic EMP, then Plan Maturity Date means the anniversary date of the Policy's issue date on or next following the later of: (i) participant's attainment of age 65; and (ii) completion of 15 years of VELIP participation, including years of participation in Bell Atlantic's EMP.

(c) NYNEX SLIP. If the participant was a participant in the NYNEX SLIP, then Plan Maturity Date means the anniversary of the Policy's issue date on or next following the later of: (i) participant's attainment of age 70; and (ii) completion of 20 years of VELIP participation, including years of participation in NYNEX SLIP and Bell Atlantic's EMP.

8. **PLAN BENEFITS**

8.1 Determination of Annual Premiums. The annual premiums for each participant's Policy will be actuarially determined (using the Actuarial Assumptions) so that (i) it pays for the cost of the current life insurance benefit, as described in Article 6, and (ii) assuming continuing level contributions until Plan Maturity Date (assuming the Participants remains employed until the Plan Maturity Date), will build the Policy's Cash Value Account to an amount estimated to be sufficient at Plan Maturity Date to provide paid-up life insurance coverage to age 95, in an amount described in Article 7.

Notwithstanding the foregoing, for a participant who was an employee of GTE at the time of formation of Verizon and who was eligible for GTE's ERLIP benefit, the target cash value of the Policy at Plan Maturity Date will be designed (using the Actuarial Assumptions), but is not guaranteed, to provide coverage to age 95 in an amount equal to two (2) times the participant's highest annual base salary earned while a participant (prior to retirement) or, if higher, the amount of post-retirement coverage that the participant would have received under GTE's Executive Retiree Life Insurance Plan (ERLIP). That is, the target cash value will not be less than the cash settlement value that the participant would have received under ERLIP if he had retired on the Plan Maturity Date.

8.2 Cost Sharing and Premium Bonus. While the Executive is a Plan participant, Verizon will pay the participant an annual Premium Bonus to facilitate the participant's payment of premiums for the Policy. No Premium Bonuses will be calculated, or paid, for a period after the Plan Maturity Date.

The participant shall be responsible for funding the "***Estimated* Cost of Current Life Insurance Coverage"** (that is, the portion of each annual premium which represents the cost of the current life insurance coverage for the year). The Estimated Cost of Current Life Insurance Coverage shall be determined by multiplying (i) the amount of coverage, and (ii) an age-specific rate taken from the term insurance rate table published by MetLife as a substitute for the IRS "PS-58" Table.

Verizon will pay the participant a taxable Premium Bonus equal to (i) the remainder of the premium, that is, the total annual premium calculated in Section 8.1 less the Estimated Cost of Current Life Insurance Coverage, plus (ii) a "gross-up" to cover the federal, state and local income and payroll taxes required to be withheld on the amount of the net premium funded by the bonus *and* the gross-up itself. The exact amount of the "gross-up" will depend on the state and local taxes to which the Premium Bonus is subject. The "gross-up" will not take into account any transfer taxes, such as gift taxes, which may apply if, for example, the Policy is owned by a trust. Notwithstanding the foregoing, as of April 2009, Verizon will no longer provide any tax "gross-up" benefit for active employee participants or any retired participants whose date of separation from service is after December 31, 2009.

8.3 Voluntary Premium Contributions. A participant or owner of a Policy may pay additional premiums to the Policy, subject to prior approval from MetLife. If a participant or the owner of the Policy makes an additional "Voluntary Premium

Contribution", in excess of the total annual premium determined under Section 8.1, then the amount of coverage under the Policy may be increased by the amount of the Voluntary Premium Contribution so that, in case of subsequent death of the Executive while a participant, the beneficiary may receive from the Policy the amount of the Voluntary Premium Contribution (without interest) in addition to the normal, formula-based death benefit under the Plan.

The amount of any Voluntary Premium Contributions will not affect the calculation of the total annual premium for the Policy under the Plan or the Premium Bonus. For example, the Estimated Cost of Current Life Insurance Coverage will be determined based on the formula death benefit amount described in Articles 6 and 7 and not the enhanced death benefit.

9. TERMINATION OF PARTICIPATION

9.1 Length of Cost Sharing and Plan Participation. A participant shall continue to participate in the Plan and receive the Premium Bonuses until the earliest of:

(a) The Plan Maturity Date; and

(b) Other events enumerated below:

1. Participant separates from service with Verizon prior to Retirement-Eligibility;
2. The owner of the Policy exercises any policy ownership rights that would change the coverage (including complete or partial surrenders, loans, or withdrawals);
3. The participant is downgraded from a Senior Manager position prior to Retirement-Eligibility;
4. The owner of the Policy fails to pay the total premiums described in Section 8.1 when due;
5. The participant otherwise does not abide by the rules of the Plan;
6. The participant requests that participation be terminated; or
7. Verizon amends the Plan to eliminate the Premium Bonuses or terminates the Plan.

9.2 Participation at Retirement. A participant is vested in the Plan benefits, including future Premium Bonuses, once they are Retirement-Eligible. The following rules apply at Retirement:

(a) On or After Plan Maturity Date. If a participant retires on or after their Plan Maturity Date, Verizon will not pay any additional Premium Bonuses. All of the annual premiums scheduled for the Policy will have been completed on the Plan Maturity Date.

(b) Prior to Plan Maturity Date. If a participant retires prior to their Plan Maturity Date, they will continue to be eligible to participate in the Plan, meaning that Verizon will continue to pay them Premium Bonuses in accordance with the Plan (up until their Plan Maturity Date), except that if the Participant is a "specified employee" (within the meaning of Section 409A of the Internal Revenue Code), the first annual payment following a separation from service shall be no earlier than the first business day that occurs more than six (6) months after the date the separation from service. The amount of coverage during the period between retirement and the Plan Maturity Date is specified in Section 7.2.

(c) Definition of Retirement. Retirement means separation from service with Verizon after becoming Retirement-Eligible. A Verizon employee is Retirement-Eligible when he meets the requirements under Verizon's retiree health benefit plan for company contributions toward or access to retiree welfare benefits after his separation from service. If such plan no longer exists for determining Retirement-Eligibility, the Executive Vice President – Human Resources (or their successor) shall determine the relevant applicable requirements.

9.3 Borrowing or Withdrawing Cash Value.

(a) In general. If the owner of the Policy withdraws or borrows from the Policy's Cash Value Account (with the exception of Voluntary Premium Contributions) prior to the Plan Maturity Date, participation in the Plan will terminate, and Verizon will cease to pay any Premium Bonuses.

(b) NYNEX SLIP. Prior to the conversion to the bonus-premium approach for funding, the NYNEX version of the Plan allowed participants to withdraw their share of the Policy cash value at anytime. If the owner of the Policy made any cash value withdrawals during the period the Policy was funded under the NYNEX SPLIP split-dollar arrangement, then the normally applicable amount of coverage under this Plan will be reduced, and the Plan benefits will be adjusted as follows:

1. The amount of coverage under the Plan will be reduced by the aggregate amount of the withdrawals.

2. The total annual premium for the Policy will be calculated as if the cash value withdrawals had never taken place and the amount of coverage had never been reduced. In particular, the Estimated Cost of Current Life Insurance Coverage will be determined based on the amount of coverage determined by the Plan's formula, not the reduced amount of coverage.

3. Because the annual premiums for the Policy will be calculated as if the cash value had never been withdrawn, the assumed cash value for purposes of the premium calculation will be higher than the actual value each year. As a result, if the Executive remains a participant until the Plan Maturity Date, the actual cash value at the Plan Maturity Date will be lower than the target cash value by the amounts withdrawn plus interest adjustments.

9.4 Leave of Absence. If a participant's active employment is interrupted by an approved leave under the Verizon Management Leave of Absence Policy, the participant will continue to participate in the Plan, without change, until the following January 1st. If the participant is still on an approved leave of absence on that date, the Executive's participation shall cease and Verizon will not pay any additional Premium Bonus, except as may be required by the Family and Medical Leave Act.

9.5 Disability. If a participant is enrolled in the Verizon Management Long-Term Disability Plan with a 66 2/3% payment option and has been approved for long term disability (LTD) benefits under the Verizon Management LTD Plan, they will continue to participate in the Plan (with Verizon continuing to make its Premium Bonus payments to the participant) for as long as they remain eligible for such LTD benefits or their participation terminates for any other reason, with the amount of coverage frozen at the level in effect immediately before the disability occurred. The participant or Policy owner must pay the entire required premium payments during this period, including the Estimated Cost of Current Life Insurance Coverage.

If the participant ceases to meet the definition of "totally disabled" under the Verizon Management LTD Plan, or fails to continue to comply with the terms and conditions under that plan, the Executive's participation in the Plan will cease and Verizon will discontinue the Premium Bonuses. In addition, Executive's participation (and Verizon's Premium Bonuses) will not continue beyond the maximum time for receiving benefits under the terms of the Verizon Management LTD Plan. If the participant's disability began before he reached the age of 60, then their LTD benefits end at the earliest of the following dates: (i) the date they recover; (ii) the date they no longer are considered "totally disabled" under the Verizon Management LTD Plan; or (iii) the first day of the month after they reach age 65.

While the participant is receiving benefits under the Verizon Management LTD Plan, they will be placed on an inactive disability leave status. This means that if the participant recovers from their disability and is able to return to work, their participation in the Plan shall continue for a period of up to 90 days to conduct an internal job search. If the participant does not have a position with Verizon at the end of such 90 days, their participation in the Plan will be terminated unless they are Retirement-Eligible. If they return to work at Verizon as a Senior Manager prior to expiration of the 90-day period, their participation in the Plan will continue and their amount of coverage will again be adjusted annually for changes in Annual Compensation until they reach age 60. If the participant returns to work at Verizon prior to the expiration of the 90-day period, but not as a Senior Manager, they will be treated as a Downgrade under Section 9.8.

9.6 Termination of Employment Prior to Retirement-Eligibility. If a participant separates from service with Verizon before Retirement-Eligibility, their participation in the Plan will end immediately.

9.7 Downgrade. If a participant's employment position is downgraded from a Senior Manager position, but they are Retirement-Eligible, then they will continue to participate in the Plan. The coverage amount (and the target paid-up coverage amount used to determine the target cash value at Plan Maturity Date) will be frozen based on their annual base salary/Annual Compensation in effect on the date of the downgrade. Their Post-Retirement Coverage amount will be two times their final base salary.

If a participant's employment position is downgraded from a Senior Manager position, and they are not Retirement-Eligible, then their participation in the Plan will end immediately. The participant will no longer be covered by the Policy, and the participant will then be eligible to elect basic and supplemental life insurance under Verizon's group term life insurance plan, subject to such plan's requirements including, proof of insurability, provided that evidence of insurability will not be required for coverage amounts up to the participant's Policy coverage.

9.8 Rehire. If a former participant is rehired by Verizon in (or re-promoted to) a Senior Manager position, they may enroll in the Plan that is available to new participants at the time of their rehire. If the Policy purchased under the Plan when the Executive previously was a participant is still in force when they are rehired, then the Executive must consent to the use of the Policy for the Plan in order to re-enroll. If the Policy is still in force but is otherwise unavailable for reuse when they are rehired, the Executive may not be able to re-enroll in the Plan.

10. PLAN AMENDMENTS AND TERMINATION

Verizon reserves the right to change or terminate the Plan at any time. Nevertheless, if Verizon is subject to a Change of Control, then Verizon (or its successor) may not amend the Plan for a period of 5 years after the occurrence of a Change in Control to reduce benefits provided to Plan participants, or terminate or merge the Plan or amend this Change in Control provision.

A "Change in Control" shall occur if any Person becomes the beneficial owner of more than 20% of the voting power of the Company's outstanding stock, the Company merges or consolidates with any other business (except a transaction engaged in solely to accomplish a recapitalization of the Company with no material change in the Company's business or ownership) or the Board authorizes the liquidation or sale of all or substantially all of the assets of the Company. Nevertheless, a Change in Control shall not occur if: (i) the owners of the Company's voting stock, determined immediately before the transaction, will continue to represent no less than 45% of the combined voting power of the surviving entity, determined immediately after the transaction; (ii) the members of the board of directors of the Company, determined immediately before the transaction, will continue to constitute a least one-half of the board of directors of the surviving entity, determined immediately after the transaction; (iii) the Chief Executive Officer (“CEO”) of the Company immediately before the transaction will be the CEO of the successor company; and (iv) the headquarters of the successor company will be located in New York, New York.

“Person” shall mean any corporation, partnership, firm, joint venture, association, individual, trust or other entity, but does not include the Company or any of its wholly-owned or majority-owned subsidiaries, employee benefit plans or related trusts.

11. ADMINISTRATION

11.1 Administration. The Plan Administrator shall have the discretionary authority to control and manage the operation and administration of the Plan, including but not limited to the power to construe and interpret the provisions of the Plan, to determine the eligibility of employees to participate in the Plan and the benefit entitlements of Participants, and to establish rules and procedures (and to amend, modify or rescind the same) for the administration of the Plan. The Plan Administrator may delegate ministerial duties to other employees of the Company and to third parties.

11.2 Claims. The Plan Administrator shall make all determinations concerning a Participant’s entitlement to benefits under the Plan. The Plan Administrator shall establish a procedure for participants and designated beneficiaries to file a claim for benefits under the Plan. In the absence of any other procedure designated by the Plan Administrator, the following procedure shall be applicable:

If a Participant believes that he has been denied a benefit under the Plan to which he is entitled, the Participant may file a written request for such benefit with the Program Administrator, setting forth his claim. Any decision by the Program Administrator denying a claim for benefits by a Participant shall be set forth in writing specifying the reasons for the denial in a manner calculated to be understood by the Participant and advising the Participant of his or her right to obtain a review of such decision. Participants may request a review of any decision denying a benefit claim by filing a request for such in writing to the Program Administrator within 60 days of the Participant’s receipt of the denial of his claim; otherwise he shall be barred and stopped from challenging such claim denial. The Plan Administrator shall conduct a full and fair review of the request for review and the underlying claim and shall render a decision thereon in writing, generally within 60 days of receiving the Participant’s request for review (but may extend the period for rendering a decision to 120 days if special circumstances warrant the extension).

The interpretation and construction of the Plan by the Plan Administrator, and any action taken there under, shall be binding and conclusive upon all persons and entities claiming to have an interest under the Plan.

11.3 Liability. The Plan Administrator and its agents shall not be liable to any person for any action taken or omitted to be taken in connection with the interpretation, construction or administration of the Plan provided that such action or omission is made in good faith.

12. MISCELLANEOUS

12.1 Benefit Statements. Each year, each participant in the Plan will receive a Benefit Statement. The statement will provide the participant with current information about the Policy, such as:

(a) Owner of the Policy;

(b) Primary beneficiary of the Policy;

(c) Coverage amount;

(d) Premium for the current year; and

(e) Cash surrender value.

12.2 Notices. Any notice or document required to be given to or filed with the Company or the Plan Administrator shall be deemed given or filed if delivered by certified or registered mail, return receipt requested, to such party's attention at the Company's offices: **140 West Street, New York NY 10007** or at such other address as the Plan Administrator may provide from time to time.

12.3 Validity. In the event any provision of the Plan is held invalid, void or unenforceable, the same shall not affect in any respect the validity of the remaining provisions of the Plan.

12.4 Governing Documents. In the event of any inconsistency between the terms of the Plan set forth herein and the terms of any Policy purchased with respect to a participant, the terms of such Policy shall be controlling as to that participant, the owner of the Policy, any designated beneficiary, and any assignee or successor-in-interest of any of the foregoing persons.

12.5 Applicable Law. The provisions of the Plan shall be construed and administered in accordance with the laws of the State of New York (without regard to any choice of law rules), except to the extent superseded by applicable Federal law.

12.6 Section 409A.

(a) The Plan will be interpreted and construed in favor of it meeting the applicable requirements of section 409A of the Internal Revenue Code ("Section 409A"). The Company, in its reasonable discretion, may amend the Plan (including retroactively) in any manner to conform with Section 409A. Despite the foregoing, the Company will not guarantee any particular tax effect to any person of participation in the Plan. In any event, and except for tax withholding obligations, the Company will have no obligation relating to any tax or penalty applicable to any person as a result of participation in the Plan.

(b) For purposes of Section 409A, each Premium Bonus payment is treated as a separate payment.

APPENDIX A – ACTUARIAL ASSUMPTIONS

This Appendix describes the procedure used to calculate the annual premiums for the VELIP Policies each year. The method described below has been in use unchanged since 2003 when the Section 162 (bonus) approach to funding of VELIP policies was adopted by Verizon, but the actuarial assumptions used in the calculations predate the adoption of the bonus approach by a number of years.

Background

VELIP is designed to provide life insurance coverage both during employment and after retirement using individually-owned universal life insurance policies issued by MetLife. The premium cost is borne predominantly by Verizon. Under the VELIP umbrella, there are actually three separate plans. The varying plan designs, particularly the benefit formulas, reflect grandfathering of the plan designs originally adopted by the various historical corporate entities that came to make up Verizon: NYNEX, Bell Atlantic, and GTE. Notwithstanding the varying plan designs, the general goal of VELIP funding is the same: *to provide the plan participants with reasonably sufficient policy cash value once the funding ends to continue the target post-retirement life insurance coverage on a paid-up basis.*

VELIP assigns to each participant a specific date called the Plan Maturity Date, which varies by plan type but always falls on a policy anniversary. Normally the last annual premium payment is assumed to take place in the month of May preceding the Plan Maturity Date. The NYNEX SLIP version of VELIP has the longest funding period with its Plan Maturity Date being the later of the 20th anniversary of the entry into the plan or the policy anniversary on which the participant attains age 70. Prior to the Plan Maturity Date, Verizon must contribute a series of annual premium payments that will allow each policy to accumulate “reasonably sufficient policy cash value” to provide a paid-up benefit. Normally, Verizon’s premium obligation with respect to a participant ends with his termination of employment. Where a participant *retires* prior to his Plan Maturity Date, the contributions from Verizon vest. Consequently, many retirees are entitled to one or more annual contributions from Verizon after they retire. Verizon’s financial obligation with respect to VELIP ends with the last premium payment.

Verizon’s annual premium contribution for each participant is re-determined annually. There are two reasons why we cannot predetermine the premiums (i.e., calculate fixed schedule of premiums at plan entry) to fund the VELIP policies.

1. The coverage amounts depend on compensation and it is impossible to predict a participant’s future compensation or retirement date with any certainty. Until one knows the exact target post-maturity coverage amount, one can only estimate the “reasonably sufficient policy cash value.” Furthermore, since annual premiums must provide for not only paid-up post-maturity life insurance coverage but also for pre-maturity life insurance coverage,

uncertainty about future levels of coverage prior to Plan Maturity also adds to the uncertainty regarding the cost of VELIP.

2. In addition to the coverage amounts, the cash value buildup also depends on policy performance, particularly the interest rates credited on the cash values. While there is a 4% minimum guarantee under the VELIP policies, the actual credited rates change from month to month. So even if we could predict the future coverage amounts exactly (as is the case for the retirees), the premiums must still be periodically adjusted to reflect each policy's actual performance in order to achieve a particular cash value target. All policy performance risks (as well as rewards) under VELIP are borne solely by Verizon until the last premium is paid (similar to cash balance pension plans) so that the premium funding provided by Verizon must remain somewhat flexible in order to accommodate variations in policy performance.

Although future VELIP premiums are variable and cannot be set in advance for these two reasons, VELIP uses a fixed calculation procedure which is consistently applied from year to year to calculate the premiums. These calculations rely on a very small set of long-term actuarial assumptions that are applied uniformly to all VELIP policies and are expected to be changed rarely. The following sections describe the assumptions and calculation methodology.

Assumptions

The annually re-determined VELIP premiums depend on three actuarial assumptions. These assumptions tend to be long-term in nature (i.e., rarely changed) so as to stabilize the premium stream:

1. *Internal policy rates for the cost of life insurance coverage*—These are the rates charged by MetLife for life insurance coverage under the universal life insurance product used to provide VELIP coverage. These rates are modified relatively rarely. The original rates under the policies in questions were set in 1988 and remained basically unchanged until 2006. In 2006, MetLife reviewed the mortality experience under the life insurance product used by VELIP as well as a number of other very large corporate sponsored life insurance programs and implemented a prospective rate reduction. For determining the cost of future life insurance coverage, VELIP uses the set of rates currently being charged by MetLife. Accordingly, any change in this assumption depends on MetLife.

2. *Interest rate credited on the policy cash value*—Subject to a 4% minimum guarantee, the interest rate credited on the VELIP policy cash value can vary from month to month. Compared to the cost of insurance rates, the interest rates credited on the cash value are significantly more volatile. Since changes to the long-term interest rate assumption can cause wide swings in the premium cost, Verizon selected what it believes is a reasonable long-term interest rate expected to be earned by VELIP policies back in 1998 and has maintained it ever since in order to stabilize plan cost. This rate is 6% during the first 9 policy years following the

policy issue date and 6.5% thereafter (to reflect the non-guaranteed 0.5% interest bonus paid beginning in the 10th policy year). As described below, the calculation procedure calls for a rolling 5-year formulaic modification of this long-term crediting rate assumption in order to reflect short-term interest rate outlook and to stabilize the premium stream even further.

3. *Salary scale*—For a compensation-related benefit with a significant post-retirement component, it is a good accounting and budgetary practice to incorporate a salary scale in determining the annual benefit cost. The NYNEX SLIP version of VELIP has had 5% benefit increases built into its benefit formula from the start (1992) so no salary scale assumption is required for that plan. In calculating the premiums for all other versions of VELIP (under which the pre-maturity coverage amounts as well as post-maturity target coverage amount are directly tied to actual pay), a 5% salary scale has always been used.

In addition to these three long-term actuarial assumptions, there is a fourth item which may best be characterized as a calculation parameter and not as an assumption per se. It is usually called the "skewing factor." Its purpose is to back-load Verizon premium contributions so as to reduce waste of premium dollars on the younger participants, who are much more likely to leave the company (to work for a competitor) than the older participants. The use of this parameter is explained in greater detail in the following section.

Calculation Methodology

VELIP uses the following procedure *each year* to determine Verizon's premium contribution for *each participant.*

1. *Review long-term actuarial assumptions*—This step needs to be performed each year, but, as noted above, changes are normally instigated by events beyond Verizon's control (e.g., MetLife's revision of rates for cost of insurance). The assumptions within Verizon's control have held steady for a number of years.
2. *Project the coverage amounts*—This and all subsequent steps are carried out mechanically (by a computer program) and there is no discretion or judgment involved. We begin by projecting the pre-maturity coverage amounts and the target post-maturity coverage amount. For the participants in the NYNEX version of VELIP, these amounts are pre-determined. For all other participants, these coverage amounts are projected using the current actual pay rate modified by the assumed salary scale. For the retirees still eligible for additional premium contributions from Verizon, their coverage amounts are frozen at the time of retirement.
3. *Determine the hypothetical stream of participant's share of future premiums*—VELIP is a contributory plan. Each year prior to the Plan Maturity Date, the

participants are required to pay a premium amount equal to the coverage amount for the year multiplied by an age-specific rate from a substitute PS-58 rate table supplied by MetLife to determine economic value of life insurance coverage. We determine expected future contributions from each participant based on the projected coverage amounts from Step #2 and the rates from MetLife rate table.

4. *Set the interest rates assumption*—Based on the maturity characteristics of the fixed income investments underlying VELIP policy cash values and MetLife's interest crediting methodology, a number of years will normally be required to bridge any significant gap between the actual composite rate currently being credited on the cash value and the 6%/6.5% assumed for long-term crediting rate. Consequently, rather than applying the long-term credited rate assumption immediately as of the premium determination date, VELIP always grades the interest rates used for premium determination over a rolling 5-year period, starting from the actual current credited rate and ending with the long-term rates. Assuming that VELIP will eventually achieve the long-term crediting rates, this scheme is more realistic in terms of how the future credited rates will actually behave.

5. *Determine the target cash value at plan maturity*—Based on (a) the assumed rates for the cost of insurance, (b) the assumed future interest rates per Step #4, and (c) the target post-maturity coverage amount as determined in Step #2, we can determine the cash value required at plan maturity to provide a paid-up coverage equal to the target post- maturity coverage amount.

6. *Determine the hypothetical stream of Verizon's share of future premiums*—Beginning with each policy's actual cash value as of the calculation date, we can solve for a stream of hypothetical annual premium contributions from Verizon that will cause the cash value to grow to the target cash value at plan maturity per Step #5, taking into consideration (a) future stream of hypothetical premium contributions from the participant per Step #3, (b) the schedule of projected pre-maturity coverage amounts per Step #2, (c) the assumed rates for the cost of insurance, (b) the assumed future interest rates per Step #4. Rather than solving for a level annual stream of hypothetical premiums, VELIP solves for a skewed annual stream of premiums such that each hypothetical premium (except the first one, of course) must be equal to 110% of the preceding one. This is the so-called "skewing factor." If the skewing factor were 100% instead, we would get a *level* stream of contributions.

7. *Determine Verizon's premium contribution for the current year*—Current year's premium contribution from Verizon is equal to the initial year's premium out of the hypothetical premium stream calculated in Step #6. The hypothetical premium stream amounts after the initial year represent estimates of future premiums which will only be realized if plan experience develops

exactly according to actuarial assumptions, not a likely event.

The factors described in this Appendix (or the objective formulas describing such factors) are fixed, with respect to an Executive, no later than the date on which the Executive becomes a Participant.

EXHIBIT 10v

AIRCRAFT TIME SHARING AGREEMENT

This AIRCRAFT TIME SHARING AGREEMENT (the "***Agreement***") is entered into by and between VERIZON CORPORATE SERVICES GROUP INC., a New York corporation, having an office at One Verizon Way, Basking Ridge, New Jersey 07920 (the "***Lessor***"), and __________, an individual with an address at ____________________ (the "***Lessee***") and shall become effective on and as of the date of execution by the last signing party hereto (the "Effective Date").

RECITALS

WHEREAS, Lessor rightfully possesses and has operational control of the aircraft listed on Schedule A hereto (the "***Aircraft***"), and

WHEREAS, Lessor employs a fully qualified flight crew to operate the Aircraft,

WHEREAS, Lessor and Lessee desire to lease said Aircraft on a non-exclusive time-sharing basis as defined in Section 91.501 (c)(1) of the Federal Aviation Regulations ("***FAR***") under such terms and conditions that are mutually satisfactory to both parties hereto, and

WHEREAS, the use of the Aircraft will at all times be pursuant to, and in full compliance with, the requirements of FAR Part 91, particularly Sections 91.501(b)(6), 91.501(c)(1), and 91.501(d).

NOW, THEREFORE, the parties hereto agree as follows:

LEASE OF AIRCRAFT

Lessor agrees to lease the Aircraft to Lessee pursuant to the provisions of FAR Sections 91.501(b)(6), 91.501(c)(1), and 91.501 (d) from time to time on a non-exclusive basis and on an "as needed and as available basis" and to provide a fully-qualified flight crew for all operations pursuant to this Agreement.

TERM

This Agreement shall commence on the Effective Date, and continue until such time as Lessor or Lessee terminates this Agreement. Either party hereto may at any time terminate this Agreement upon thirty (30) days written notice to the other party.

REIMBURSEMENT FOR USE OF AIRCRAFT

For each flight undertaken pursuant to this Agreement, Lessee shall pay Lessor an amount determined by Lessor which shall not exceed the direct operating costs of the Aircraft as authorized by FAR Section 91.501(d). As of the date hereof, those direct operating costs are limited to the following actual expenses for each use of the Aircraft:

1) Fuel, oil, lubricants and other additives.

2) Travel expenses of the crew, including food, lodging and ground transportation.

3) Hangar and tie down costs away from the Aircraft's base of operation.

4) Insurance obtained for the specific flight.

5) Landing fees, airport taxes and similar assessments.

6) Customs, foreign permit, and similar fees directly related to the flight.

7) In-flight food and beverages.

8) Passenger ground transportation.

9) Flight planning and weather contract services.

10) An additional charge equal to one hundred percent (100%) of the expenses listed in item (1) above.

Lessor shall pay all expenses related to the operation of the Aircraft and will provide an invoice and bill to Lessee for the expenses enumerated above within thirty (30) days after the end of the month in which any flight or flights for the account of the Lessee occur for domestic flights and within sixty (60) days after the end of the month in which any flight or flights for the account of the Lessee occur for international flights. Lessee shall pay Lessor for said expenses within fifteen (15) days of receipt of the invoice and bill therefor.

TAXES

In addition to the amounts set forth above, Lessee shall pay to Lessor the amount of the Federal Excise Tax imposed on the amounts paid for taxable transportation of persons (within the meaning of Section 4261-4263 of the Internal Revenue Code of 1986, as amended, and any applicable successor provision) for flights conducted under this Agreement. Lessor agrees to collect and remit to the appropriate governmental agency for the benefit of Lessee all such federal excise taxes. Amounts due for such taxes shall be included on the monthly invoices submitted to Lessee.

PILOTS

Lessor shall employ, pay for and provide a qualified flight crew for each flight undertaken under this Agreement.

SCHEDULING

Lessee shall provide Lessor with requests for lease of the Aircraft pursuant to this Agreement and proposed flight schedules as far in advance of any given flight as possible, and in any case, at least 24 hours prior to Lessee's desired departure. Requests for flight time shall be in a form, whether oral or written, mutually convenient, and agreed, to by the parties. Lessee shall provide at least the following information for each proposed flight prior to scheduled departure:

a) Proposed departure point;

b) Destination;

c) Date and time of flight;

d) The names of all passengers;

e) The nature and extent of luggage;

f) The date and time of a return flight, if any, and

g) Any other information concerning the proposed flight that may be pertinent or required by Lessor or Lessor's flight crew.

Lessor shall have final authority over the scheduling of the Aircraft, provided, however, that Lessor will use its best efforts to resolve any conflicts in scheduling in a fair and equitable manner. The pilot-in-command of the Aircraft shall have final and complete authority to cancel any flight for any reason or condition that in his or her judgment would compromise the safety of the flight.

MAINTENANCE

Lessor shall be solely responsible for securing maintenance, preventative maintenance and required or otherwise necessary inspections on the Aircraft. The Aircraft shall be inspected, and maintained in an airworthy condition, in accordance with applicable rules and regulations of 14 C.F.R. Part 91 during the term of this Agreement. No period of maintenance, preventative maintenance or inspection shall be delayed or postponed for the purpose of scheduling the Aircraft for Lessee.

OPERATIONAL CONTROL

At any time during which a flight is made by or on behalf of Lessee under this Agreement, Lessor shall have possession, command and control of the Aircraft. Lessor shall have complete and exclusive responsibility for: (i) scheduling, dispatching and flight of the Aircraft on all flights conducted pursuant to this Agreement, (ii) the physical and technical operation of the Aircraft, and (iii) the safe performance of all flights. Lessor shall have operational control of the Aircraft for all purposes of the Federal Aviation Regulations.[1] In accordance with applicable FAR, the qualified flight crew provided by Lessor will exercise all required and/or appropriate duties and responsibilities in regard to the safety of each flight conducted hereunder. The pilot-in-command of each flight shall have the final authority with respect to: (i) the initiation or termination of any flight, (ii) selection of the routing of any flight, (iii) determination of the load to be carried, and (iv) all decisions relating to the safety of any flight. No such action of the pilot-in-command shall create or support any liability to Lessee or any other person for loss, injury, damages or delay. The parties further agree that Lessor shall not be liable for delay or failure to furnish the Aircraft and crew pursuant to this Agreement for any reason.

DISCLAIMER OF WARRANTIES AND LIMITATION OF LIABILITY

LESSOR (OR ITS AFFILIATES OR AGENTS) MAKES, HAS MADE OR SHALL BE DEEMED TO MAKE OR HAVE MADE NO WARRANTIES, WHETHER EXPRESSED OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO THE SERVICES TO BE PERFORMED HEREUNDER OR WITH RESPECT TO THE AIRCRAFT TO BE USED HEREUNDER OR ANY ENGINE OR COMPONENT THEREOF, INCLUDING, WITHOUT LIMITATION, ANY WARRANTY AS TO DESIGN, COMPLIANCE WITH SPECIFICATIONS, QUALITY OF MATERIALS OR WORKMANSHIP, MERCHANTABILITY, FITNESS FOR ANY PURPOSE, USE OR OPERATION, OR AIRWORTHINESS. LESSOR SHALL NOT BE LIABLE TO LESSEE OR HIS EMPLOYEES, AGENTS, REPRESENTATIVES, GUESTS, OR INVITEES FOR ANY

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[1] Those regulations found at 14 C.F.R. Parts 1-199, as amended from time to time.

SPECIAL, INCIDENTAL, INDIRECT OR CONSEQUENTIAL DAMAGES OR FOR LOST PROFITS OR REVENUES IN CONNECTION WITH THE FURNISHING OR PERFORMANCE OF THE SERVICES TO BE PERFORMED HEREUNDER OR USE OF THE AIRCRAFT OR CAUSED BY THE NON-PERFORMANCE OF ANY SERVICES COVERED BY THIS AGREEMENT, IN THE ABSENCE OF GROSS NEGLIGENCE OR WILLFUL MISCONDUCT ON ITS PART OR THAT OF ITS OFFICERS, EMPLOYEES OR AGENTS. LESSOR SHALL NOT BE LIABLE FOR ANY ACT OR OMISSION OCCURRING IN THE COURSE OF OR IN CONNECTION WITH THE USE OF THE AIRCRAFT BY LESSEE OR THE PERFORMANCE OF THE SERVICES HEREUNDER BY LESSOR OR ITS MANAGERS, OFFICERS, EMPLOYEES OR AGENTS OR FOR ANY LOSS OR DAMAGE WHICH LESSEE MAY SUSTAIN OR SUFFER AS THE RESULT, OR IN THE COURSE OF, THE DISCHARGE BY LESSOR OF ITS DUTIES HEREUNDER IN THE ABSENCE OF GROSS NEGLIGENCE OR WILLFUL MISCONDUCT ON ITS PART OR THAT OF ITS OFFICERS, EMPLOYEES OR AGENTS.

INSURANCE

Lessor shall, at its own expense, maintain in effect, during the term of this Agreement, insurance covering the Aircraft with respect to such risks and in such amounts and with such deductibles and other terms as determined by Lessor in its sole discretion. In addition, Lessor shall maintain comprehensive public liability and property damage insurance with respect to such risks and in such amounts and with such deductibles and other terms as determined by Lessor in its sole discretion. Lessor shall not cancel or alter said insurance without at least 30 calendar days' written notice to Lessee. Lessee or Lessee's agents shall not take any action that might invalidate or suspend such insurance. Said insurance shall be primary as to Lessor with Lessee being an additional insured (as evidenced by a certificate of insurance) and shall waive all right of subrogation as to Lessee. Notwithstanding the foregoing and subject to the limitations of 14 C.F.R. § 91.501(d), Lessee shall, at Lessor's request, reimburse Lessor for the cost and expense of any additional insurance obtained for any specific flight.

LESSEE'S USE OF AIRCRAFT

Use of Aircraft by Lessee shall be for Lessee's own account, and by his designated invitees and guests, and shall be subject to the use limitations set forth in Sections 91.501 of the Federal Aviation Regulations. Lessee is hereby expressly prohibited from using the Aircraft for the transportation of passengers or cargo for compensation or hire. Lessee shall not accept any compensation whatsoever for any flight conducted under this Agreement.

Lessee shall not incur any mechanics or other lien in connection with the use, inspection, preventative maintenance, maintenance or storage of the Aircraft, nor shall Lessee attempt to convey, mortgage, assign, lease or in any way alienate the Aircraft or create any kind of security interest involving the Aircraft or do anything or take any action that might mature into such a lien.

During the term of this Agreement, Lessee will abide by and conform to all applicable laws, governmental and airport orders, rules and regulations.

GENERAL PROVISIONS

A. This Agreement and all the rights of the parties hereunder shall be construed and enforced in accordance with the laws of the State of New York, without giving effect to its conflicts of laws principles.

B. This Agreement supersedes all prior written agreements and understandings between the parties with respect to the subject matter hereof, and no modification, termination or attempted waiver shall be valid unless in writing and signed by both parties hereto.

C. The Aircraft is and at all times shall remain the property of the Lessor, and Lessee shall have no right, title or interest therein or in the proceeds thereof except as expressly permitted hereunder.

D. If action is instituted to enforce any of the terms and conditions of this Agreement, the prevailing party shall be entitled to recovery of its reasonable attorney's fees and costs incurred in such action.

E. If any clause or provision herein shall be adjudged to be invalid or unenforceable by a court of competent jurisdiction or by operation of any applicable law, such adjudication shall not affect the validity of any other clause or provision, which shall remain in full force and effect.

F. All notices, requests, demands and other communications required or desired to be given hereunder shall be in writing and shall be deemed to be given: (i) if personally delivered, upon such delivery; or (ii) if sent by regularly scheduled overnight delivery carrier upon the earlier to occur of actual receipt or the next Business Day after being sent by such delivery:

If to Lessor:

VERIZON CORPORATE SERVICES GROUP INC.

One Verizon Way

Basking Ridge, New Jersey 07920

Attention: Executive Director, Aviation

Tel:

Fax:

E-Mail:

If to Lessee:

Tel:

Fax:

E-Mail:

Notices given by other means shall be deemed to be given only upon actual receipt. Addresses may be changed by written notice given as provided herein and signed by the party giving the notice.

G. Neither this Agreement nor Lessee's interest herein shall be assignable by Lessee to any other person or entity whatsoever. This Agreement shall inure to the benefit of and be binding upon the parties hereto, their heirs, representatives and successors.

H. If any provision of this Agreement is held to be invalid, illegal, or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

I. The failure of a party to require performance of any provision of this Agreement shall in no way affect that party's right thereafter to enforce such a provision nor shall the waiver by a party of any breach of any provision of this Agreement be taken or held to be a waiver of any further breach of the same provision or any other provision.

[Truth-in-Leasing Statement and Signature Page Follows]

TRUTH IN LEASING STATEMENT

THE AIRCRAFT HAVE BEEN MAINTAINED AND INSPECTED UNDER FAR PART 91 DURING THE 12 MONTH PERIOD PRECEDING THE DATE OF THIS AGREEMENT (OR PORTION THEREOF SINCE THE AIRCRAFT RECEIVED ITS FAA AIRWORTHINESS CERTIFICATE). THE AIRCRAFT WILL BE MAINTAINED AND INSPECTED UNDER FAR PART 91 FOR OPERATIONS TO BE CONDUCTED UNDER THIS AGREEMENT.

DURING THE DURATION OF THIS AGREEMENT, VERIZON CORPORATE SERVICES GROUP INC., A NEW YORK CORPORATION HAVING AN OFFICE AT ONE VERIZON WAY, BASKING RIDGE, NEW JERSEY 07920, SHALL BE CONSIDERED TO BE, AND SHALL IN FACT BE THE RESPONSIBLE PARTY FOR THE OPERATIONAL CONTROL OF THE AIRCRAFT.

AN EXPLANATION OF FACTORS BEARING ON OPERATIONAL CONTROL AND PERTINENT FEDERAL AVIATION REGULATIONS CAN BE OBTAINED FROM THE NEAREST FAA FLIGHT STANDARDS DISTRICT OFFICE. THE “INSTRUCTIONS FOR COMPLIANCE WITH TRUTH IN LEASING REQUIREMENTS” ATTACHED HERETO ARE INCORPORATED HEREIN BY REFERENCE.

THE UNDERSIGNED HEREBY CERTIFIES THAT VERIZON CORPORATE SERVICES GROUP INC. IS RESPONSIBLE FOR OPERATIONAL CONTROL OF THE AIRCRAFT AND UNDERSTANDS ITS RESPONSIBILITIES FOR COMPLIANCE WITH APPLICABLE FEDERAL AVIATION REGULATIONS.

VERIZON CORPORATE SERVICES GROUP INC. **(Lessor)**

By: ____________________________________

Date and time of execution

(**Lessee**)

Individually

Date and time of execution

INSTRUCTIONS FOR COMPLIANCE WITH TRUTH IN LEASING REQUIREMENTS

1. Mail a copy of the Agreement to the following address via certified mail, return receipt requested, immediately upon execution of the Agreement. (14 C.F.R. § 91.23 requires that the copy be sent within twenty-four hours after it is signed):

   Federal Aviation Administration
   Aircraft Registration Branch
   ATTN: Technical Section
   POB 25724
   Oklahoma City, OK 73125

2. Telephone or send a facsimile message to the nearest Flight Standards District Office at least forty-eight hours prior to first flight under this Agreement and inform them of the following:

   a. The location of the airport of departure;

   b. The departure time; and

   c. The registration number of the aircraft involved.

3. Carry a copy of the Agreement in the Aircraft at all times.

SCHEDULE A

Operator	Manufacturer/Model	Serial No.	Tail No.

Exhibit 10ll

AMENDMENT NUMBER 5 TO CELLCO PARTNERSHIP AMENDED AND RESTATED PARTNERSHIP AGREEMENT

This Amendment dated as of January 21, 2011 (the "Amendment"), by and among Bell Atlantic Mobile Systems, Inc., GTE Wireless Incorporated, PCS Nucleus, L.P. and JV Partnerco, LLC.

WITNESSETH:

WHEREAS, the undersigned constitute all of the current parties to that certain Cellco Partnership Amended and Restated Partnership Agreement dated as of April 3, 2000 by and among the members of the Bell Atlantic Group and the members of the Vodafone Group (as further amended as of July 10, 2000, July 24, 2003, February 26, 2004 and July 16, 2010, the "Partnership Agreement"); and

WHEREAS, the undersigned desire to amend the Partnership Agreement as set forth herein.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements herein contained, and intending to be legally bound hereby, the parties hereto do hereby agree as follows (capitalized terms used but not defined herein have the meanings ascribed to such terms in the Partnership Agreement):

1. Amendment to the Partnership Agreement.

(a) Effective as of the date first written above but only with respect to the Company's Fiscal Years including and subsequent to the 2011 Fiscal Year, Section 7.1(b) of the Partnership Agreement is hereby amended and restated to read in its entirety as follows:

"Tax Distributions.

The Company shall distribute to the Partners in accordance with the Partners' Partnership Interests as promptly as reasonably practicable (and in any event within forty-five (45) days) after the end of each fiscal quarter in a Fiscal Year an amount equal to the excess, if any, of (i) the product of (A) the Estimated Taxable Income for the fiscal quarter and the prior fiscal quarters in the Fiscal Year and (B) the Tax Rate over (ii) the aggregate amounts distributed pursuant to this Section 7.1(b) with respect to the prior fiscal quarters in the Fiscal Year. As soon as reasonably practicable following the filing of the Company's federal tax return (or any amended federal tax return) for a Fiscal Year, the Company shall distribute to the Partners with respect to such Fiscal Year an amount equal to the excess, if any, of (i) the product of (A) the Actual Taxable Income for such Fiscal Year and (B) the Tax Rate over (ii) the aggregate amounts distributed pursuant to this Section 7.1(b) with respect to the prior fiscal quarters in such Fiscal Year; provided, however, that if (i) the aggregate amounts distributed pursuant to this Section 7.1(b) with respect to the prior fiscal quarters in such Fiscal Year exceeds (ii) the product of (A) the

Actual Taxable Income for such Fiscal Year and (B) the Tax Rate then an amount equal to such excess shall reduce the amounts next distributable pursuant to this Section 7.1(b); and provided, further, that in determining Estimated Taxable Income and Actual Taxable Income for any relevant period, there shall be taken into account, in the manner determined by the Company, (i) any losses in other relevant periods, and (ii) any adjustment to the Company's taxable income made with respect to any relevant period pursuant to a determination (within the meaning of Section 1313(a) of the Code; provided that such term shall also include agreed-upon Internal Revenue Service audit adjustments). The distributions pursuant to this Section 7.1(b) shall be referred to as "Tax Distributions"."

(b) Effective as of the date first written above, but only with respect to the Company's Fiscal Years including and subsequent to the 2011 Fiscal Year, Section 1.1 is hereby amended by adding the following definitions:

"Actual Taxable Income" means, for the relevant period, the taxable income of the Company, determined in accordance with IRC Section 703(a) and as reported on the Company's federal tax return (including any amended federal tax return), but excluding any items of taxable income, gain, loss, or deduction allocated pursuant to Section 6.8(c), (e) or (f) and any section 704(c) gain for which a distribution under Section 7.1(a) is to be made. For the avoidance of doubt, the determination of the Company's taxable income shall not take into account any adjustment under IRC Section 743(b) associated with any Partner.

"Estimated Taxable Income" means, for the relevant period, an estimate of the taxable income of the Company, determined in good faith by the Tax Matters Partner in accordance with IRC Section 703(a), but excluding any items of taxable income, gain, loss, or deduction allocated pursuant to Section 6.8(c), (e) or (f) and any section 704(c) gain for which a distribution under Section 7.1(a) is to be made. For the avoidance of doubt, the determination of the Company's taxable income shall not take into account any adjustment under IRC Section 743(b) associated with any Partner.

2. Miscellaneous.

(a) The laws of the State of Delaware shall govern the validity, interpretation, construction, performance, and enforcement of this Agreement, excluding the choice of laws provisions of the State of Delaware.

(b) Except as modified herein, all other terms and provisions of the Partnership Agreement (including the Schedules thereto) are unchanged and remain in full force and effect.

(c) This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

This Agreement shall become effective when each party to this Agreement shall have received a counterpart hereof signed by the other party to this Agreement.

(d) This Amendment shall be binding upon any permitted assignee, transferee, successor or assign to any of the parties hereto.

[THIS SPACE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties have caused this Amendment to be duly executed by their duly authorized representatives as of the date first written above.

BELL ATLANTIC MOBILE SYSTEMS, INC.

By: ______________________________

Name: John W. Diercksen

Title: President

PCS NUCLEUS, L.P.

By: ______________________________

Name: Megan Doberneck

Title: President and General Counsel

JV PARTNERCO, LLC

By: ______________________________

Name: Megan Doberneck

Title: President and General Counsel

GTE WIRELESS INCORPORATED

By: ______________________________

Name: John W. Diercksen

Title: President

EXHIBIT 12

Computation of Ratio of Earnings to Fixed Charges
Verizon Communications Inc. and Subsidiaries

(dollars in millions)

Years Ended December 31,	2010	2009	2008	2007	2006
Earnings:					
Income before provision for income taxes, discontinued operations, extraordinary item, and cumulative effect of accounting change	**$12,684**	$13,520	$1,643	$16,783	$15,956
Equity in earnings of unconsolidated businesses	**(508)**	(553)	(567)	(585)	(773)
Dividends from unconsolidated businesses	**510**	942	779	2,571	42
Interest expense [1]	**2,523**	3,102	1,819	1,829	2,349
Portion of rent expense representing interest	**837**	839	734	684	650
Amortization of capitalized interest	**139**	134	125	115	112
Earnings, as adjusted	**$16,185**	$17,984	$4,533	$21,397	$18,336
Fixed Charges:					
Interest expense [1]	**$ 2,523**	$ 3,102	$1,819	$ 1,829	$ 2,349
Portion of rent expense representing interest	**837**	839	734	684	650
Capitalized interest	**964**	927	747	429	462
Preferred stock dividend requirement [2]	**–**	–	–	–	2
Fixed Charges	**$ 4,324**	$ 4,868	$3,300	$ 2,942	$ 3,463
Ratio of earnings to fixed charges	**3.74**	3.69	1.37	7.27	5.29

(1) We classify interest expense recognized on uncertain tax positions as income tax expense and therefore such interest expense is not included in the Ratio of Earnings to Fixed Charges.

(2) On January 15, 2006, Verizon redeemed $0.1 billion Verizon International Holding Ltd. Series A variable term voting cumulative preferred stock and paid holders the last dividend on that stock.

Selected Financial Data Verizon Communications Inc. and Subsidiaries – As Adjusted*

(dollars in millions, except per share amounts)

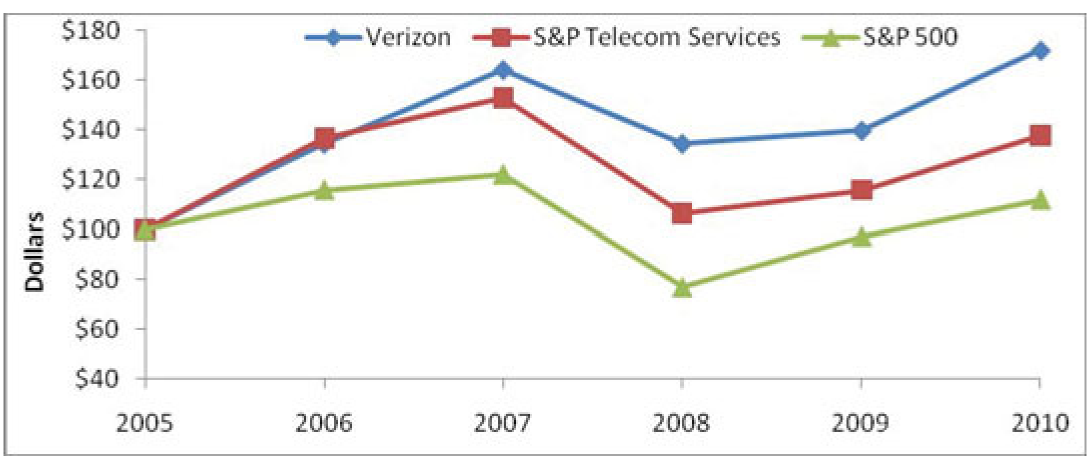
	2010	2009	2008	2007	2006
Results of Operations					
Operating revenues	**$ 106,565**	$ 107,808	$ 97,354	$ 93,469	$ 88,182
Operating income	**14,645**	15,978	2,612	17,816	17,137
Income (loss) before discontinued operations, extraordinary item and cumulative effect of accounting change attributable to Verizon	**2,549**	4,894	(2,193)	7,201	7,763
Per common share – basic	**.90**	1.72	(.77)	2.48	2.67
Per common share – diluted	**.90**	1.72	(.77)	2.48	2.64
Net income (loss) attributable to Verizon	**2,549**	4,894	(2,193)	7,212	8,480
Per common share – basic	**.90**	1.72	(.77)	2.49	2.91
Per common share – diluted	**.90**	1.72	(.77)	2.49	2.89
Cash dividends declared per common share	**1.925**	1.870	1.780	1.670	1.620
Net income attributable to noncontrolling interest	**7,668**	6,707	6,155	5,053	4,038
Financial Position					
Total assets	**$ 220,005**	$ 226,907	$ 202,185	$ 186,942	$ 189,072
Debt maturing within one year	**7,542**	7,205	4,993	2,954	7,715
Long-term debt	**45,252**	55,051	46,959	28,203	28,646
Employee benefit obligations	**28,164**	32,622	32,512	29,960	30,779
Noncontrolling interest	**48,343**	42,761	37,199	32,266	28,310
Equity attributable to Verizon	**38,569**	41,382	41,592	50,580	48,830

- Significant events affecting our historical earnings trends in 2008 through 2010 are described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”
- 2007 data includes sales of business, severance, pension and benefit charges, merger integration costs, and other items.
- 2006 data includes sales of business, severance, pension and benefit charges, merger integration costs, as well as relocation charges and other items.

* During 2010, we retrospectively changed our method of accounting for benefit plans as described in Note 1 to the consolidated financial statements. As a result, all prior periods have been adjusted.

Stock Performance Graph

Comparison of Five-Year Total Return Among Verizon,
S&P 500 Telecommunications Services Index and S&P 500 Stock Index



Data Points in Dollars	At December 31,					
	2005	2006	2007	2008	2009	**2010**
Verizon	100.0	134.6	164.3	134.6	139.8	**172.1**
S&P Telecom Services	100.0	136.7	152.9	106.3	115.8	**137.8**
S&P 500	100.0	115.8	122.1	77.0	97.3	**112.0**

The graph compares the cumulative total returns of Verizon, the S&P 500 Telecommunications Services Index, and the S&P 500 Stock Index over a five-year period, adjusted for the spin-off of our local exchange business and related landline activities in predominantly rural areas in 14 states, completed in 2010, and in Maine, New Hampshire and Vermont, completed in 2008, and our domestic yellow pages directories business, completed in 2006. It assumes $100 was invested on December 31, 2005, with dividends reinvested.

Management's Discussion and Analysis of Financial Condition and Results of Operations – As Adjusted

During the fourth quarter of 2010, Verizon retrospectively changed its method of accounting for benefit plans as described in Note 1 to the consolidated financial statements. As a result, all prior periods have been adjusted. As part of this change to our method of accounting, the service cost and the amortization of prior service costs, which are representative of the benefits earned by active employees during the period, will continue to be allocated to the segment in which the employee is employed, while interest cost and expected return on assets will now be recorded at the Corporate level. The recognition of actuarial gains and losses will also be recorded at the Corporate level.

In addition, in order to comply with regulatory conditions related to the acquisition of Alltel in January 2009, Verizon Wireless divested certain overlapping properties during the first half of 2010. On July 1, 2010, certain of Verizon's local exchange business and related landline activities were spun off. During the second quarter of 2010, we recorded a non-cash adjustment primarily to adjust wireless data revenues.

Accordingly, Domestic Wireless and Wireline results from these operations as well as the deferred revenue adjustment have been reclassified to Corporate and Other to reflect comparable segment operating results consistent with the information regularly reviewed by our chief operating decision maker.

We have adjusted prior-period consolidated and segment information, where applicable, to conform to current year presentation.

Overview

Verizon Communications Inc. (Verizon, or the Company), is one of the world's leading providers of communications services. Our domestic wireless business, operating as Verizon Wireless, provides wireless voice and data products and services across the United States using one of the most extensive and reliable wireless networks. Our wireline business provides communications products and services, including voice, broadband data and video services, network access, long distance and other communications products and services, and also owns and operates one of the most expansive end-to-end global Internet Protocol (IP) networks. We have a highly diverse workforce of approximately 194,400 employees as of December 31, 2010.

In the sections that follow, we provide information about the important aspects of our operations and investments, both at the consolidated and segment levels, and discuss our results of operations, financial position and sources and uses of cash. In addition, we highlight key trends and uncertainties to the extent practicable. We also monitor several key economic indicators, as well as the state of the economy in general, primarily in the United States, where the majority of our operations are located for purposes of evaluating our operating results and assessing the potential impacts of these factors on our businesses. While most key economic indicators, including gross domestic product, affect our operations to some degree, we historically have noted higher correlations to non-farm employment, personal consumption expenditures and capital spending, as well as more general economic indicators such as inflationary or recessionary trends and housing starts.

During 2010, we faced the challenges posed by a global economic downturn and continued to increase revenues in our growth businesses, increase free cash flow, and make strategic investments in wireless, broadband, global connectivity and video. At the same time, we took significant actions to improve our cost structure, in part by reaching agreements with certain unions on temporary enhancements and addressing future profitability as described below.

During the second quarter of 2010, as a condition of the regulatory approvals by the Department of Justice (DOJ) and the Federal Communications Commission (FCC) to complete the acquisition of Alltel Corporation (Alltel) in January 2009, Verizon Wireless divested overlapping properties in 105 operating markets in 24 states (Alltel Divestiture Markets). The Verizon Wireless customer base was reduced by approximately 2.1 million customers, after certain adjustments. In July 2010, the Company spun-off to its stockholders a subsidiary of Verizon (Spinco) which held defined assets and liabilities of the local exchange business and related landline activities of Verizon in predominantly rural areas in 14 states. Immediately following the spin-off, Spinco merged with Frontier Communications Corporation (Frontier) pursuant to a definitive agreement with Frontier. This transaction further focused Verizon's asset base around its fastest growing businesses – wireless, FiOS and other broadband development and global IP networks. (See "Acquisitions and Divestitures.")

Our results of operations, financial position and sources and uses of cash in the current and future periods reflect our focus on the following strategic imperatives:

Revenue Growth – To generate revenue growth we are devoting our resources to higher growth markets, such as the wireless voice and data markets, the broadband and video markets, and the provision of strategic services to business markets, rather than to the traditional wireline voice market. During 2010, consolidated revenue decreased 1.2% compared to 2009 primarily due to the sale of divested operations as well as lower revenue in the Wireline segment resulting from switched access line losses and decreased minutes of use (MOUs), partially offset by higher revenues in our growth markets. We continue to develop and market innovative product bundles to include local, long distance, wireless, broadband data and video services for consumer, business and government customers. We anticipate that these efforts will help counter the effects of competition and technology substitution that have resulted in access line losses, and enable us to grow consolidated revenues.

Market Share Gains – In our wireless business, our goal is to continue to be the market leader in providing wireless voice and data communication services in the United States. As the demand for wireless data services grows, we continue to increase our data revenues by expanding our penetration of data services as a result of increased sales of smartphone and other data-capable devices. In 2010, we launched our fourth-generation (4G) Long-Term Evolution technology (LTE) network in 38 major metropolitan areas and more than 60 commercial airports in the United States. We expect to deploy 4G LTE in an additional 140 markets by the end of 2011 and in virtually our entire current 3G network footprint by the end of 2013. In our wireline business, our goal is to become the leading provider of communications products and services in each of the markets in which we operate. We are focused on providing the highest network reliability and innovative products and services. During 2010, we invested $16.5 billion in capital expenditures.

In Domestic Wireless:

- as of December 31, 2010 compared to 2009, total customers increased 5.6% to 94.1 million; and
- during 2010 compared to 2009, total data average revenue per customer per month (ARPU) increased by 17.3% to $17.73.

During 2010, in Wireline:

- we added 232,000 net wireline broadband connections, including 796,000 net new FiOS Internet subscribers, for a total of 8.4 million connections, including 4.1 million FiOS Internet subscribers;
- we added 722,000 net new FiOS TV subscribers, for a total of 3.5 million FiOS TV subscribers; and
- total broadband and video revenues were approximately $6.8 billion.

As of December 31, 2010, we passed 15.6 million premises with our high-capacity fiber optics network operated under the FiOS service mark. With FiOS, we have created the opportunity to increase revenue per customer as well as improve Wireline profitability as the traditional fixed-line telephone business continues to decline due to customer migration to wireless, cable and other newer technologies.

We are also focused on gaining market share in our enterprise business through the deployment of strategic enterprise service offerings, including expansion of our Voice over Internet Protocol (VoIP) and international Ethernet capabilities, the introduction of video and web-based conferencing capabilities, and enhancements to our virtual private network portfolio. During 2010, revenues from strategic enterprise services grew 6.3% compared to 2009 and represent more than 42% of total Global Enterprise revenues.

Profitability Improvement – Our goal is to increase operating income and margins. Strong wireless data and FiOS revenue growth continue to positively impact operating results. In addition, while revenues in the business market continue to be affected by macro-economic pressures, we are seeing some signs of stability. If there is a sustained economic recovery, it should positively impact our revenue and profitability in future quarters. However, we remain focused on cost controls with the objective of driving efficiencies to offset business volume declines.

Operational Efficiency – While focusing resources on revenue growth and market share gains, we are continually challenging our management team to lower expenses, particularly through technology-assisted productivity improvements, including self-service initiatives. These and other efforts, such as real estate consolidation, call center routing improvements, a centralized shared services organization, and information technology and marketing efforts, have led to changes in our cost structure with a goal of maintaining and improving operating income margins. Through our deployment of the FiOS network, we expect to realize savings annually in our ongoing operating expenses as a result of efficiencies gained from fiber network facilities.

Customer Service – Our goal is to be the leading company in customer service in every market we serve. We view superior product offerings and customer service experiences as a competitive differentiator and a catalyst to growing revenues and gaining market share. We are committed to providing high-quality customer service and continually monitor customer satisfaction in all facets of our business. Verizon Wireless ranked highest among wireless providers in small to mid-sized business customer satisfaction in the J.D. Power and Associates 2010 U.S. Business Wireless Satisfaction Study released in June. During 2010, J.D. Power and Associates also ranked FiOS TV service with the “Highest in Residential Television Service Satisfaction in the East Region” in the J.D. Power and Associates 2010 Residential Television Service Satisfaction Study.

Performance and Values-Based Culture – We embrace a performance and values-based culture that demonstrates our commitment to integrity, respect, performance excellence, accountability, and putting our customers first. Our individual and team objectives are tied to Verizon’s strategic imperatives. Key objectives of our compensation programs are pay-for-performance and the alignment of executives’ and stockholders’ long-term interests. We also employ a highly diverse workforce, as respect for diversity is an integral part of Verizon’s culture and a critical element of our competitive success.

Trends

We expect that competition will continue to intensify with traditional, non-traditional and emerging service providers seeking increased market share. We believe that our networks differentiate us from our competitors, enabling us to provide enhanced communications experiences to our customers. We believe our focus on the fundamentals of running a good business, including operating excellence and financial discipline, gives us the ability to plan and manage through changing economic conditions. We will continue to invest for growth, which we believe is the key to creating value for our shareowners.

Customer and Operating Trends

In our Domestic Wireless segment, we expect to continue to attract and maintain the loyalty of high-quality retail postpaid customers, capitalizing on customer demand for data services, and bringing our customers new ways of using wireless services in their daily lives. We expect that future customer growth will accelerate as a result of the introduction of new smartphones, including the iPhone 4, internet devices, such as tablets, and our suite of 4G LTE devices. We believe these devices will attract and retain higher value customers, contribute to continued increases in the penetration of data services and keep our device line-up competitive versus other wireless carriers. We expect future growth opportunities will be dependent on expanding the penetration of our data services, offering innovative wireless devices for both consumer and business customers, and increasing the number of ways that our customers can connect with our network and services.

In recent years, we have experienced continuing access line losses in our Wireline segment as customers have disconnected both primary and secondary lines and switched to alternative technologies, such as wireless, VoIP and cable for voice and data services. We expect to continue to experience access line losses as customers continue to switch to alternate technologies.

Despite this challenging environment, we expect that key aspects of our wireline business will continue to grow by providing superior network reliability as we continue to offer innovative product bundles that include high-speed Internet access, digital television and local and long distance voice services, offering more robust IP products and services as well as accelerating our cloud computing strategy. We will continue to focus on cost efficiencies to attempt to offset adverse impacts from unfavorable economic conditions and secular changes.

Operating Revenue

We expect to experience service revenue growth in our Domestic Wireless segment, primarily as a result of the growth of our customer base as well as continued data revenue growth driven by increased penetration of data services resulting from increased sales of smartphone and other data-capable devices. We expect that the introduction of new smartphones, including the iPhone 4, and our suite of 4G LTE devices will contribute to an increase in our average revenue per user (ARPU) for data. However, we expect to continue to experience sequential declines in our overall average voice revenue per user due to the ongoing impact of customers seeking to optimize the value of our voice plans. We expect that our future service revenue growth will be substantially derived from data revenue growth as we continue to expand the penetration of our wireless data offerings and increase our sales and usage of innovative wireless smartphone and other data-capable devices.

Although we have experienced declines in Domestic Wireless Equipment and other revenue as a result of a reduction in the number of wireless devices sold, we expect that sales of newly introduced devices will result in increased sales volume and an overall increase in revenues from device sales.

We expect broadband penetration to positively impact our Mass Markets revenue and subscriber base, but we expect to continue to experience declining revenues in our Wireline segment primarily due to access line losses as a result of wireless substitution and current economic conditions. We also expect to experience period to period declines in reported revenue due to the transaction with Frontier described above.

We expect continued expansion of strategic services revenue as we derive additional revenues from cloud, security and other solutions-based services and customers continue to migrate their services to Private IP and other strategic networking services.

Operating Costs and Expenses

We anticipate that our overall wireless operating costs will increase as a result of the expected increase in the volume of smartphone sales, which will result in higher equipment costs. We expect that the impact of these increased operating costs will cause a decline in our near-term Verizon Wireless Segment earnings before interest, taxes, depreciation and amortization (EBITDA) margins. However, we expect to continue to achieve other operating cost efficiencies through a number of cost savings initiatives to help control our overall operating costs. In addition, labor costs are expected to decrease in our Wireline segment as a result of headcount reductions, which will be partially offset by increased content costs for video in our growth businesses.

Capital Expenditures

Our 2011 capital program includes capital to fund advanced networks and services, including FiOS and LTE, the continued expansion of our core networks, including our IP and wireless Evolution-Data Optimized (EV-DO) networks, maintenance and support for our legacy voice networks and other expenditures. Additionally, during 2010 we substantially completed the initial FiOS deployment program. The amount and the timing of the Company's capital expenditures within these broad categories can vary significantly as a result of a variety of factors outside our control, including, for example, material weather events. We are not subject to any agreement that would constrain our ability to control our capital expenditures by requiring material capital expenditures on a designated schedule or upon the occurrence of designated events. Capital expenditures declined in 2010 compared to 2009. We believe that we have sufficient discretion over the amount and timing of our capital expenditures on a company-wide basis that we can reasonably expect 2011 capital expenditures to be flat or lower than 2010.

Cash Flow from Operations

We create value for our shareowners by investing the cash flows generated by our business in opportunities and transactions that support our strategic imperatives, thereby increasing customer satisfaction and usage of our products and services. In addition, we have used our cash flows to maintain and grow our dividend payout to shareowners. Verizon's Board of Directors increased the Company's quarterly dividend by 2.6% during 2010, which was the fourth consecutive year in which we have raised our dividend. Net cash provided by operating activities for the year ended December 31, 2010 of $33.4 billion increased by $2.0 billion from $31.4 billion for the year ended December 31, 2009.

Other

We do not currently expect that legislative efforts relating to climate control will have a material adverse impact on our consolidated financial results or financial condition. We believe there may be opportunities for companies to increase their use of communications services, including those we provide, in order to minimize the environmental impact of their businesses.

Consolidated Results of Operations

In this section, we discuss our overall results of operations and highlight items of a non-operational nature that are not included in our segment results. We have two reportable segments, which we operate and manage as strategic business units and organize by products and services. Our segments are Domestic Wireless and Wireline. In the "Segment Results of Operations" section, we review the performance of our two reportable segments.

Corporate, eliminations and other includes unallocated corporate expenses, intersegment eliminations recorded in consolidation, the results of other businesses such as our investments in unconsolidated businesses, pension and other employee benefit related costs, lease financing, and divested operations and other adjustments and gains and losses that are not allocated in assessing segment performance due to their non-operational nature. Although such transactions are excluded from the business segment results, they are included in reported consolidated earnings. Gains and losses that are not individually significant are included in all segment results as these items are included in the chief operating decision maker's assessment of segment performance. We believe that this presentation assists users of our financial statements in better understanding our results of operations and trends from period to period.

In the following discussion, all prior period results have been adjusted to reflect the change in accounting for benefit plans (see Note 1 to the consolidated financial statements). Reclassifications have also been made primarily to reflect comparable operating results for the spin-off of our local exchange business and related landline activities in predominantly rural areas in 14 states, completed in 2010, and in Maine, New Hampshire and Vermont, completed in 2008, as well as sale of the Alltel Divestiture Markets.

Consolidated Revenues

Years Ended December 31,	2010	2009	2008	Increase/(Decrease) 2010 vs. 2009		2009 vs. 2008	
						(dollars in millions)	
Domestic Wireless							
Service revenue	**$ 55,629**	$ 52,046	$ 42,602	**$ 3,583**	**6.9%**	$ 9,444	22.2%
Equipment and other	**7,778**	8,279	6,696	**(501)**	**(6.1)**	1,583	23.6
Total	**63,407**	60,325	49,298	**3,082**	**5.1**	11,027	22.4
Wireline							
Mass Markets	**16,256**	16,115	15,831	**141**	**0.9**	284	1.8
Global Enterprise	**15,669**	15,667	16,601	**2**	**–**	(934)	(5.6)
Global Wholesale	**8,393**	9,155	9,832	**(762)**	**(8.3)**	(677)	(6.9)
Other	**909**	1,514	2,059	**(605)**	**(40.0)**	(545)	(26.5)
Total	**41,227**	42,451	44,323	**(1,224)**	**(2.9)**	(1,872)	(4.2)
Corporate, eliminations and other	**1,931**	5,032	3,733	**(3,101)**	**(61.6)**	1,299	34.8
Consolidated Revenues	**$ 106,565**	$107,808	$ 97,354	**$(1,243)**	**(1.2)**	$10,454	10.7

2010 Compared to 2009

The decrease in Consolidated revenues during 2010 compared to 2009 was primarily due to the sale of divested operations and declines in revenues at our Wireline segment resulting from switched access line losses and decreased MOUs in traditional voice products, partially offset by higher revenues in our growth markets.

Corporate, eliminations and other during 2010 included a one-time non-cash adjustment of $0.2 billion primarily to reduce wireless data revenues. This adjustment was recorded to properly defer previously recognized wireless data revenues that will be earned and recognized in future periods. As the amounts involved were not material to the consolidated financial statements in the current or any previous reporting period, the adjustment was recorded during the second quarter of 2010 (see "Other Items"). In addition, the results of operations related to the divestitures included in Corporate, eliminations and other are as follows:

Years Ended December 31,	2010	2009	2008
			(dollars in millions)
Impact of Divested Operations			
Operating revenues	**$2,407**	$5,297	$4,084
Cost of services and sales	**574**	1,288	1,076
Selling, general and administrative expense	**665**	1,356	895
Depreciation and amortization expense	**413**	884	916

The increase in Domestic Wireless' revenues during 2010 compared to 2009 was primarily due to growth in service revenue. Service revenue increased during 2010 compared to 2009 primarily due to an increase in total customers since January 1, 2010, as well as continued growth in our data ARPU, partially offset by a decline in voice ARPU.

Total wireless data revenue was $19.6 billion and accounted for 35.1% of service revenue during 2010, compared to $15.6 billion and 29.9% during 2009. Total data revenue continues to increase as a result of the increased penetration of data offerings, in particular for e-mail and web services resulting in part from increased sales of smartphone and other data-capable devices. Voice revenue decreased as a result of continued declines in our voice ARPU, partially offset by an increase in the number of customers.

Equipment and other revenue decreased during 2010 compared to 2009 due to a decrease in the number of equipment units sold, which resulted from a decrease in customer gross additions.

The decrease in Wireline's revenues during 2010 compared to 2009 was primarily due to lower Global Wholesale and Other revenue, partially offset by an increase in Mass Markets revenue. The decrease in Global Wholesale revenues during 2010 compared to 2009 was primarily due to decreased MOUs in traditional voice products, increases in voice termination pricing on certain international routes, which negatively impacted volume, and continued rate compression due to competition in the marketplace. The decrease in Other revenue during 2010 compared to 2009 was primarily due to reduced business volumes, including former MCI mass market customer losses. The increase in Mass Markets revenue during 2010 compared to 2009 was primarily driven by the expansion of consumer and business FiOS services (Voice, Internet and TV), which are typically sold in bundles, partially offset by the decline of local exchange revenues principally as a result of a decline in switched access lines. Global Enterprise revenues during 2010 compared to 2009 were essentially unchanged. Higher customer premises equipment and strategic networking revenues, were offset by lower local services and traditional circuit-based revenues.

2009 Compared to 2008

The increase in Consolidated revenues in 2009 compared to the similar period in 2008 was primarily due to the inclusion of the operating results of Alltel in our Wireless segment and higher revenues in our growth markets. These revenue increases were partially offset by declines in revenues at our Wireline segment due to switched access line losses and decreased MOUs in traditional voice products.

The increase in Domestic Wireless' revenues in 2009 compared to the similar period in 2008 was primarily due to the inclusion of the operating results of Alltel and continued growth in service revenue. Service revenue in 2009 increased compared to the similar period in 2008 primarily due to an increase in net new customers, after conforming adjustments, which we acquired in connection with the acquisition of Alltel on January 9, 2009, as well as an increase in total customers from sources other than acquisitions. Total data revenue was $15.6 billion and accounted for 29.9% of service revenue in 2009, compared to $10.6 billion and 24.9%, respectively, during the similar period in 2008 because of increased use of Mobile Broadband, e-mail, and messaging.

Domestic Wireless' equipment and other revenue increased during 2009 compared to the similar period in 2008 primarily due to an increase in the number of units sold, partially offset by a decrease in the average revenue per unit. Other revenues increased primarily due to the inclusion of the operating results of Alltel and an increase in our cost recovery rate.

The decrease in Wireline's revenues in 2009 compared to 2008 was primarily driven by declines in Global Enterprise, Global Wholesale and Other revenue, partially offset by an increase in Mass Markets revenue. The decrease in Global Enterprise revenues in 2009 compared to the similar period in 2008 was primarily due to lower long distance and traditional circuit-based data revenues, and lower customer premise equipment combined with the negative effects of movements in foreign exchange rates versus the U.S. dollar. This decrease was partially offset by an increase in IP, managed network solutions and security solutions revenues. The decrease in Global Wholesale revenues in 2009 compared to the similar period in 2008 was primarily due to decreased MOUs in traditional voice products and continued rate compression due to competition in the marketplace. The decrease in revenues from other services during 2009 compared to 2008 was mainly due to the discontinuation of non-strategic product lines and reduced business volumes, including former MCI mass market customer losses. The increase in Mass Markets revenue in 2009 compared to the similar period in 2008 was primarily driven by the expansion of FiOS services (Voice, Internet and TV), partially offset by a decline in local exchange revenues principally due to switched access line losses.

Consolidated Operating Expenses

(dollars in millions)

				Increase/(Decrease)			
Years Ended December 31,	**2010**	2009	2008	**2010 vs. 2009**		2009 vs. 2008	
Cost of services and sales	**$44,149**	$44,579	$38,615	**$ (430)**	**(1.0)%**	$ 5,964	15.4%
Selling, general and administrative expense	**31,366**	30,717	41,517	**649**	**2.1**	(10,800)	(26.0)
Depreciation and amortization expense	**16,405**	16,534	14,610	**(129)**	**(0.8)**	1,924	13.2
Consolidated Operating Expenses	**$91,920**	$91,830	$94,742	**$ 90**	**0.1**	$ (2,912)	(3.1)

Consolidated operating expenses increased during 2010 compared to 2009 primarily due to increased expenses at Domestic Wireless as well as higher severance, pension and benefit charges. Consolidated operating expenses in 2010 were favorably impacted by the sale of divested operations and cost reduction initiatives at Wireline and Domestic Wireless. Consolidated operating expenses decreased during 2009 compared to 2008 primarily due to lower severance, pension and benefit charges, partially offset by increased expenses at Wireless, in part due to the acquisition of Alltel.

Severance, pension and benefit charges during 2010, 2009 and 2008 included pension settlement losses and remeasurement (gains) losses of $0.6 billion, ($1.4 billion) and $15.0 billion, respectively. See Note 1 to the consolidated financial statements regarding the change in accounting for benefit plans.

2010 Compared to 2009

Cost of Services and Sales

Cost of services and sales includes the following costs directly attributable to a service or product: salaries and wages, benefits, materials and supplies, contracted services, network access and transport costs, wireless equipment costs, customer provisioning costs, computer systems support, costs to support our outsourcing contracts and technical facilities and contributions to the Universal Service Fund. Aggregate customer care costs, which include billing and service provisioning, are allocated between Cost of services and sales and Selling, general and administrative expense.

Cost of services and sales decreased during 2010 compared to 2009 primarily due to the sale of the divested operations, lower headcount and productivity improvements at our Wireline and Domestic Wireless segments, partially offset by higher severance, pension and benefit charges recorded during 2010 and other non-operational charges noted in the table below as well as higher customer premise equipment and content costs. In addition, lower access costs at Wireline were primarily driven by management actions to reduce exposure to unprofitable international wholesale routes. Our FiOS TV and Internet cost of acquisition per addition also decreased in 2010 compared to 2009. Wireless network costs also increased as a result of an increase in local interconnection cost and increases in roaming costs.

Selling, General and Administrative Expense

Selling, general and administrative expense includes salaries and wages and benefits not directly attributable to a service or product; bad debt charges; taxes other than income taxes; advertising and sales commission costs; customer billing; call center and information technology costs; professional service fees; and rent and utilities for administrative space.

Selling, general and administrative expense increased during 2010 compared to 2009 primarily due to higher severance, pension and benefit charges which primarily included a pension and postretirement benefit plan remeasurement loss in 2010 compared to a remeasurement gain in 2009 as well as the charges in connection with an agreement reached with certain unions on temporary enhancements (see "Other Items"). In addition, the increase in Selling, general and administrative expense reflected higher sales commission expense at our Domestic Wireless segment in our indirect channel as a result of increases in both the average commission per unit, as the mix of units continues to shift toward data devices and more customers activating data service, and increased contract renewals in connection with equipment upgrades. Partially offsetting the increase was the sale of the divested operations and the impact of cost reduction initiatives in our Wireline segment. Selling, general and administrative expense during 2010 was also impacted by lower access line spin-off and merger integration related charges noted in the table below.

Depreciation and Amortization Expense

Depreciation and amortization expense decreased during 2010 compared to 2009. The decrease was primarily due to the sale of the divested operations partially offset by additions to the depreciable asset base. Depreciation and amortization expense during 2010 was also impacted by lower non-operational charges noted in the table below.

2009 Compared to 2008

Cost of Services and Sales

Consolidated cost of services and sales during 2009 increased compared to 2008 primarily due to higher severance, pension and benefits charges recorded during 2009 and other non-operational charges noted in the table below. Also contributing to the increases were higher wireless network costs, including the effects of operating an expanded wireless network as a result of the acquisition of Alltel, and increased costs of equipment. Additionally, we experienced increased costs associated with our growth businesses including higher content and customer acquisition costs. Also contributing to the increase were an increase in the numbers of both data and phone equipment units sold as well as an increase in the average cost per equipment unit. Partially offsetting these increases were reduced roaming costs realized by moving more traffic to our own network as a result of the acquisition of Alltel and declines due in part to lower headcount and productivity improvements at our Wireline segment.

Selling, General and Administrative Expense

Consolidated selling, general and administrative expense in 2009 decreased compared to 2008 primarily due to the pension and postretirement benefit plan remeasurement gain in 2009 compared to the remeasurement loss in 2008 noted in the table below. Partially offsetting the decrease were other non-operational charges noted in the table below as well as increased wireless salary and benefits as a result of a larger employee base after the acquisition of Alltel and higher sales commission in our indirect channel in Domestic Wireless, partially offset by the impact of cost reduction initiatives in our Wireline segment.

Depreciation and Amortization Expense

Depreciation and amortization expense in 2009 increased compared to 2008 mainly driven by depreciable property and equipment and finite-lived intangible assets acquired from Alltel, as well as growth in depreciable plant from capital spending partially offset by lower rates of depreciation. Depreciation and amortization expense in 2009 included merger integration costs related to the Alltel acquisition.

Non-operational Charges

Non-operational charges included in operating expenses were as follows:

			(dollars in millions)
Years Ended December 31,	**2010**	2009	2008
Merger Integration and Acquisition Related Charges			
Cost of services and sales	**$ 376**	$ 195	$ 24
Selling, general and administrative expense	**389**	442	150
Depreciation and amortization expense	**102**	317	–
Total	**$ 867**	$ 954	$ 174
Access Line Spin-off Related Charges			
Cost of services and sales	**$ 42**	$ 38	$ 16
Selling, general and administrative expense	**365**	415	87
Total	**$ 407**	$ 453	$ 103
Severance, Pension and Benefit Charges			
Cost of services and sales	**$1,723**	$1,443	$ 65
Selling, general and administrative expense	**1,331**	(3)	15,537
Total	**$3,054**	$1,440	$15,602

See “Other Items” for a description of non-operational items.

Other Consolidated Results

Equity in Earnings of Unconsolidated Businesses

Equity in earnings of unconsolidated businesses decreased 8.1% in 2010 compared to 2009 primarily due to lower earnings at Vodafone Omnitel N.V. (Vodafone Omnitel), which were primarily driven by the devaluation of the Euro versus the U.S. dollar.

Equity in earnings of unconsolidated businesses decreased 2.5% in 2009 compared to 2008 primarily due to higher income tax benefits recorded at Vodafone Omnitel during 2008 and the devaluation of the Euro versus the U.S. dollar. Partially offsetting the decrease were higher earnings at Vodafone Omnitel.

Other Income and (Expense), Net

Additional information relating to Other income and (expense), net is as follows:

				(dollars in millions)			
				Increase/(Decrease)			
Years Ended December 31,	**2010**	2009	2008	**2010 vs. 2009**		2009 vs. 2008	
Interest income	**$ 92**	$ 75	$362	**$ 17**	**22.7%**	$(287)	(79.3)%
Foreign exchange gains (losses), net	**5**	–	(46)	**5**	**nm**	46	nm
Other, net	**(43)**	16	(33)	**(59)**	**nm**	49	nm
Total	**$ 54**	$ 91	$283	**$ (37)**	**(40.7)**	$(192)	(67.8)

nm – not meaningful

Other income and (expense), net decreased during 2010 compared to 2009 primarily due to fees incurred during the third quarter of 2010 related to the early extinguishment of debt (see "Consolidated Financial Condition"). Partially offsetting the decrease was higher distributions from investments and foreign exchange gains at our international wireline operations.

Other income and (expense), net decreased during 2009 compared to 2008 primarily driven by lower interest income, in part due to lower invested balances. The investment in $4.8 billion of Alltel debt obligations acquired in 2008 was eliminated in consolidation beginning in January 2009, subsequent to the close of the Alltel transaction.

Interest Expense

				(dollars in millions)			
				Increase/(Decrease)			
Years Ended December 31,	**2010**	2009	2008	**2010 vs. 2009**		2009 vs. 2008	
Total interest costs on debt balances	**$ 3,487**	$ 4,029	$ 2,566	**$ (542)**	**(13.5)%**	$1,463	57.0%
Less capitalized interest costs	**964**	927	747	**37**	**4.0**	180	24.1
Total	**$ 2,523**	$ 3,102	$ 1,819	**$ (579)**	**(18.7)**	$1,283	70.5
Average debt outstanding	**$57,278**	$64,039	$41,064				
Effective interest rate	**6.1%**	6.3%	6.2%				

Total interest costs on debt balances decreased during 2010 compared to 2009 primarily due to a $6.8 billion decline in average debt (see "Consolidated Financial Condition"). Interest costs during 2009 included fees related to the bridge facility that was entered into and utilized to complete the acquisition of Alltel, which contributed to the higher effective interest rate.

Total interest costs on debt balances increased during 2009 compared to 2008 primarily due to a $23 billion increase in the average debt levels. The increase in average debt outstanding compared to 2008 was primarily driven by borrowings to finance the acquisition of Alltel. The increase in capitalized interest costs during 2009 primarily related to capitalization of interest on wireless licenses under development for commercial service (see "Consolidated Financial Condition").

Provision (Benefit) for Income Taxes

				(dollars in millions) Increase/(Decrease)			
	2010	2009	2008	**2010 vs. 2009**		2009 vs. 2008	
Provision (benefit) for income taxes	**$2,467**	$1,919	$(2,319)	**$ 548**	**28.6%**	$ 4,238	nm
Effective income tax rate	**19.4%**	14.2%	nm				

nm – not meaningful

The effective income tax rate is calculated by dividing the provision for income taxes by income before the provision for income taxes. Our effective tax rate is significantly lower than the statutory federal income tax rate for all years presented due to the inclusion of income attributable to Vodafone Group Plc.'s (Vodafone) noncontrolling interest in the Verizon Wireless partnership within our Income before the provision for income taxes.

The effective income tax rate in 2010 increased to 19.4% from 14.2% in 2009. The increase was primarily driven by a one-time, non-cash income tax charge of $1.0 billion. The one-time non-cash income tax charge was a result of the enactment of the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010, both of which became law in March 2010 (collectively the Health Care Act). Under the Health Care Act, beginning in 2013, Verizon and other companies that receive a subsidy under Medicare Part D to provide retiree prescription drug coverage will no longer receive a federal income tax deduction for the expenses incurred in connection with providing the subsidized coverage to the extent of the subsidy received. Because future anticipated retiree prescription drug plan liabilities and related subsidies were already reflected in Verizon's financial statements, this change required Verizon to reduce the value of the related tax benefits recognized in its financial statements in the period during which the Health Care Act was enacted. The increase was partially offset by higher earnings attributable to the noncontrolling interest.

During 2008, we recorded a pension and postretirement benefit plan remeasurement loss rendering the 2008 effective tax rate not meaningful. Excluding the tax impact of this actuarial loss in 2008, the effective income tax rate decreased in 2009 primarily driven by higher earnings attributable to the noncontrolling interest.

A reconciliation of the statutory federal income tax rate to the effective income tax rate for each period is included in Note 13 to the consolidated financial statements.

Net Income Attributable to Noncontrolling Interest

				(dollars in millions) Increase/(Decrease)			
Years Ended December 31,	**2010**	2009	2008	**2010 vs. 2009**		2009 vs. 2008	
Net income attributable to noncontrolling interest	**$7,668**	$6,707	$6,155	**$ 961**	**14.3%**	$ 552	9.0%

The increase in Net income attributable to noncontrolling interest during 2010 compared to 2009, and 2009 compared to 2008 was due to higher earnings in our Domestic Wireless segment, which has a 45% noncontrolling partnership interest attributable to Vodafone.

Segment Results of Operations

We have two reportable segments, Domestic Wireless and Wireline, which we operate and manage as strategic business units and organize by products and services. We measure and evaluate our reportable segments based on segment operating income. The use of segment operating income is consistent with the chief operating decision maker's assessment of segment performance.

Segment earnings before interest, taxes, depreciation and amortization (Segment EBITDA), which is presented below, is a non-GAAP measure and does not purport to be an alternative to operating income as a measure of operating performance. Management believes that this measure is useful to investors and other users of our financial information in evaluating operating profitability on a more variable cost basis, as it excludes the depreciation and amortization expenses related primarily to capital expenditures and acquisitions that occurred in prior years, as well as in evaluating operating performance in relation to Verizon's competitors. Segment EBITDA is calculated by adding back depreciation and amortization expense to segment operating income.

Verizon Wireless Segment EBITDA service margin, also presented below, is calculated by dividing Verizon Wireless Segment EBITDA by Verizon Wireless service revenues. Verizon Wireless Segment EBITDA service margin utilizes service revenues rather than total revenues. Service revenues exclude primarily equipment revenues in order to reflect the impact of providing service to the wireless customer base on an ongoing basis. Verizon Wireline EBITDA margin is calculated by dividing Wireline EBITDA by total Wireline revenues.

It is management's intent to provide non-GAAP financial information to enhance the understanding of Verizon's GAAP financial information, and it should be considered by the reader in addition to, but not instead of, the financial statements prepared in accordance with GAAP. Each non-GAAP financial measure is presented along with the corresponding GAAP measure so as not to imply that more emphasis should be placed on the non-GAAP measure. The non-GAAP financial information presented may be determined or calculated differently by other companies. You can find additional information about our segments in Note 14 to the consolidated financial statements.

Domestic Wireless

Our Domestic Wireless segment provides wireless voice and data services and equipment sales across the United States. This segment primarily represents the operations of the Verizon joint venture with Vodafone, operating as Verizon Wireless. We own a 55% interest in the joint venture and Vodafone owns the remaining 45%. All financial results included in the tables below reflect the consolidated results of Verizon Wireless excluding the results of operations of the Alltel Divestiture Markets through the date the divestitures were completed (see "Acquisitions and Divestitures").

Operating Revenue and Selected Operating Statistics

(dollars in millions, except ARPU)

				Increase/(Decrease)			
Years Ended December 31,	**2010**	2009	2008	**2010 vs. 2009**		2009 vs. 2008	
Service revenue	**$55,629**	$52,046	$42,602	**$ 3,583**	**6.9%**	$ 9,444	22.2%
Equipment and other	**7,778**	8,279	6,696	**(501)**	**(6.1)**	1,583	23.6
Total Operating Revenue	**$63,407**	$60,325	$49,298	**$ 3,082**	**5.1**	$11,027	22.4
Total customers ('000)	**94,135**	89,172	72,056	**4,963**	**5.6**	17,116	23.8
Retail customers ('000)	**87,535**	85,445	70,021	**2,090**	**2.4**	15,424	22.0
Total customer net additions (excluding acquisitions and divestitures) ('000)	**4,839**	5,656	5,779	**(817)**	**(14.4)**	(123)	(2.1)
Retail customer net additions (excluding acquisitions and divestitures) ('000)	**1,977**	4,369	5,752	**(2,392)**	**(54.7)**	(1,383)	(24.0)
Total churn rate	**1.33%**	1.41%	1.25%				
Retail postpaid churn rate	**1.02%**	1.07%	0.96%				
Service ARPU	**$ 50.46**	$ 50.53	$ 51.55	**$ (0.07)**	**(0.1)**	$ (1.02)	(2.0)
Retail service ARPU	**51.56**	50.89	51.84	**0.67**	**1.3**	(0.95)	(1.8)
Total data ARPU	**17.73**	15.11	12.85	**2.62**	**17.3**	2.26	17.6

2010 Compared to 2009

The increase in Domestic Wireless' total operating revenue during 2010 compared to 2009 was primarily due to growth in service revenue.

Service revenue

Service revenue increased during 2010 compared to 2009 primarily due to an increase in total customers since January 1, 2010, as well as continued growth in our data ARPU, partially offset by a decline in voice ARPU.

The decline in retail customer net additions during 2010 compared to 2009 was due to a decrease in retail customer gross additions, as well as an increase in churn for our retail prepaid base in part attributable to a marketplace shift in customer activations during the first half of the year toward unlimited prepaid offerings of the type being sold by a number of resellers. Retail (non-wholesale) customers are customers who are directly served and managed by Verizon Wireless and who buy its branded services. However, we expect to continue to experience retail customer growth based on the strength of our product offerings and network service quality. Our total churn rate during 2010 compared to 2009 improved as a result of successful customer retention efforts. Churn is the rate at which customers disconnect individual lines of service.

Total customer net additions decreased during 2010 compared to 2009 due to the decline in retail customer net additions described above partially offset by the cumulative increase during the year in customer net additions from our reseller channel as a result of the marketplace shift in customer activations mentioned above.

Customers from acquisitions and adjustments at December 31, 2010 included approximately 106,000 net customers, after conforming adjustments, that we acquired in a transaction with AT&T. Customers from acquisitions at December 31, 2009 included approximately 11.4 million total customer net additions, after conforming adjustments and the impact of required divestitures, which resulted from our acquisition of Alltel on January 9, 2009.

Total data revenue was $19.6 billion and accounted for 35.1% of service revenue during 2010 compared to $15.6 billion and 29.9% during 2009. Total data revenue continues to increase as a result of the increased penetration of data offerings, in particular for e-mail and web services resulting in part from increased sales of smartphone and other data-capable devices. Voice revenue decreased as a result of continued declines in our voice ARPU, as discussed below, partially offset by an increase in the number of customers. We expect that total service revenue and data revenue will continue to grow as we grow our customer base, increase the penetration of our data offerings and increase the proportion of our customer base using smartphone and other data-capable devices.

The decline in service ARPU during 2010 compared to 2009 was due to a continued reduction in voice revenue per customer and the impact of changes in our customer mix as a result of increased reseller customer net additions, partially offset by an increase in data ARPU. Total voice ARPU declined $2.69, or 7.6%, due to the ongoing impact of customers seeking to optimize the value of our voice minute bundles. Total data ARPU increased as a result of continued growth and penetration of our data offerings, resulting in part from the above mentioned increase in sales of our smartphone and other data-capable devices. Retail service ARPU, the average revenue per user from retail customers, increased during 2010 due to increases in our penetration of data offerings, which more than offset declines in our voice revenues.

Equipment and Other Revenue

Equipment and other revenue decreased during 2010 compared to 2009 due to a decrease in the number of equipment units sold as a result of a decrease in customer gross additions.

2009 Compared to 2008

Domestic Wireless' total operating revenue increased during 2009 compared to 2008 primarily due to the inclusion of the operating results of Alltel, as well as growth in our service revenue from sources other than the acquisition of Alltel.

Service revenue

Service revenue increased during 2009 compared to 2008 primarily due to the inclusion of service revenue as a result of the 11.4 million net new customers, after conforming adjustments and the impact of required divestitures, which we acquired in connection with the acquisition of Alltel. Since January 1, 2009, service revenue also increased as a result of an increase in total customers from sources other than customer acquisitions, as well as continued growth from data services.

The decline in retail customer net additions during 2009 compared to 2008 was due to an increase in churn partially offset by an increase in customer gross additions due to the expansion of our sales and distribution channels as a result of the acquisition of Alltel. The decrease in total customer net additions for 2009 was due to the above mentioned decline in retail customer net additions, partially offset by an increase in customer gross additions from our reseller channels, primarily during the fourth quarter of 2009. The increases in our total and retail postpaid churn rates were primarily a result of increased disconnections of Mobile Broadband service and business share lines, primarily attributable to economic conditions.

Total data revenue during 2009 was $15.6 billion and accounted for 29.9% of service revenue compared to $10.6 billion and 24.9% during 2008. Total data revenue continues to increase as a result of increased use of Mobile Broadband, e-mail and messaging.

Service ARPU and retail service ARPU declined during 2009 compared to 2008 due to the inclusion of customers acquired in connection with the acquisition of Alltel, as well as continued reductions in voice ARPU, partially offset by an increase in total data ARPU. Total voice ARPU declined $3.28, or 8.5% during 2009 compared to 2008 due to the on-going impact of bundled plans and increases in the proportion of customers on our Family Share plans as customers sought to optimize the value of our offerings. Total data ARPU increased by $2.26, or 17.6% during 2009 compared to 2008 as a result of the increased usage of our data services.

Customer acquisitions during 2008 included approximately 650,000 total customer net additions, after conforming adjustments, acquired from Rural Cellular Corporation (Rural Cellular). As a result of an exchange with AT&T consummated on December 22, 2008, Domestic Wireless transferred a net of approximately 122,000 total customers.

Equipment and Other Revenue

Equipment and other revenue increased during 2009 compared to 2008 primarily due to an increase in the number of both data and phone equipment units sold, partially offset by a decrease in the average revenue per unit. The increase in the number of equipment units sold was a result of both the increase in customer gross additions as well as an increase in the number of units sold to existing customers upgrading their wireless devices. Other revenues increased primarily due to the inclusion of the operating results of Alltel and an increase in our cost recovery rate.

Operating Expenses

(dollars in millions)

				Increase/(Decrease)			
Years Ended December 31,	**2010**	2009	2008	**2010 vs. 2009**		2009 vs. 2008	
Cost of services and sales	**$19,245**	$19,348	$15,660	**$ (103)**	**(0.5)%**	$3,688	23.6%
Selling, general and administrative expense	**18,082**	17,309	14,273	**773**	**4.5**	3,036	21.3
Depreciation and amortization expense	**7,356**	7,030	5,405	**326**	**4.6**	1,625	30.1
Total Operating Expenses	**$44,683**	$43,687	$35,338	**$ 996**	**2.3**	$8,349	23.6

Cost of Services and Sales

Cost of services and sales decreased during 2010 compared to 2009 due to a decrease in the cost of equipment sales, partially offset by an increase in cost of services. Cost of equipment sales decreased by $0.6 billion primarily due to both a decrease in retail customer gross additions and cost reduction initiatives, partially offset by an increase in the average cost per unit. Cost of services increased due to higher wireless network costs driven by increases in local interconnection cost, as a result of both higher capacity needs from increases in data usage as well as costs incurred to transition to Ethernet facilities that will be used to support the LTE network. In addition, the increase in costs of services was impacted by higher roaming costs as a result of increased international roaming volumes, data roaming and roaming costs incurred in the Alltel Divestiture Markets, partially offset by synergies from moving traffic to our own network. Also contributing to higher wireless network costs during 2010 compared to 2009 was an increase in operating lease expense related to our network cell sites.

Cost of services and sales increased during 2009 compared to 2008 primarily due to higher wireless network costs including the effects of operating an expanded wireless network as a result of the acquisition of Alltel. This increase included network usage for voice and data services, use of data services and applications such as e-mail and messaging provided by third party vendors, operating lease expense related to a larger number of cell sites, as well as salary and benefits as a result of an increase in network-related headcount. These increases were partially offset by a decrease in roaming costs that was realized primarily by moving more traffic to our own network as a result of the acquisition of Alltel. Cost of equipment increased by $2.1 billion primarily due to the increase in the number of both data and phone equipment units sold as well as an increase in the average cost per equipment unit.

Selling, General and Administrative Expense

Selling, general and administrative expense increased during 2010 compared to 2009 primarily due to an increase in sales commission expense in our indirect channel, as well as increases in other general and administrative expenses, partially offset by a decrease in advertising and promotional costs. Indirect sales commission expense increased $0.8 billion during 2010 compared to 2009 as a result of increases in both the average commission per unit, as the mix of units continues to shift toward data devices and more customers activate data service, and in contract renewals in connection with equipment upgrades. Other general and administrative expenses such as billing and data processing charges, non-income taxes, and bad debt expense increased primarily as a result of the growth of our customer base. Advertising and promotional costs decreased $0.2 billion during 2010 compared to 2009 primarily due to reductions in media spending.

Selling, general and administrative expense increased during 2009 compared to 2008 primarily due to a $0.9 billion increase in salary and benefits as a result of a larger employee base after the acquisition of Alltel, as well as an $0.8 billion increase in sales commission expense, primarily in our indirect channel as a result of increases in both equipment upgrades leading to contract renewals and customer gross additions, as well as an increase in the average commission per unit. We also experienced increases in other selling, general and administrative expenses primarily as a result of supporting a larger customer base as a result of our acquisition of Alltel.

Depreciation and Amortization Expense

Depreciation and amortization expense increased during 2010 compared to 2009 primarily driven by growth in depreciable assets. Depreciation and amortization expense increased during 2009 compared to 2008 primarily driven by depreciable property and equipment and finite-lived intangible assets acquired from Alltel, including its customer lists, as well as growth in depreciable assets during 2009.

Segment Operating Income and EBITDA

(dollars in millions)							
				Increase/(Decrease)			
Years Ended December 31,	**2010**	2009	2008	**2010 vs. 2009**		2009 vs. 2008	
Segment Operating Income	**$18,724**	$16,638	$13,960	**$ 2,086**	**12.5%**	$ 2,678	19.2%
Add Depreciation and amortization expense	**7,356**	7,030	5,405	**326**	**4.6**	1,625	30.1
Segment EBITDA	**$26,080**	$23,668	$19,365	**$ 2,412**	**10.2**	$ 4,303	22.2
Segment operating income margin	**29.5%**	27.6%	28.3%				
Segment EBITDA service margin	**46.9%**	45.5%	45.5%				

The increases in Domestic Wireless' Operating income and Segment EBITDA during 2010 and 2009, were primarily as a result of the impact of factors described above.

Non-recurring or non-operational items excluded from Domestic Wireless' Operating income were as follows:

(dollars in millions)			
Years Ended December 31,	**2010**	2009	2008
Merger integration and acquisition costs	**$ 867**	$ 954	$ –
Impact of divested operations	**(348)**	(789)	–
Deferred revenue adjustment	**235**	(78)	(34)
	$ 754	$ 87	$ (34)

Wireline

The Wireline segment provides customers with communication products and services, including voice, broadband video and data, network access, long distance, and other services, to residential and small business customers and carriers, as well as next-generation IP network services and communications solutions to medium and large businesses and government customers globally.

The following discussion reflects the impact related to the change in accounting for benefit plans (see Note 1 to the consolidated financial statements). Reclassifications have been made to reflect comparable operating results for the spin-off of the operations in the Frontier transaction, which we owned through June 30, 2010, and the spin-off of the local exchange business and related landline activities in Maine, New Hampshire and Vermont, which was completed on March 31, 2008 (see “Acquisitions and Divestitures”).

Operating Revenues and Selected Operating Statistics

(dollars in millions)

				Increase/(Decrease)			
Years Ended December 31,	**2010**	2009	2008	**2010 vs. 2009**		2009 vs. 2008	
Mass Markets	**$16,256**	$16,115	$15,831	**$ 141**	**0.9%**	$ 284	1.8%
Global Enterprise	**15,669**	15,667	16,601	**2**	**–**	(934)	(5.6)
Global Wholesale	**8,393**	9,155	9,832	**(762)**	**(8.3)**	(677)	(6.9)
Other	**909**	1,514	2,059	**(605)**	**(40.0)**	(545)	(26.5)
Total Operating Revenues	**$41,227**	$42,451	$44,323	**$(1,224)**	**(2.9)**	$(1,872)	(4.2)
Switched access lines in service ('000)	**26,001**	28,323	31,370	**(2,322)**	**(8.2)**	(3,047)	(9.7)
Broadband connections ('000)	**8,392**	8,160	7,676	**232**	**2.8**	484	6.3
FiOS Internet subscribers ('000)	**4,082**	3,286	2,371	**796**	**24.2**	915	38.6
FiOS TV subscribers ('000)	**3,472**	2,750	1,849	**722**	**26.3**	901	48.7

Mass Markets

Mass Markets revenue includes local exchange (basic service and end-user access), long distance (including regional toll), broadband services (including high-speed Internet and FiOS Internet) and FiOS TV services for residential and small business subscribers.

2010 Compared to 2009

The increase in Mass Markets revenue during 2010 compared to 2009 was primarily driven by the expansion of consumer and business FiOS services (Voice, Internet and TV), which are typically sold in bundles, partially offset by the decline of local exchange revenues principally as a result of a decline in switched access lines as of December 31, 2010 compared to December 31, 2009, primarily as a result of competition and technology substitution. The majority of the decrease was sustained in the residential retail market, which experienced a 9.0% access line loss primarily due to substituting traditional landline services with wireless, VoIP, broadband and cable services. Also contributing to the decrease was a decline of nearly 5.0% in small business retail access lines, primarily reflecting economic conditions, competition and a shift to both IP and high-speed circuits.

As we continue to expand the number of premises eligible to order FiOS services and extend our sales and marketing efforts to attract new FiOS subscribers, we have continued to grow our subscriber base and consistently improved penetration rates within our FiOS service areas. Our bundled pricing strategy allows us to provide competitive offerings to our customers and potential customers. As of December 31, 2010, we achieved penetration rates of 31.9% and 28.0% for FiOS Internet and FiOS TV, respectively, compared to penetration rates of 28.3% and 24.7% for FiOS Internet and FiOS TV, respectively, at December 31, 2009.

2009 Compared to 2008

The increase in Mass Markets revenue during 2009 compared to 2008 was primarily driven by the expansion of FiOS services (Voice, Internet and TV), partially offset by a decline in local exchange revenues principally due to a decline in switched access lines as of December 31, 2009 compared to December 31, 2008, primarily as a result of competition and technology substitution. The majority of the decrease was sustained in the residential retail market, which experienced a 10.5% access line loss primarily due to substituting traditional landline services with wireless, VoIP, broadband and cable services. Also contributing to the decrease was a decline of nearly 6.2% in small business retail access lines, primarily reflecting economic conditions, competition and a shift to both IP and high-speed circuits.

As of December 31, 2009, we achieved penetration rates of 28.3% and 24.7% for FiOS Internet and FiOS TV, respectively, compared to penetration rates of 25.1% and 21.1% for FiOS Internet and FiOS TV, respectively, at December 31, 2008.

Global Enterprise

Global Enterprise offers voice, data and Internet communications services to medium and large business customers, multinational corporations, and state and federal government customers. In addition to traditional voice and data services, Global Enterprise offers managed and advanced products and solutions including IP services and value-added solutions that make communications more secure, reliable and efficient. Global Enterprise also provides managed network services for customers that outsource all or portions of their communications and information processing operations and data services such as private IP, private line, frame relay and asynchronous transfer mode (ATM) services, both domestically and internationally. In addition, Global Enterprise offers professional services in more than 30 countries supporting a range of solutions including network service, managing a move to IP-based unified communications and providing application performance support.

2010 Compared to 2009

Global Enterprise revenues were essentially unchanged during 2010 compared to 2009. Higher customer premises equipment and strategic networking revenues, were offset by lower local services and traditional circuit-based revenues. The increase in customer premises equipment and strategic networking revenue may indicate that companies are beginning to increase capital expenditures. Long distance revenues declined due to negative effects of the continuing global economic conditions and competitive rate pressures. In addition to increased customer premise equipment revenues, strategic enterprise services revenue increased $0.4 billion, or 6.3%, during 2010 compared to 2009 primarily due to higher information technology, security solution and strategic networking revenues. Strategic enterprise services continues to be Global Enterprise's fastest growing suite of offerings. Traditional circuit-based services such as frame relay, private line and ATM services declined compared to the similar period last year as our customer base continues its migration to next generation IP services.

2009 Compared to 2008

The decrease in Global Enterprise revenues during 2009 compared to 2008 was primarily due to lower long distance and traditional circuit based data revenues and lower customer premises equipment revenue, combined with the negative effect of movements in foreign exchange rates versus the U.S. dollar. The decline in long distance revenue was driven by a 2.2% decline in MOUs compared to 2008, due to global economic conditions and competitive rate pressures, which adversely impacted our business customers. Traditional circuit based services such as frame relay, private line and ATM services declined compared to the similar period in 2008 as our customer base continued its migration to next generation IP services. Customer premises equipment revenue decreased approximately 6.7% compared to 2008 reflecting cautious investment decisions in the marketplace in response to the uncertain economic environment. Partially offsetting these declines was an increase of 14.6% in IP and security solutions revenues. Strategic enterprise services revenue increased 4.9% in 2009 compared to 2008.

Global Wholesale

Global Wholesale revenues are primarily earned from long distance and other carriers who use our facilities to provide services to their customers. Switched access revenues are generated from fixed and usage-based charges paid by carriers for access to our local network, interexchange wholesale traffic sold in the United States, as well as internationally destined traffic that originates in the United States. Special access revenues are generated from carriers that buy dedicated local exchange capacity to support their private networks. Wholesale services also include local wholesale revenues from unbundled network elements and interconnection revenues from competitive local exchange carriers and wireless carriers. A portion of Global Wholesale revenues are generated by a few large telecommunication companies, many of whom compete directly with us.

2010 Compared to 2009

The decrease in Global Wholesale revenues during 2010 compared to 2009 was primarily due to decreased MOUs in traditional voice products, increases in voice termination pricing on certain international routes, which negatively impacted volume, and continued rate compression due to competition in the marketplace. Switched access and interexchange wholesale MOUs declined primarily as a result of wireless substitution and access line losses. Domestic wholesale lines declined by 9.0% as of December 31, 2010 compared to December 31, 2009 due to the continued impact of competitors deemphasizing their local market initiatives coupled with the impact of technology substitution, as well as the continued level of economic pressure. Voice and local loop services declined during 2010 compared to 2009. Continuing demand for high-capacity, high-speed digital services was partially offset by lower demand for older, low-speed data products and services. As of December 31, 2010, customer demand, as measured in DS1 and DS3 circuits, for high-capacity and high-speed digital data services increased 4.6% compared to 2009.

2009 Compared to 2008

The decrease in Global Wholesale revenues during 2009 compared to 2008 was primarily due to decreased MOUs in traditional voice products, and continued rate compression due to competition in the marketplace. Switched access and interexchange wholesale MOUs declined primarily as a result of wireless substitution and access line losses. Wholesale lines declined by 21.1% in 2009 due to the continued impact of competitors deemphasizing their local market initiatives coupled with the impact of technology substitution as well as the continued level of economic pressure compared to a 20.1% decline in 2008. Changes in foreign exchange rates resulted in a revenue decline of approximately 1.0% in 2009 compared to 2008. Continuing demand for high-capacity, high-speed digital services was partially offset by lower demand for older, low-speed data products and services. As of December 31, 2009, customer demand, as measured in DS1 and DS3 circuits, for high-capacity and digital data services increased 2.2% compared to an increase of 5.1% in 2008.

The FCC regulates the rates charged to customers for interstate access services. See “Other Factors That May Affect Future Results – Regulatory and Competitive Trends – FCC Regulation” for additional information on FCC rulemaking concerning federal access rates, universal service and certain broadband services.

Other Revenues

Other revenues include such services as local exchange and long distance services from former MCI mass market customers, operator services, pay phone, card services and supply sales. The decrease in revenues from other services during 2010 compared to 2009 was primarily due to reduced business volumes, including former MCI mass market customer losses.

The decrease in revenues from other services during 2009 compared to 2008 was mainly due to the discontinuation of non-strategic product lines and reduced business volumes, including former MCI mass market customer losses.

Operating Expenses

				(dollars in millions)			
				Increase (Decrease)			
Years Ended December 31,	**2010**	2009	2008	**2010 vs. 2009**		2009 vs. 2008	
Cost of services and sales	**$22,618**	$22,693	$22,890	**$ (75)**	**(0.3)%**	$ (197)	(0.9)%
Selling, general and administrative expense	**9,372**	9,947	10,169	**(575)**	**(5.8)**	(222)	(2.2)
Depreciation and amortization expense	**8,469**	8,238	8,174	**231**	**2.8**	64	0.8
Total Operating Expenses	**$40,459**	$40,878	$41,233	**$ (419)**	**(1.0)**	$ (355)	(0.9)

Cost of Services and Sales

Cost of services and sales were essentially unchanged during 2010 compared to 2009. Decreases were primarily due to lower costs associated with compensation and installation expenses as a result of lower headcount and productivity improvements, as well as lower access costs driven mainly by management actions to reduce exposure to unprofitable international wholesale routes and declines in overall wholesale long distance volumes. In addition, our FiOS TV and Internet cost of acquisition per addition also decreased in 2010 compared to 2009. These declines were partially offset by higher customer premise equipment costs and content costs associated with continued FiOS subscriber growth. Our FiOS TV and FiOS Internet cost of acquisition per addition also decreased in 2010 compared to 2009.

Cost of services and sales in 2009 decreased compared to 2008, primarily due to lower costs associated with compensation, installation, repair and maintenance expenses as a result of fewer access lines, lower headcount and productivity improvements. Also contributing to the decreases were lower long distance MOUs and customer premise equipment costs, as well as favorable foreign exchange movements. Partially offsetting these decreases were higher content and customer acquisition costs associated with continued subscriber growth. Our FiOS TV and FiOS Internet cost of acquisition per addition also decreased in 2009 compared to 2008.

Selling, General and Administrative Expense

Selling, general and administrative expense decreased during 2010 compared to 2009 primarily due to the decline in compensation expense as a result of lower headcount and cost reduction initiatives, partially offset by higher gains on sales of assets in 2009. Selling, general and administrative expense in 2009 decreased compared to 2008 primarily due to the decline in compensation expense as a result of lower headcount and cost reduction initiatives, as well as favorable foreign exchange movements.

Depreciation and Amortization Expense

Depreciation and amortization expense increased during 2010 compared to 2009 due to growth in depreciable telephone plant from capital spending. Depreciation and amortization expense in 2009 increased compared to 2008 primarily driven by growth in depreciable telephone plant from capital spending, partially offset by lower rates of depreciation as a result of changes in the estimated useful lives of certain asset classes.

Segment Operating Income and EBITDA

Years Ended December 31,	**2010**	2009	2008	**2010 vs. 2009**		2009 vs. 2008	
				(dollars in millions) Increase/(Decrease)			
Segment Operating Income	**$ 768**	$1,573	$ 3,090	**$(805)**	**(51.2)%**	$(1,517)	(49.1)%
Add Depreciation and amortization expense	**8,469**	8,238	8,174	**231**	**2.8**	64	0.8
Segment EBITDA	**$9,237**	$9,811	$11,264	**$(574)**	**(5.9)**	$(1,453)	(12.9)
Segment operating income margin	**1.9%**	3.7%	7.0%				
Segment EBITDA margin	**22.4%**	23.1%	25.4%				

The decreases in Wireline's Operating income and Segment EBITDA during 2010 and 2009 were primarily a result of the impact of factors described in connection with operating revenue and operating expenses above.

Non-recurring or non-operational items excluded from Wireline's Operating income were as follows:

(dollars in millions)

Years Ended December 31,	**2010**	2009	2008
Severance, pension and benefit charges	**$2,237**	$2,253	$ 506
Access line spin-off and other charges	**79**	51	34
Merger integration costs	**–**	–	151
Impact of divested operations	**(408)**	(980)	(1,197)
	$1,908	$1,324	$ (506)

Other Items

Severance, Pension and Benefit Charges

During 2010, we recorded net pre-tax severance, pension and benefits charges of $3.1 billion primarily in connection with an agreement we reached with certain unions on temporary enhancements to the separation programs contained in their existing collective bargaining agreements. These temporary enhancements were intended to help address a previously declared surplus of employees and to help reduce the need for layoffs. Accordingly, during 2010, we recorded severance, pension and benefits charges associated with the approximately 11,900 union-represented employees who volunteered for the incentive offer. These charges included $1.2 billion for severance for the 2010 programs mentioned above and a planned workforce reduction of approximately 2,500 employees in 2011. In addition, we recorded $1.3 billion for pension and postretirement curtailment losses and special termination benefits that were due to the workforce reductions, which caused the elimination of a significant amount of future service. Also, we recorded remeasurement losses of $0.6 billion for our pension and postretirement plans in accordance with our accounting policy to recognize actuarial gains and losses in the year in which they occur. The remeasurement losses included $0.1 billion of pension settlement losses related to employees that received lump sum distributions, primarily resulting from our previously announced separation plans.

During 2009, we recorded net pre-tax severance, pension and benefits charges of $1.4 billion primarily for pension and postretirement curtailment losses and special termination benefits of $1.9 billion as workforce reductions caused the elimination of a significant amount of future service requiring us to recognize a portion of the prior service costs. These charges also included $0.9 billion for workforce reductions of approximately 17,600 employees; 4,200 of whom were separated during late 2009 and the remainder in 2010. Also, we recorded remeasurement gains of $1.4 billion for our pension and postretirement plans in accordance with our accounting policy to recognize actuarial gains and losses in the year in which they occur.

During 2008, we recorded net pre-tax severance, pension and benefits charges of $15.6 billion primarily due to remeasurement losses of $15.0 billion for our pension and postretirement plans in accordance with our accounting policy to recognize actuarial gains and losses in the year in which they occur. These remeasurement losses included $0.5 billion of pension settlement losses related to employees that received lump sum distributions, primarily resulting from our previously announced separation plans. These severance, pension and benefit charges also included $0.5 billion for workforce reductions in connection with the separation of approximately 8,600 employees and related charges; 3,500 of whom were separated in the second half of 2008 and the remainder in 2009 and $0.1 billion for pension and postretirement curtailment losses and special termination benefits, that were due to the workforce reductions, which caused the elimination of a significant amount of future service.

Merger Integration and Acquisition Costs

During 2010, we recorded pre-tax merger integration charges of $0.9 billion primarily related to the Alltel acquisition. These charges primarily related to the decommissioning of overlapping cell sites, preacquisition contingencies, handset conversions and trade name amortization.

During 2009, we recorded pre-tax merger integration and acquisition charges of $1.2 billion. These charges primarily related to the Alltel acquisition and were comprised of trade name amortization, re-branding initiatives and handset conversions. The charges during 2009 were also comprised of transaction fees and costs associated with the acquisition, including fees related to the credit facility that was entered into and utilized to complete the acquisition.

In 2008, we recorded pre-tax charges of $0.2 billion, primarily comprised of systems integration activities and other costs related to re-branding initiatives, facility exit costs and advertising associated with the MCI acquisition.

Medicare Part D Subsidy Charges

Under the Health Care Act, beginning in 2013, Verizon and other companies that receive a subsidy under Medicare Part D to provide retiree prescription drug coverage will no longer receive a federal income tax deduction for the expenses incurred in connection with providing the subsidized coverage to the extent of the subsidy received. Because future anticipated retiree prescription drug plan liabilities and related subsidies were already reflected in Verizon's financial statements, this change required Verizon to reduce the value of the related tax benefits recognized in its financial statements in the period during which the Health Care Act was enacted. As a result, Verizon recorded a one-time, non-cash income tax charge of $1.0 billion in the first quarter of 2010 to reflect the impact of this change.

Dispositions

Access Line Spin-off and Other Charges

During 2010 and 2009, we recorded pre-tax charges of $0.5 billion and $0.2 billion, respectively, primarily for costs incurred related to network, non-network software and other activities to enable the divested markets in the transaction with Frontier to operate on a stand-alone basis subsequent to the closing of the transaction, and professional advisory and legal fees in connection with this transaction. Also included during 2010 are fees related to early extinguishment of debt. During 2009, we also recorded pre-tax charges of $0.2 billion for costs incurred related to our Wireline cost reduction initiatives.

During 2008, we recorded pre-tax charges of $0.1 billion for costs incurred related to network, non-network software, and other activities to enable the operations in Maine, New Hampshire and Vermont to operate on a stand-alone basis subsequent to the spin-off of our telephone access line operations in those states, and professional advisory and legal fees in connection with this transaction.

Alltel Divestiture Markets

During 2010, we recorded a tax charge of approximately $0.2 billion for the taxable gain on the excess of book over tax basis of the goodwill associated with the Alltel Divestiture Markets.

Investment Impairment Charges

During 2008, we recorded a pre-tax charge of $48 million related to an other-than-temporary decline in the fair value of our investments in certain marketable securities.

Other

Corporate, eliminations and other during the periods presented include a non-cash adjustment of $0.2 billion, ($0.1 billion) and ($34 million) in 2010, 2009 and 2008, respectively, primarily to adjust wireless data revenues. This adjustment was recorded to properly defer previously recognized wireless data revenues that will be earned and recognized in future periods. Consolidated revenues in 2009 and 2008 were not affected as the amounts involved were not material to the consolidated financial statements.

Consolidated Financial Condition

(dollars in millions)

Years Ended December 31,	**2010**	2009	2008
Cash Flows Provided By (Used In)			
Operating activities	**$ 33,363**	$ 31,390	$ 27,452
Investing activities	**(15,054)**	(23,156)	(31,474)
Financing activities	**(13,650)**	(16,007)	12,651
Increase (Decrease) In Cash and Cash Equivalents	**$ 4,659**	$ (7,773)	$ 8,629

We use the net cash generated from our operations to fund network expansion and modernization, repay external financing, pay dividends, repurchase Verizon common stock from time to time and invest in new businesses. While our current liabilities typically exceed current assets, our sources of funds, primarily from operations and, to the extent necessary, from external financing arrangements, are sufficient to meet ongoing operating and investing requirements. We expect that our capital spending requirements will continue to be financed primarily through internally generated funds. Debt or equity financing may be needed to fund additional development activities or to maintain our capital structure to ensure our financial flexibility.

We manage our capital structure to balance our cost of capital and the need for financial flexibility. We believe that we will continue to have the necessary access to capital markets.

Our available external financing arrangements include the issuance of commercial paper, credit available under credit facilities and other bank lines of credit, vendor financing arrangements, issuances of registered debt or equity securities and privately-placed capital market securities. We currently have a shelf registration available for the issuance of up to $4.0 billion of additional unsecured debt or equity securities. We may also issue short-term debt through an active commercial paper program and have a $6.2 billion credit facility to support such commercial paper issuances.

Cash Flows From Operating Activities

Our primary source of funds continues to be cash generated from operations. Net cash provided by operating activities during 2010 increased by $2.0 billion compared to 2009 primarily due to higher operating cash flows at Domestic Wireless, changes in working capital related in part to management of inventory and the timing of tax payments. Partially offsetting these increases were lower operating cash flows at Wireline, as well as a lower net distribution from Vodafone Omnitel.

Net cash provided by operating activities in 2009 increased by $3.9 billion compared to the similar period in 2008 primarily driven by higher operating cash flows at Domestic Wireless resulting from the acquisition of Alltel, as well as a higher net distribution from Vodafone Omnitel. Partially offsetting the increase in net cash provided by operating activities were payments totaling $0.5 billion to settle the acquired Alltel interest rate swaps.

Cash Flows From Investing Activities

Capital Expenditures

Capital expenditures continue to be our primary use of capital resources as they facilitate the introduction of new products and services, enhance responsiveness to competitive challenges and increase the operating efficiency and productivity of our networks. We are directing our capital spending primarily toward higher growth markets.

Capital expenditures, including capitalized software, were as follows:

			(dollars in millions)
Years Ended December 31,	**2010**	2009	2008
Domestic Wireless	**$ 8,438**	$ 7,152	$ 6,510
Wireline	**7,269**	8,892	9,797
Other	**751**	828	826
	$ 16,458	$ 16,872	$ 17,133
Total as a percentage of total revenue	**15.4%**	15.7%	17.6%

During 2010, we continued to focus on increasing our return on capital expenditures by shifting capital more towards investing in the capacity of our wireless EV-DO networks and funding the build-out of our 4G LTE network. Accordingly, during 2010, capital expenditures at Domestic Wireless increased nearly $1.3 billion compared to 2009. The increase in capital expenditures at Domestic Wireless were more than offset by the decrease in capital expenditures at Wireline during 2010 compared to 2009 primarily due to lower capital expenditures related to FiOS.

The increase in capital expenditures at Domestic Wireless during 2009 compared to 2008 was primarily due to the incremental capital spending on the acquired Alltel properties, continued investment in our wireless EV-DO networks, and funding the development of our 4G LTE network. The decrease in capital expenditures at Wireline during 2009 was primarily due to the FiOS deployment plan, which included larger expenditures in 2008, as well as lower legacy spending requirements.

Dispositions

During 2010, we received cash proceeds of $2.6 billion in connection with the required divestitures of overlapping properties as a result of the acquisition of Alltel (see “Acquisitions and Divestitures”).

Acquisitions

During 2010, 2009 and 2008, we invested $1.4 billion, $6.0 billion and $15.9 billion, respectively, in acquisitions of licenses, investments and businesses. See “Other Consolidated Results” for the amounts of interest paid that were capitalized during 2010, 2009 and 2008.

- On August 23, 2010, Verizon Wireless acquired the net assets and related customers of six operating markets in Louisiana and Mississippi in a transaction with AT&T Inc. for cash consideration of $0.2 billion.
- On January 9, 2009, Verizon Wireless paid approximately $5.9 billion for the equity of Alltel, which was partially offset by $1.0 billion of cash acquired at closing.
- During 2008, Verizon Wireless was the winning bidder in the Federal Communications Commission’s (FCC) auction of spectrum in the 700 MHz band and paid the FCC $9.4 billion to acquire 109 licenses in the 700 MHz band.
- On August 7, 2008, Verizon Wireless completed its acquisition of Rural Cellular for cash consideration of $0.9 billion, net of cash acquired and after an exchange transaction with another carrier to complete the required divestiture of certain markets.
- On June 10, 2008, in connection with the announcement of the Alltel transaction, Verizon Wireless purchased approximately $5.0 billion aggregate principal amount of debt obligations of Alltel for approximately $4.8 billion plus accrued and unpaid interest.

Cash Flows From Financing Activities

During 2010 and 2009, net cash used in financing activities was $13.7 billion and $16.0 billion, respectively. During 2008, net cash provided by financing activities was $12.7 billion.

2010

During July 2010, Verizon received approximately $3.1 billion in cash in connection with the completion of the spin-off and merger of Spinco (see “Acquisitions and Divestitures”). This special cash payment was subsequently used to redeem $2.0 billion of 7.25% Verizon Communications Notes due December 2010 at a redemption price of 102.7% of the principal amount of the notes, plus accrued and unpaid interest through the date of redemption, as well as other short-term borrowings. During 2010, $0.3 billion of 6.125% and $0.2 billion of 8.625% Verizon New York Inc. Debentures, $0.2 billion of 6.375% Verizon North Inc. Debentures and $0.2 billion of 6.3% Verizon Northwest Inc. Debentures matured and were repaid. In addition, during 2010, Verizon repaid $0.2 billion of floating rate vendor financing debt.

During 2011, $0.5 billion of 5.35% Verizon Communications notes matured and were repaid and Verizon utilized $0.3 billion of a fixed rate vendor financing facility.

2009

During 2009, Verizon issued $1.8 billion of 6.35% Notes due 2019 and $1.0 billion of 7.35% Notes due 2039, resulting in cash proceeds of $2.7 billion, net of discounts and issuance costs, which was used to reduce our commercial paper borrowings, repay maturing debt and for general corporate purposes. In January 2009, Verizon utilized a $0.2 billion floating rate vendor financing facility. During 2009, we redeemed $0.1 billion of 6.8% Verizon New Jersey Inc. Debentures, $0.3 billion of 6.7% and $0.2 billion of 5.5% Verizon California Inc. Debentures and $0.2 billion of 5.875% Verizon New England Inc. Debentures. In April 2009, we redeemed $0.5 billion of 7.51% GTE Corporation Debentures. In addition, during 2009, $0.5 billion of floating rate Notes due 2009 and $0.1 billion of 8.23% Verizon Notes matured and were repaid.

2008

During 2008, we made debt repayments of approximately $2.6 billion which primarily included $0.2 billion of 5.55% Verizon Northwest Debentures, $0.3 billion of 6.9% and $0.3 billion of 5.65% Verizon North Inc. Debentures, $0.1 billion of 7.0% Verizon California Inc. Debentures, $0.3 billion of 6.0% Verizon New York Inc. Debentures, $0.3 billion of 6.46% GTE Corporation Debentures, $0.1 billion of 6.0% Verizon South Inc. Debentures, and $1.0 billion of 4.0% Verizon Communications Inc. Notes. As a result of the spin-off of our local exchange business and related activities in Maine, New Hampshire and Vermont, in March 2008, our net debt was reduced by approximately $1.4 billion.

In November 2008, Verizon issued $2.0 billion of 8.75% Notes due 2018 and $1.3 billion of 8.95% Notes due 2039, which resulted in cash proceeds of $3.2 billion net of discount and issuance costs. In April 2008, Verizon issued $1.3 billion of 5.25% Notes due 2013, $1.5 billion of 6.10% Notes due 2018, and $1.3 billion of 6.90% Notes due 2038, resulting in cash proceeds of $4.0 billion, net of discounts and issuance costs. In February 2008, Verizon issued $0.8 billion of 4.35% Notes due 2013, $1.5 billion of 5.50% Notes due 2018, and $1.8 billion of 6.40% Notes due 2038, resulting in cash proceeds of $4.0 billion, net of discounts and issuance costs. In January 2008, Verizon utilized a $0.2 billion fixed rate vendor financing facility.

Verizon Wireless

2010

On June 28, 2010, Verizon Wireless exercised its right to redeem the outstanding $1.0 billion of aggregate floating rate notes due June 2011 at a redemption price of 100% of the principal amount of the notes, plus accrued and unpaid interest through the date of redemption. In addition, during 2010 Verizon Wireless repaid the remaining $4.0 billion of borrowings that were outstanding under a $4.4 billion Three-Year Term Loan Facility Agreement with a maturity date of September 2011 (Three-Year Term Loan Facility). No borrowings remain outstanding under this facility as of December 31, 2010 and this facility has been cancelled.

2009

During 2009, Verizon Wireless raised capital to fund the acquisition of Alltel.

- On January 9, 2009, Verizon Wireless borrowed $12.4 billion under a $17.0 billion credit facility (Bridge Facility) in order to complete the acquisition of Alltel and repay a portion of the approximately $24 billion of Alltel debt assumed. Verizon Wireless used cash generated from operations and the net proceeds from the sale of the notes in private placements issued in February 2009, May 2009 and June 2009, which are described below to repay the borrowings under the Bridge Facility. The Bridge Facility and the commitments under the Bridge Facility have been terminated.
- In February 2009, Verizon Wireless and Verizon Wireless Capital LLC co-issued $4.3 billion aggregate principal amount of three and five-year fixed rate notes in a private placement resulting in cash proceeds of $4.2 billion, net of discounts and issuance costs.
- In May 2009, Verizon Wireless and Verizon Wireless Capital LLC co-issued $4.0 billion aggregate principal amount of two-year fixed and floating rate notes in a private placement resulting in cash proceeds of approximately $4.0 billion, net of discounts and issuance costs.
- In June 2009, Verizon Wireless issued $1.0 billion aggregate principal amount of floating rate notes due 2011. As described above, during 2010 these notes were repaid.
- In August 2009, Verizon Wireless repaid $0.4 billion of borrowings that were outstanding under the Three-Year Term Loan Facility, reducing the outstanding borrowings under this facility to $4.0 billion as of December 31, 2009. As described above, during 2010 this facility was repaid in full.

During November 2009, Verizon Wireless and Verizon Wireless Capital LLC, completed an exchange offer to exchange the privately placed notes issued in November 2008, and February and May 2009, for new notes with similar terms.

2008

In December 2008, Verizon Wireless and Verizon Wireless Capital LLC co-issued €0.7 billion of 7.625% notes due 2011, €0.5 billion of 8.750% notes due 2015 and £0.6 billion of 8.875% notes due 2018 resulting in net cash proceeds of $2.4 billion. In November 2008, Verizon Wireless and Verizon Wireless Capital LLC co-issued $3.5 billion aggregate principal amount of five-year and ten-year fixed rate notes in a private placement resulting in cash proceeds of $3.5 billion, net of discounts and issuance costs. These proceeds were used in connection with the acquisition of Alltel and the repayment of the Alltel debt that was assumed.

On September 30, 2008, Verizon Wireless and Verizon Wireless Capital LLC entered into the $4.4 billion Three-Year Term Loan Facility. On June 5, 2008, Verizon Wireless entered into a $7.6 billion 364-Day Credit Agreement which included a $4.8 billion term facility and a $2.8 billion delayed draw facility. On June 10, 2008, Verizon Wireless borrowed $4.8 billion under the 364-Day Credit Agreement in order to purchase Alltel debt obligations acquired in the second quarter of 2008 and, during the third quarter of 2008, borrowed $2.8 billion under the delayed draw facility to complete the purchase of Rural Cellular and to repay Rural Cellular’s debt and pay fees and expenses incurred in connection therewith. During 2008, the borrowings under the 364-Day Credit Agreement were repaid.

Other, net

The increase in Other, net financing activities during 2010 and 2009 was primarily driven by higher distributions to Vodafone, which owns a 45% noncontrolling interest in Verizon Wireless. In addition, Other, net financing activities during 2009 included the buyout of wireless partnerships in which our ownership interests increased as a result of the acquisition of Alltel.

Credit Facility and Shelf Registration

On April 14, 2010, we terminated all commitments under our previous $5.3 billion 364-day credit facility with a syndicate of lenders and entered into a new $6.2 billion three-year credit facility with a group of major financial institutions. As of December 31, 2010, the unused borrowing capacity under the three-year credit facility was approximately $6.1 billion.

The credit facility does not require us to comply with financial covenants or maintain specified credit ratings, and it permits us to borrow even if our business has incurred a material adverse change. We use the credit facility to support the issuance of commercial paper, for the issuance of letters of credit and for general corporate purposes.

We have a shelf registration available for the issuance of up to $4.0 billion of additional unsecured debt or equity securities.

Verizon’s ratio of debt to debt combined with Verizon’s equity was 57.8% at December 31, 2010 compared to 60.1% at December 31, 2009.

Dividends Paid

During 2010, we paid $5.4 billion in dividends compared to $5.3 billion in 2009 and $5.0 billion in 2008. As in prior periods, dividend payments were a significant use of capital resources. The Verizon Board of Directors determines the appropriateness of the level of our dividend payments on a periodic basis by considering such factors as long-term growth opportunities, internal cash requirements and the expectations of our shareowners. During the third quarter of 2010, the Board increased our quarterly dividend payment 2.6% to $.4875 per share from $.475 per share in the same period of 2009. During the third quarter of 2009 and 2008, the Board increased our dividend payments 3.3% and 7.0%, respectively.

Common Stock

Common stock has been used from time to time to satisfy some of the funding requirements of employee and shareowner plans.

On February 3, 2011, the Board of Directors replaced the current share buyback program with a new program for the repurchase of up to 100 million common shares terminating no later than the close of business on February 28, 2014. The Board also determined that no additional shares were to be purchased under the prior program.

During the first quarter of 2009, we entered into a privately negotiated prepaid forward agreement for 14 million shares of Verizon common stock at a cost of approximately $0.4 billion. We terminated the prepaid forward agreement with respect to 5 million of the shares during the fourth quarter of 2009 and 9 million of the shares in the first quarter of 2010, which resulted in the delivery of those shares to Verizon.

There were no repurchases of common stock during 2010 and 2009. During 2008, we repurchased $1.4 billion of our common stock.

Credit Ratings

The debt securities of Verizon Communications and its subsidiaries continue to be accorded high ratings by the three primary rating agencies.

Although a one-level ratings downgrade would not be expected to significantly impact our access to capital, it could increase both the cost of refinancing existing debt and the cost of financing any new capital requirements. Securities ratings assigned by rating organizations are expressions of opinion and are not recommendations to buy, sell, or hold securities. A securities rating is subject to revision or withdrawal at any time by the assigning rating organization. Each rating should be evaluated independently of any other rating.

Covenants

Our credit agreements contain covenants that are typical for large, investment grade companies. These covenants include requirements to pay interest and principal in a timely fashion, pay taxes, maintain insurance with responsible and reputable insurance companies, preserve our corporate existence, keep appropriate books and records of financial transactions, maintain our properties, provide financial and other reports to our lenders, limit pledging and disposition of assets and mergers and consolidations, and other similar covenants.

We and our consolidated subsidiaries are in compliance with all debt covenants.

Increase (Decrease) In Cash and Cash Equivalents

Our Cash and cash equivalents at December 31, 2010 totaled $6.7 billion, a $4.7 billion increase compared to Cash and cash equivalents at December 31, 2009 for the reasons discussed above. Our Cash and cash equivalents at December 31, 2009 totaled $2.0 billion, a $7.8 billion decrease compared to Cash and cash equivalents at December 31, 2008 for the reasons discussed above.

Free Cash Flow

Free cash flow is a non-GAAP financial measure that management believes is useful to investors and other users of Verizon's financial information in evaluating cash available to pay debt and dividends. Free cash flow is calculated by subtracting capital expenditures from net cash provided by operating activities. The following table reconciles net cash provided by operating activities to free cash flow:

(dollars in millions)

Years Ended December 31,	**2010**	2009	2008
Net cash provided by operating activities	**$33,363**	$31,390	$27,452
Less Capital expenditures (including capitalized software)	**16,458**	16,872	17,133
Free cash flow	**$16,905**	$14,518	$10,319

Employee Benefit Plan Funded Status and Contributions

We operate numerous qualified and nonqualified pension plans and other postretirement benefit plans. These plans primarily relate to our domestic business units. During 2010, contributions to our qualified pension plans were not significant. We contributed $0.2 billion and $0.3 billion in 2009 and 2008, respectively, to our qualified pension plans. We also contributed $0.1 billion, $0.1 billion and $0.2 billion to our nonqualified pension plans in 2010, 2009 and 2008, respectively.

During January 2011, we contributed $0.4 billion to our qualified pension plans. We do not expect to make additional qualified pension plan contributions during the remainder of 2011. Nonqualified pension contributions are estimated to be approximately $0.1 billion for 2011.

Contributions to our other postretirement benefit plans generally relate to payments for benefits on an as-incurred basis since the other postretirement benefit plans do not have funding requirements similar to the pension plans. We contributed $1.2 billion, $1.6 billion and $1.2 billion to our other postretirement benefit plans in 2010, 2009 and 2008, respectively. Contributions to our other postretirement benefit plans are estimated to be approximately $1.5 billion in 2011.

Leasing Arrangements

We are the lessor in leveraged and direct financing lease agreements for commercial aircraft and power generating facilities, which comprise the majority of the portfolio along with telecommunications equipment, real estate property and other equipment. These leases have remaining terms up to 40 years as of December 31, 2010. In addition, we lease space on certain of our cell towers to other wireless carriers. Minimum lease payments receivable represent unpaid rentals, less principal and interest on third-party nonrecourse debt relating to leveraged lease transactions. Since we have no general liability for this debt, which holds a senior security interest in the leased equipment and rentals, the related principal and interest have been offset against the minimum lease payments receivable in accordance with generally accepted accounting principles. All recourse debt is reflected in our consolidated balance sheets.

Off Balance Sheet Arrangements and Contractual Obligations

Contractual Obligations and Commercial Commitments

The following table provides a summary of our contractual obligations and commercial commitments at December 31, 2010. Additional detail about these items is included in the notes to the consolidated financial statements.

(dollars in millions)

	Payments Due By Period				
Contractual Obligations	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt [1]	$ 52,462	$ 7,467	$ 11,703	$ 4,653	$ 28,639
Capital lease obligations (see Note 8)	332	75	114	77	66
Total long-term debt, including current maturities	52,794	7,542	11,817	4,730	28,705
Interest on long-term debt [1]	35,194	3,143	5,375	4,265	22,411
Operating leases (see Note 8)	12,633	1,898	3,191	2,267	5,277
Purchase obligations (see Note 17) [2]	57,277	17,852	36,779	2,132	514
Income tax audit settlements [3]	208	208	–	–	–
Other long-term liabilities [4]	3,900	2,500	1,400	–	–
Total contractual obligations	$ 162,006	$ 33,143	$ 58,562	$ 13,394	$ 56,907

(1) Items included in long-term debt with variable coupon rates are described in Note 9 to the consolidated financial statements.

(2) The purchase obligations reflected above are primarily commitments to purchase equipment, software, programming and network services, and marketing activities, which will be used or sold in the ordinary course of business. These amounts do not represent our entire anticipated purchases in the future, but represent only those items for which we are contractually committed. We also purchase products and services as needed with no firm commitment. For this reason, the amounts presented in this table alone do not provide a reliable indicator of our expected future cash outflows or changes in our expected cash position (see Note 17 to the consolidated financial statements).

(3) Income tax audit settlements include gross unrecognized tax benefits of $0.1 billion and related gross interest and penalties of $0.1 billion as determined under the accounting standard relating to the uncertainty in income taxes. We are not able to make a reliable estimate of when the unrecognized tax benefits balance of $3.1 billion and related interest and penalties will be settled with the respective taxing authorities until issues or examinations are further developed (see Note 13 to the consolidated financial statements).

(4) Other long-term liabilities include estimated postretirement benefit and qualified pension plan contributions (see Note 12 to the consolidated financial statements).

Guarantees

In connection with the execution of agreements for the sale of businesses and investments, Verizon ordinarily provides representations and warranties to the purchasers pertaining to a variety of nonfinancial matters, such as ownership of the securities being sold, as well as financial losses.

As of December 31, 2010, letters of credit totaling approximately $0.1 billion were executed in the normal course of business, which support several financing arrangements and payment obligations to third parties.

Market Risk

We are exposed to various types of market risk in the normal course of business, including the impact of interest rate changes, foreign currency exchange rate fluctuations, changes in investment, equity and commodity prices and changes in corporate tax rates. We employ risk management strategies, which may include the use of a variety of derivatives including cross currency swaps, foreign currency and prepaid forwards and collars, interest rate and commodity swap agreements and interest rate locks. We do not hold derivatives for trading purposes.

It is our general policy to enter into interest rate, foreign currency and other derivative transactions only to the extent necessary to achieve our desired objectives in limiting our exposure to various market risks. Our objectives include maintaining a mix of fixed and variable rate debt to lower borrowing costs within reasonable risk parameters and to protect against earnings and cash flow volatility resulting from changes in market conditions. We do not hedge our market risk exposure in a manner that would completely eliminate the effect of changes in interest rates and foreign exchange rates on our earnings. We do not expect that our net income, liquidity and cash flows will be materially affected by these risk management strategies.

Interest Rate Risk

We are exposed to changes in interest rates, primarily on our short-term debt and the portion of long-term debt that carries floating interest rates. As of December 31, 2010, more than three-fourths in aggregate principal amount of our total debt portfolio consisted of fixed rate indebtedness, including the effect of interest rate swap agreements designated as hedges. The impact of a 100 basis point change in interest rates affecting our floating rate debt would result in a change in annual interest expense, including our interest rate swap agreements that are designated as hedges, of approximately $0.1 billion. The interest rates on our existing long-term debt obligations are unaffected by changes to our credit ratings.

The table that follows summarizes the fair values of our long-term debt, including current maturities, and interest rate swap derivatives as of December 31, 2010 and 2009. The table also provides a sensitivity analysis of the estimated fair values of these financial instruments assuming 100-basis-point upward and downward shifts in the yield curve. Our sensitivity analysis does not include the fair values of our commercial paper and bank loans, if any, because they are not significantly affected by changes in market interest rates.

(dollars in millions)

At December 31, 2010	Fair Values	Fair Value assuming + 100 basis point shift	Fair Value assuming - 100 basis point shift
Long-term debt and related derivatives	**$ 58,591**	**$ 55,427**	**$ 62,247**
At December 31, 2009			
Long-term debt and related derivatives	$ 66,042	$ 62,788	$ 69,801

Interest Rate Swaps

We have entered into domestic interest rate swaps to achieve a targeted mix of fixed and variable rate debt, where we principally receive fixed rates and pay variable rates based on London Interbank Offered Rate. These swaps are designated as fair value hedges and hedge against changes in the fair value of our debt portfolio. We record the interest rate swaps at fair value on our consolidated balance sheets as assets and liabilities. Changes in the fair value of the interest rate swaps are recorded to Interest expense, which are offset by changes in the fair value of the debt due to changes in interest rates. The fair value of these contracts was $0.3 billion and $0.2 billion at December 31, 2010 and December 31, 2009, respectively, and are primarily included in Other assets and Long-term debt. As of December 31, 2010, the total notional amount of these interest rate swaps was $6.0 billion. During February 2011, we entered into interest rate swaps, designated as fair value hedges, with a notional amount of approximately $3.0 billion.

Forward Interest Rate Swaps

In order to manage our exposure to future interest rate changes, during 2010, we entered into forward interest rate swaps with a total notional value of $1.4 billion. We have designated these contracts as cash flow hedges. The fair value of these contracts was $0.1 billion at December 31, 2010 and the contracts are included in Other assets. On or before February 7, 2011, Verizon terminated these forward interest rate swaps.

Foreign Currency Translation

The functional currency for our foreign operations is primarily the local currency. The translation of income statement and balance sheet amounts of our foreign operations into U.S. dollars are recorded as cumulative translation adjustments, which are included in Accumulated other comprehensive loss in our consolidated balance sheets. Gains and losses on foreign currency transactions are recorded in the consolidated statements of income in Other income and (expense), net. At December 31, 2010, our primary translation exposure was to the British Pound Sterling, the Euro and the Australian Dollar.

Cross Currency Swaps

Verizon Wireless has entered into cross currency swaps designated as cash flow hedges to exchange approximately $2.4 billion British Pound Sterling and Euro denominated debt into U.S. dollars and to fix our future interest and principal payments in U.S. dollars, as well as mitigate the impact of foreign currency transaction gains or losses. The fair value of these swaps included primarily in Other assets was approximately $0.1 billion and $0.3 billion at December 31, 2010 and December 31, 2009, respectively. During 2010 and 2009, a pre-tax loss of $0.2 billion, and a pre-tax gain of $0.3 billion, respectively, was recognized in Other comprehensive income, a portion of which was reclassified to Other income and (expense), net to offset the related pre-tax foreign currency transaction gain on the underlying debt obligations.

Critical Accounting Estimates and Recent Accounting Standards

Critical Accounting Estimates

A summary of the critical accounting estimates used in preparing our financial statements is as follows:

- Wireless licenses and Goodwill are a significant component of our consolidated assets. Both our wireless licenses and goodwill are treated as indefinite-lived intangible assets and, therefore are not amortized, but rather are tested for impairment annually in the fourth fiscal quarter, unless there are events or changes in circumstances during an interim period that indicates these assets may not be recoverable. We believe our estimates and assumptions are reasonable and represent appropriate marketplace considerations as of the valuation date. We do not believe that reasonably likely adverse changes in our assumptions and estimates would result in an impairment charge as of our latest impairment testing date. However, if there is a substantial and sustained adverse decline in our operating profitability, we may have impairment charges in future years. Any such impairment charge could be material to our results of operations and financial condition.

  Wireless Licenses

  The carrying value of our wireless licenses was approximately $73.0 billion as of December 31, 2010. We aggregate our wireless licenses into one single unit of accounting, as we utilize our wireless licenses on an integrated basis as part of our nationwide wireless network. Our wireless licenses provide us with the exclusive right to utilize certain radio frequency spectrum to provide wireless communication services. There are currently no legal, regulatory, contractual, competitive, economic or other factors that limit the useful life of our wireless licenses. Our impairment test consists of comparing the estimated fair value of our wireless licenses to the aggregated carrying amount as of the test date. If the estimated fair value of our wireless licenses is less than the aggregated carrying amount of the wireless licenses then an impairment charge is recognized. Our annual impairment tests for 2010, 2009 and 2008 indicated that the fair value significantly exceeded the carrying value and, therefore, did not result in an impairment.

  We estimate the fair value of our wireless licenses using a direct income based valuation approach. This approach uses a discounted cash flow analysis to estimate what a marketplace participant would be willing to pay to purchase the aggregated wireless licenses as of the valuation date. As a result we are required to make significant estimates about future cash flows specifically associated with our wireless licenses, an appropriate discount rate based on the risk associated with those estimated cash flows and assumed terminal value and growth rates. We consider current and expected future economic conditions, current and expected availability of wireless network technology and infrastructure and related equipment and the costs thereof as well as other relevant factors in estimating future cash flows. The discount rate represents our estimate of the weighted average cost of capital (or expected return, "WACC") that a marketplace participant would require as of the valuation date. We develop the discount rate based on our consideration of the cost of debt and equity of a group of guideline companies as of the valuation date. Accordingly, our discount rate incorporates our estimate of the expected return a marketplace participant would require as of the valuation date, including the risk premium associated with the current and expected economic conditions as of the valuation date. The terminal value growth rate represents our estimate of the marketplace's long-term growth rate.

  Goodwill

  At December 31, 2010, the balance of our goodwill was approximately $22.0 billion, of which $17.9 billion was in our Wireless segment and $4.1 billion was in our Wireline segment. Determining whether an impairment has occurred requires the determination of fair value of each respective reporting unit. Our operating segments, Domestic Wireless and Wireline, are deemed to be our reporting units for purposes of goodwill impairment testing. The fair value of Domestic Wireless significantly exceeded its carrying value. The fair value of Wireline exceeded its carrying value. Accordingly, our annual impairment tests for 2010, 2009 and 2008 did not result in an impairment.

The fair value of the reporting unit is calculated using a market approach and a discounted cash flow method. The market approach includes the use of comparative multiples to corroborate discounted cash flow results. The discounted cash flow method is based on the present value of two components—projected cash flows and a terminal value. The terminal value represents the expected normalized future cash flows of the reporting unit beyond the cash flows from the discrete projection period. The fair value of the reporting unit is calculated based on the sum of the present value of the cash flows from the discrete period and the present value of the terminal value. The estimated cash flows are discounted using a rate that represents our WACC.

With regards to the Wireline goodwill valuation, a critical assumption includes the development of the WACC for use in our estimate of fair value. The WACC is based on current market conditions, including the equity-risk premium and risk-free interest rate. The projected WACC used in the estimate of fair value in future periods may be impacted by adverse changes in market and economic conditions, including risk-free interest rates, and are subject to change based on the facts and circumstances that exist at the time of the valuation, which may increase the likelihood of a potential future impairment charge related to Wireline goodwill. Reducing the calculated fair value of Wireline's net assets by more than 20 percent would not have resulted in a potential goodwill impairment.

- We maintain benefit plans for most of our employees, including, for certain employees, pension and other postretirement benefit plans. At December 31, 2010, in the aggregate, pension plan benefit obligations exceeded the fair value of pension plan assets, which will result in higher future pension plan expense. Other postretirement benefit plans have larger benefit obligations than plan assets, resulting in expense. Significant benefit plan assumptions, including the discount rate used, the long-term rate of return on plan assets and health care trend rates are periodically updated and impact the amount of benefit plan income, expense, assets and obligations. A sensitivity analysis of the impact of changes in these assumptions on the benefit obligations and expense (income) recorded, as well as the on the funded status due to an increase or a decrease in the actual versus expected return on plan assets as of December 31, 2010 and for the year then ended pertaining to Verizon's pension and postretirement benefit plans is provided in the table below.

(dollars in millions)	Percentage point change	Increase (decrease) at December 31, 2010*
Pension plans discount rate	+0.50	$ (1,341)
	-0.50	1,472
Rate of return on pension plan assets	+1.00	(256)
	-1.00	256
Postretirement plans discount rate	+0.50	(1,348)
	-0.50	1,494
Rate of return on postretirement plan assets	+1.00	(31)
	-1.00	31
Health care trend rates	+1.00	2,788
	-1.00	(2,303)

* In determining its pension and other postretirement obligation, the Company used a 5.75% discount rate. The rate was selected to approximate the composite interest rates available on a selection of bonds available in the market at December 31, 2010. The bonds selected had maturities that coincided with the time periods during which benefits payments are expected to occur, were non-callable and available in sufficient quantities to ensure marketability (at least $0.2 billion par outstanding).

- Our current and deferred income taxes, and associated valuation allowances, are impacted by events and transactions arising in the normal course of business as well as in connection with the adoption of new accounting standards, changes in tax laws and rates, acquisitions and dispositions of businesses and non-recurring items. As a global commercial enterprise, our income tax rate and the classification of income taxes can be affected by many factors, including estimates of the timing and realization of deferred income tax assets and the timing and amount of income tax payments. We account for tax benefits taken or expected to be taken in our tax returns in accordance with the accounting standard relating to the uncertainty in income taxes, which requires the use of a two-step approach for recognizing and measuring tax benefits taken or expected to be taken in a tax return. We review and adjust our liability for unrecognized tax benefits based on our best judgment given the facts, circumstances, and information available at each reporting date. To the extent that the final outcome of these tax positions is different than the amounts recorded, such differences may impact income tax expense and actual tax payments. We recognize any interest and penalties accrued related to unrecognized tax benefits in income tax expense. Actual tax payments may materially differ from estimated liabilities as a result of changes in tax laws as well as unanticipated transactions impacting related income tax balances.

- Our Plant, property and equipment balance represents a significant component of our consolidated assets. We record plant, property and equipment at cost. Depreciation expense on our local telephone operations is principally based on the composite group remaining life method and straight-line composite rates, which provides for the recognition of the cost of the remaining net investment in local telephone plant, less anticipated net salvage value, over the remaining asset lives. An increase or decrease of 50 basis points to the composite rates of this class of assets would result in an increase or decrease of approximately $0.6 billion to depreciation expense based on year-end plant balances at December 31, 2010. We depreciate other plant, property and equipment on a straight-line basis over the estimated useful life of the assets. We expect that a one-year increase in estimated useful lives of our plant, property and equipment that we depreciate on a straight line basis would result in a decrease to our 2010 depreciation expense of $1.0 billion and that a one-year decrease would result in an increase of approximately $1.2 billion in our 2010 depreciation expense.

Recent Accounting Standards

On January 1, 2011, we prospectively adopted the accounting standard update regarding revenue recognition for multiple deliverable arrangements. This method allows a vendor to allocate revenue in an arrangement using its best estimate of selling price if neither vendor specific objective evidence nor third party evidence of selling price exists. Accordingly, the residual method of revenue allocation is no longer permissible. The adoption of this standard update is not expected to have a significant impact on our consolidated financial statements.

On January 1, 2011, we prospectively adopted the accounting standard update regarding revenue recognition for arrangements that include software elements. This update requires tangible products that contain software and non-software elements that work together to deliver the products' essential functionality to be evaluated under the accounting standard regarding multiple deliverable arrangements. The adoption of this standard update is not expected to have a significant impact on our consolidated financial statements.

Other Factors That May Affect Future Results

Acquisitions and Divestitures

Terremark Worldwide, Inc.

On January 27, 2011, Verizon announced that it had entered into a definitive agreement to acquire all of the common stock of Terremark Worldwide, Inc., a global provider of IT infrastructure and cloud services, for $19 per share in cash (or approximately $1.4 billion). Terremark had approximately $0.5 billion of debt outstanding as of December 31, 2010. The acquisition, which is subject to the satisfaction of conditions, including the receipt of a regulatory approval, is expected to close in the first quarter of 2011. The acquisition will enhance Verizon's offerings to governmental and large enterprise customers.

Access Lines Spin-offs

Frontier Transaction

On May 13, 2009, we announced plans to spin off a newly formed subsidiary of Verizon (Spinco) to our stockholders and for Spinco to merge with Frontier immediately following the spin-off pursuant to a definitive agreement with Frontier, with Frontier to be the surviving corporation.

On July 1, 2010, after receiving regulatory approval, we completed the spin-off of the shares of Spinco to Verizon stockholders and the merger of Spinco with Frontier, resulting in Verizon stockholders collectively owning approximately 68 percent of Frontier's equity which was outstanding immediately following the merger. Frontier issued approximately 678.5 million shares of Frontier common stock in the aggregate to Verizon stockholders in the merger, and Verizon stockholders received one share of Frontier common stock for every 4.165977 shares of Verizon common stock they owned as of June 7, 2010. Verizon stockholders received cash in lieu of any fraction of a share of Frontier common stock to which they otherwise were entitled.

At the time of the spin-off and the merger, Spinco held defined assets and liabilities of the local exchange business and related landline activities of Verizon in Arizona, Idaho, Illinois, Indiana, Michigan, Nevada, North Carolina, Ohio, Oregon, South Carolina, Washington, West Virginia and Wisconsin, and in portions of California bordering Arizona, Nevada and Oregon, including Internet access and long distance services and broadband video provided to designated customers in those areas. The transactions did not involve any assets or liabilities of Verizon Wireless. The merger resulted in Frontier acquiring approximately 4 million access lines and certain related businesses from Verizon, which collectively generated revenues of approximately $4 billion for Verizon's Wireline segment during 2009 and approximately $1.7 billion of revenue for Verizon's Wireline segment during the six months ended June 30, 2010.

Pursuant to the terms of Verizon's equity incentive plans, shortly following the closing of the spin-off and the merger, the number of outstanding and unvested restricted stock units (RSUs) and performance stock units (PSUs) held by current and former Verizon employees (including Verizon employees who became employees of Frontier in connection with the merger) was increased to reflect a number of additional units approximately equal to the cash value of the Frontier common stock that the holders of the RSUs and PSUs would have received with respect to hypothetical shares of Verizon common stock subject to awards under those plans. In addition, the exercise prices and number of shares of Verizon common stock underlying stock options to purchase shares of Verizon common stock previously granted to employees under equity incentive plans were adjusted pursuant to the terms of those plans to take into account the decrease in the value of Verizon common stock immediately following the spin-off and merger.

The total value of the transaction to Verizon and its stockholders was approximately $8.6 billion. Verizon stockholders received $5.3 billion in Frontier common stock (based on the valuation formula contained in the merger agreement with Frontier) as described above, and Verizon received $3.3 billion in aggregate value, comprised of $3.1 billion in the form of a special cash payment from Spinco and $0.3 billion in a reduction in Verizon's consolidated indebtedness. During July 2010, Verizon used the proceeds from the special cash payment to reduce its consolidated indebtedness. The accompanying consolidated financial statements for the year ended December 31, 2010 include these operations prior to the completion of the spin-off on July 1, 2010. The spin-off decreased Total equity and Goodwill by approximately $1.9 billion and $0.6 billion, respectively.

On April 12, 2010, Spinco completed a financing of $3.2 billion in principal amount of notes. The gross proceeds of the offering were deposited into an escrow account. Immediately prior to the spin-off on July 1, 2010, the funds in the escrow account representing the net cash proceeds from the offering were released to Verizon. These proceeds are reflected in the consolidated statement of cash flows as Proceeds from access line spin-off.

FairPoint Transaction

On March 31, 2008, we completed the spin-off of the shares of Northern New England Spinco Inc. to Verizon shareowners and the merger of Northern New England Spinco Inc. with FairPoint Communications, Inc. As a result of the spin-off, our net debt was reduced by approximately $1.4 billion. The consolidated statements of income for the periods presented include the results of operations of the local exchange and related business assets in Maine, New Hampshire and Vermont through the date of completion of the spin-off.

Alltel Divestiture Markets

As a condition of the regulatory approvals by the DOJ and the FCC to complete the acquisition of Alltel in January 2009, Verizon Wireless was required to divest overlapping properties in 105 operating markets in 24 states. Total assets and total liabilities divested were $2.6 billion and $0.1 billion, respectively, principally comprised of network assets, wireless licenses and customer relationships that were included in Prepaid expenses and other current assets and Other current liabilities, respectively, on the consolidated balance sheet at December 31, 2009.

On May 8, 2009, Verizon Wireless entered into a definitive agreement with AT&T Mobility, pursuant to which AT&T Mobility agreed to acquire 79 of the 105 Alltel Divestiture Markets, including licenses and network assets, for approximately $2.4 billion in cash. On June 9, 2009, Verizon Wireless entered into a definitive agreement with Atlantic Tele-Network, Inc. (ATN), pursuant to which ATN agreed to acquire the remaining 26 Alltel Divestiture Markets, including licenses and network assets, for $0.2 billion in cash. During the second quarter of 2010, Verizon Wireless completed both transactions.

Other

On August 23, 2010, Verizon Wireless acquired the net assets and related customers of six operating markets in Louisiana and Mississippi in a transaction with AT&T Inc. for cash consideration of $0.2 billion. These assets were acquired to enhance Verizon Wireless' network coverage in these operating markets. The preliminary purchase price allocation primarily resulted in $0.1 billion of wireless licenses and $0.1 billion in goodwill.

Regulatory and Competitive Trends

Competition and Regulation

Technological, regulatory and market changes have provided Verizon both new opportunities and challenges. These changes have allowed Verizon to offer new types of services in an increasingly competitive market. At the same time, they have allowed other service providers to broaden the scope of their own competitive offerings. Current and potential competitors for network services include other telephone companies, cable companies, wireless service providers, foreign telecommunications providers, satellite providers, electric utilities, Internet service providers, providers of VoIP services, and other companies that offer network services using a variety of technologies. Many of these companies have a strong market presence, brand recognition and existing customer relationships, all of which contribute to intensifying competition and may affect our future revenue growth. Many of our competitors also remain subject to fewer regulatory constraints than us.

We are unable to predict definitively the impact that the ongoing changes in the telecommunications industry will ultimately have on our business, results of operations or financial condition. The financial impact will depend on several factors, including the timing, extent and success of competition in our markets, the timing and outcome of various regulatory proceedings and any appeals, and the timing, extent and success of our pursuit of new opportunities.

FCC Regulation

The FCC has jurisdiction over our interstate telecommunications services and other matters under the Communications Act of 1934, as amended (Communications Act). The Communications Act generally provides that we may not charge unjust or unreasonable rates, or engage in unreasonable discrimination when we are providing services as a common carrier, and regulates some of the rates, terms and conditions under which we provide certain services. The FCC also has adopted regulations governing various aspects of our business including: (i) use and disclosure of customer proprietary network information; (ii) telemarketing; (iii) assignment of telephone numbers to customers; (iv) provision to law enforcement agencies of the capability to obtain call identifying information and call content information from calls pursuant to lawful process; (v) accessibility of services and equipment to individuals with disabilities if readily achievable; (vi) interconnection with the networks of other carriers; and (vii) customers' ability to keep (or "port") their telephone numbers when switching to another carrier. In addition, we pay various fees to support other FCC programs, such as the universal service program discussed below. Changes to these mandates, or the adoption of additional mandates, could require us to make changes to our operations or otherwise increase our costs of compliance.

Broadband

The FCC previously adopted a series of orders that impose lesser regulatory requirements on broadband services and facilities than apply to narrowband or traditional telephone services. With respect to wireline facilities, the FCC determined that certain unbundling requirements that apply to narrowband facilities of local exchange carriers do not apply to broadband facilities such as fiber to the premise loops and packet switches. With respect to services, the FCC concluded that both wireline and wireless broadband Internet access services qualify as largely deregulated information services. Separately, certain of our wireline broadband services sold primarily to larger business customers were largely deregulated when our forbearance petition was deemed granted by operation of law. The latter relief has been upheld on appeal, but is subject to a continuing challenge before the FCC.

In December of 2010, the FCC adopted so-called "net neutrality" rules governing broadband Internet access services that it describes as intended to preserve the openness of the Internet. The rules require providers of broadband Internet access to publicly disclose information relating to the performance and terms of its services. For "fixed" services, the rules prohibit blocking lawful content, applications, services or non-harmful devices. The rules also prohibit unreasonable discrimination in transmitting lawful traffic over a consumer's broadband Internet access service. For "mobile" services, the rules prohibit blocking access to lawful websites or blocking applications that compete with the provider's voice or video telephony services. The restrictions are subject to "reasonable network management." The rules also establish a complaint process, and state that the FCC will continue to monitor developments to determine whether to impose further regulations. The rules are scheduled to take effect following their review by the Office of Management and Budget, and will be subject to appeals.

Video

The FCC has a body of rules that apply to cable operators under Title VI of the Communications Act of 1934, and these rules also generally apply to telephone companies that provide cable services over their networks. In addition, the Act generally requires companies that provide cable service over a cable system to obtain a local cable franchise, and the FCC has adopted rules that interpret and implement this requirement.

Interstate Access Charges and Intercarrier Compensation

The FCC's current framework for interstate switched access rates was established in the Coalition for Affordable Local and Long Distance Services (CALLS) plan which the FCC adopted in 2000, and it has adopted a separate framework that applies to dial-up Internet-bound traffic. The FCC currently is conducting a broad rulemaking to determine whether and how these existing frameworks should be modified.

An FCC rulemaking proceeding is also pending to address the regulation of services that use IP. The issues raised in the rulemaking as well as in several petitions currently pending before the FCC include whether, and under what circumstances, access charges should apply to voice or other IP services and the scope of federal and state commission authority over these services.

The FCC's current rules for special access services provide for pricing flexibility and ultimately the removal of services from price regulation when prescribed competitive thresholds are met. More than half of special access revenues are now removed from price regulation. The FCC currently has a rulemaking proceeding underway to determine whether and how these rules should be modified.

Universal Service

The FCC has adopted a body of rules implementing the universal service provisions of the Telecommunications Act of 1996, including provisions to support rural and non-rural high-cost areas, low income subscribers, schools and libraries and rural health care. The FCC's rules require telecommunications companies including Verizon to pay into the Universal Service Fund (USF), which then makes distributions in support of the programs. Certain of the FCC's rules for support to high-cost areas served by larger "non-rural" local telephone companies are the subject of a pending appeal. Separately, in response to growth in the size of the USF, the FCC has capped the amount of distributions competitive carriers (including all wireless carriers) may receive from the USF. In its 2008 order approving Verizon Wireless' acquisition of Alltel, the FCC also required Verizon Wireless to phase out the high-cost universal service support the merged company receives by 20 percent during the first year following completion of the acquisition and by an additional 20 percent for each of the following three years, after which no support will be provided. The FCC currently is considering other changes to the rules governing contributions to, and disbursements from, the fund. Any change in the current rules could result in a change in the contribution that Verizon and others must make and that would have to be collected from customers, or in the amounts that these providers receive from the USF.

Unbundling of Network Elements

Under Section 251 of the Telecommunications Act of 1996, incumbent local exchange carriers are required to provide competing carriers with access to components of their network on an unbundled basis, known as UNEs, where certain statutory standards are satisfied. The FCC has adopted rules defining the network elements that must be made available, including criteria for determining whether high-capacity loops, transport or dark fiber transport must be unbundled in individual wire centers. The Telecommunications Act of 1996 also adopted a cost-based pricing standard for these UNEs, which the FCC interpreted as allowing it to impose a pricing standard known as "total element long run incremental cost" or "TELRIC."

Wireless Services

The FCC regulates the licensing, construction, operation, acquisition and transfer of wireless communications systems, including the systems that Verizon Wireless operates, pursuant to the Communications Act, other legislation, and the FCC's rules. The FCC and

Congress continuously consider changes to these laws and rules. Adoption of new laws or rules may raise the cost of providing service or require modification of Verizon Wireless' business plans or operations.

To use the radio frequency spectrum, wireless communications systems must be licensed by the FCC to operate the wireless network and mobile devices in assigned spectrum segments. Verizon Wireless holds FCC licenses to operate in several different radio services, including the cellular radiotelephone service, personal communications service, wireless communications service, and point-to-point radio service. The technical and service rules, the specific radio frequencies and amounts of spectrum Verizon Wireless holds, and the sizes of the geographic areas it is authorized to operate in, vary for each of these services. However, all of the licenses Verizon Wireless holds allow it to use spectrum to provide a wide range of mobile and fixed communications services, including both voice and data services, and Verizon Wireless operates a seamless network that utilizes those licenses to provide services to customers. Because the FCC issues licenses for only a fixed time, generally 10 years, Verizon Wireless must periodically seek renewal of those licenses. Although the FCC has routinely renewed all of

Verizon Wireless' licenses that have come up for renewal to date, challenges could be brought against the licenses in the future. If a wireless license were revoked or not renewed upon expiration, Verizon Wireless would not be permitted to provide services on the licensed spectrum in the area covered by that license.

The FCC has also imposed specific mandates on carriers that operate wireless communications systems, which increase Verizon Wireless' costs. These mandates include requirements that Verizon Wireless: (i) meet specific construction and geographic coverage requirements during the license term; (ii) meet technical operating standards that, among other things, limit the radio frequency radiation from mobile devices and antennas; (iii) deploy "Enhanced 911" wireless services that provide the wireless caller's number, location and other information to a state or local public safety agency that handles 911 calls; (iv) provide roaming services to other wireless service providers; and (v) comply with regulations for the construction of transmitters and towers that, among other things, restrict siting of towers in environmentally sensitive locations and in places where the towers would affect a site listed or eligible for listing on the National Register of Historic Places. Changes to these mandates could require Verizon Wireless to make changes to operations or increase its costs of compliance. In its November 4, 2008 order approving Verizon Wireless' acquisition of Alltel, the FCC adopted conditions that impose additional requirements on Verizon Wireless in its provision of Enhanced 911 services and roaming services.

The Communications Act imposes restrictions on foreign ownership of U.S. wireless systems. The FCC has approved the interest that Vodafone Group Plc holds, through various of its subsidiaries, in Verizon Wireless. The FCC may need to approve any increase in Vodafone's interest or the acquisition of an ownership interest by other foreign entities. In addition, as part of the FCC's approval of Vodafone's ownership interest, Verizon Wireless, Verizon and Vodafone entered into an agreement with the U.S. Department of Defense, Department of Justice and Federal Bureau of Investigation which imposes national security and law enforcement-related obligations on the ways in which Verizon Wireless stores information and otherwise conducts its business.

Verizon Wireless anticipates that it will need additional spectrum to meet future demand. It can meet spectrum needs by purchasing licenses or leasing spectrum from other licensees, or by acquiring new spectrum licenses from the FCC. Under the Communications Act, before Verizon Wireless can acquire a license from another licensee in order to expand its coverage or its spectrum capacity in a particular area, it must file an application with the FCC, and the FCC can grant the application only after a period for public notice and comment. This review process can delay acquisition of spectrum needed to expand services, and can result in conditions on the purchaser that can impact its costs and business plans. The Communications Act also requires the FCC to award new licenses for most commercial wireless services through a competitive bidding process in which spectrum is awarded to bidders in an auction. Verizon Wireless has participated in spectrum auctions to acquire licenses for radio spectrum in various bands. Most recently, Verizon Wireless participated in the FCC's auction of spectrum in the 700 MHz band, and was the high bidder on 109 700 MHz licenses. The FCC granted all of those licenses to Verizon Wireless on November 26, 2008.

The FCC also adopted service rules that will impose costs on licensees that acquire the 700 MHz band spectrum either through auction or by purchasing such spectrum from other companies. These rules include minimum coverage mandates by specific dates during the license terms, and, for approximately one-third of the spectrum, known as the "C Block," "open access" requirements, which generally require licensees of that spectrum to allow customers to use devices and applications of their choice on the LTE network we are deploying on that spectrum, including those obtained from sources other than us or our distributors or dealers, subject to certain technical limitations established by us. Verizon Wireless holds the C Block 700 MHz licenses covering the entire United States. In adopting its "net neutrality" rules discussed above, the FCC stated that the new rules operate independently from the "open access" requirements that continue to apply to the C Block licensees.

The FCC is also conducting several proceedings to explore making additional spectrum available for licensed and/or unlicensed use. These proceedings could increase radio interference to Verizon Wireless' operations from other spectrum users and could impact the ways in which it uses spectrum, the capacity of that spectrum to carry traffic, and the value of that spectrum.

State Regulation and Local Approvals

Telephone Operations

State public utility commissions regulate our telephone operations with respect to certain telecommunications intrastate rates and services and other matters. Our competitive local exchange carrier and long distance operations are generally classified as nondominant and lightly regulated the same as other similarly situated carriers. Our incumbent local exchange operations are generally classified as dominant. These latter operations (California, Connecticut, Delaware, the District of Columbia, Florida, Maryland, Massachusetts, New Jersey, New York, North Carolina, Pennsylvania, Rhode Island, Texas and Virginia) are subject to various levels of pricing flexibility, deregulation, detariffing, and service quality standards. None of the states are subject to earnings regulation.

Video

Companies that provide cable service over a cable system are typically subject to state and/or local cable television rules and regulations. As noted above, cable operators generally must obtain a local cable franchise from each local unit of government prior to providing cable service in that local area. Some states have enacted legislation that enables cable operators to apply for, and obtain, a single cable franchise at the state, rather than local, level. To date, Verizon has applied for and received state-issued franchises in California, Florida, New Jersey, Texas and the unincorporated areas of Delaware. We also have obtained authorization from the state commission in Rhode Island to provide cable service in certain areas in that state, have obtained required state commission approvals for our local franchises in New York, and will need to obtain additional state commission approvals in these states to provide cable service in additional areas. Virginia law provides us the option of entering a given franchise area using state standards if local franchise negotiations are unsuccessful.

Wireless Services

The rapid growth of the wireless industry has led to efforts by some state legislatures and state public utility commissions to regulate the industry in ways that may impose additional costs on Verizon Wireless. The Communications Act generally preempts regulation by state and local governments of the entry of, or the rates charged by, wireless carriers, but does not prohibit states from regulating the other "terms and conditions" of wireless service. While numerous state commissions do not currently have jurisdiction over wireless services, state legislatures may decide to grant them such jurisdiction, and those commissions that already have authority to impose regulations on wireless carriers may adopt new rules.

State efforts to regulate wireless services have included proposals to regulate customer billing, termination of service, trial periods for service, advertising, the use of handsets while driving, reporting requirements for system outages and the availability of broadband wireless services. Wireless tower and antenna facilities are also subject to state and local zoning and land use regulation, and securing approvals for new or modified tower or antenna sites is often a lengthy and expensive process.

Verizon Wireless (as well as AT&T and Sprint-Nextel) is a party to an Assurance of Voluntary Compliance (AVC) with 33 State Attorneys General. The AVC, which generally reflected Verizon Wireless' practices at the time it was entered into in July 2004, obligates the company to disclose certain rates and terms during a sales transaction, to provide maps depicting coverage, and to comply with various requirements regarding advertising, billing, and other practices.

Environmental Matters

During 2003, under a government-approved plan, remediation commenced at the site of a former Sylvania facility in Hicksville, New York that processed nuclear fuel rods in the 1950s and 1960s. Remediation beyond original expectations proved to be necessary and a reassessment of the anticipated remediation costs was conducted. A reassessment of costs related to remediation efforts at several other former facilities was also undertaken. In September 2005, the Army Corps of Engineers (ACE) accepted the Hicksville site into the Formerly Utilized Sites Remedial Action Program. This may result in the ACE performing some or all of the remediation effort for the Hicksville site with a corresponding decrease in costs to Verizon. To the extent that the ACE assumes responsibility for remedial work at the Hicksville site, an adjustment to a reserve previously established for the remediation may be made. Adjustments to the reserve may also be made based upon actual conditions discovered during the remediation at this or any other site requiring remediation.

Cautionary Statement Concerning Forward-Looking Statements

In this Report we have made forward-looking statements. These statements are based on our estimates and assumptions and are subject to risks and uncertainties. Forward-looking statements include the information concerning our possible or assumed future results of operations. Forward-looking statements also include those preceded or followed by the words “anticipates,” “believes,” “estimates,” “hopes” or similar expressions. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

The following important factors, along with those discussed elsewhere in this Report could affect future results and could cause those results to differ materially from those expressed in the forward-looking statements:

- the effects of adverse conditions in the U.S. and international economies;
- the effects of competition in our markets;
- materially adverse changes in labor matters, including labor negotiations, and any resulting financial and/or operational impact;
- the effect of material changes in available technology;
- any disruption of our key suppliers’ provisioning of products or services;
- significant increases in benefit plan costs or lower investment returns on plan assets;
- the impact of natural disasters, terrorist attacks, breaches of network or information technology security or existing or future litigation and any resulting financial impact not covered by insurance;
- technology substitution;
- an adverse change in the ratings afforded our debt securities by nationally accredited ratings organizations or adverse conditions in the credit markets impacting the cost, including interest rates, and/or availability of financing;
- any changes in the regulatory environments in which we operate, including any increase in restrictions on our ability to operate our networks;
- the timing, scope and financial impact of our deployment of broadband technology;
- changes in our accounting assumptions that regulatory agencies, including the SEC, may require or that result from changes in the accounting rules or their application, which could result in an impact on earnings;
- our ability to complete acquisitions and dispositions; and
- the inability to implement our business strategies.

Report of Management on Internal Control Over Financial Reporting

We, the management of Verizon Communications Inc., are responsible for establishing and maintaining adequate internal control over financial reporting of the company. Management has evaluated internal control over financial reporting of the company using the criteria for effective internal control established in Internal Control–Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Management has assessed the effectiveness of the company's internal control over financial reporting as of December 31, 2010. Based on this assessment, we believe that the internal control over financial reporting of the company is effective as of December 31, 2010. In connection with this assessment, there were no material weaknesses in the company's internal control over financial reporting identified by management.

The company's financial statements included in this Annual Report have been audited by Ernst & Young LLP, independent registered public accounting firm. Ernst & Young LLP has also provided an attestation report on the company's internal control over financial reporting.

/s/ Ivan G. Seidenberg
Ivan G. Seidenberg
Chairman and Chief Executive Officer

/s/ Francis J. Shammo
Francis J. Shammo
Executive Vice President and Chief Financial Officer

/s/ Robert J. Barish
Robert J. Barish
Senior Vice President and Controller

Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting

To The Board of Directors and Shareowners of Verizon Communications Inc.:

We have audited Verizon Communications Inc. and subsidiaries' (Verizon) internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control–Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Verizon's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Verizon maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Verizon as of December 31, 2010 and 2009, and the related consolidated statements of income, cash flows and changes in equity for each of the three years in the period ended December 31, 2010 of Verizon and our report dated February 28, 2011 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Ernst & Young LLP
New York, New York

February 28, 2011

Report of Independent Registered Public Accounting Firm on Financial Statements

To The Board of Directors and Shareowners of Verizon Communications Inc.:

We have audited the accompanying consolidated balance sheets of Verizon Communications Inc. and subsidiaries (Verizon) as of December 31, 2010 and 2009, and the related consolidated statements of income, cash flows and changes in equity for each of the three years in the period ended December 31, 2010. These financial statements are the responsibility of Verizon's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Verizon at December 31, 2010 and 2009, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, Verizon has elected to change its methods of accounting for actuarial gains and losses and the calculation of expected returns on plan assets for all pension and other postretirement benefit plans during the fourth quarter of 2010.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Verizon's internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control–Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2011 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Ernst & Young LLP
New York, New York

February 28, 2011

Consolidated Statements of Income Verizon Communications Inc. and Subsidiaries – As Adjusted

(dollars in millions, except per share amounts)						
Years Ended December 31,		**2010**		2009		2008
Operating Revenues	**$**	**106,565**	$	107,808	$	97,354
Operating Expenses						
Cost of services and sales (exclusive of items shown below)		**44,149**		44,579		38,615
Selling, general and administrative expense		**31,366**		30,717		41,517
Depreciation and amortization expense		**16,405**		16,534		14,610
Total Operating Expenses		**91,920**		91,830		94,742
Operating Income		**14,645**		15,978		2,612
Equity in earnings of unconsolidated businesses		**508**		553		567
Other income and (expense), net		**54**		91		283
Interest expense		**(2,523)**		(3,102)		(1,819)
Income Before (Provision) Benefit for Income Taxes		**12,684**		13,520		1,643
(Provision) benefit for income taxes		**(2,467)**		(1,919)		2,319
Net Income	**$**	**10,217**	$	11,601	$	3,962
Net income attributable to noncontrolling interest	**$**	**7,668**	$	6,707	$	6,155
Net income (loss) attributable to Verizon		**2,549**		4,894		(2,193)
Net Income	**$**	**10,217**	$	11,601	$	3,962
Basic Earnings (Loss) Per Common Share						
Net income (loss) attributable to Verizon	**$**	**.90**	$	1.72	$	(.77)
Weighted-average shares outstanding (in millions)		**2,830**		2,841		2,849
Diluted Earnings (Loss) Per Common Share						
Net income (loss) attributable to Verizon	**$**	**.90**	$	1.72	$	(.77)
Weighted-average shares outstanding (in millions)		**2,833**		2,841		2,849

See Notes to Consolidated Financial Statements

Consolidated Balance Sheets Verizon Communications Inc. and Subsidiaries – As Adjusted

(dollars in millions, except per share amounts)

At December 31,	2010	2009
Assets		
Current assets		
Cash and cash equivalents	$ 6,668	$ 2,009
Short-term investments	545	490
Accounts receivable, net of allowances of $876 and $976	11,781	12,573
Inventories	1,131	1,426
Prepaid expenses and other	2,223	5,247
Total current assets	22,348	21,745
Plant, property and equipment	211,655	229,743
Less accumulated depreciation	123,944	137,758
	87,711	91,985
Investments in unconsolidated businesses	3,497	3,118
Wireless licenses	72,996	72,067
Goodwill	21,988	22,472
Other intangible assets, net	5,830	6,764
Other assets	5,635	8,756
Total assets	$ 220,005	$ 226,907
Liabilities and Equity		
Current liabilities		
Debt maturing within one year	$ 7,542	$ 7,205
Accounts payable and accrued liabilities	15,702	15,223
Other	7,353	6,708
Total current liabilities	30,597	29,136
Long-term debt	45,252	55,051
Employee benefit obligations	28,164	32,622
Deferred income taxes	22,818	19,190
Other liabilities	6,262	6,765
Equity		
Series preferred stock ($.10 par value; none issued)	–	–
Common stock ($.10 par value; 2,967,610,119 shares issued in both periods)	297	297
Contributed capital	37,922	40,108
Reinvested earnings	4,368	7,260
Accumulated other comprehensive income (loss)	1,049	(1,372)
Common stock in treasury, at cost	(5,267)	(5,000)
Deferred compensation - employee stock ownership plans and other	200	89
Noncontrolling interest	48,343	42,761
Total equity	86,912	84,143
Total liabilities and equity	$ 220,005	$ 226,907

See Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows Verizon Communications Inc. and Subsidiaries – As Adjusted

		(dollars in millions)	
Years Ended December 31,	**2010**	2009	2008
Cash Flows from Operating Activities			
Net Income	**$ 10,217**	$ 11,601	$ 3,962
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense	**16,405**	16,534	14,610
Employee retirement benefits	**3,988**	2,964	16,077
Deferred income taxes	**3,233**	2,093	(3,468)
Provision for uncollectible accounts	**1,246**	1,306	1,085
Equity in earnings of unconsolidated businesses, net of dividends received	**2**	389	212
Changes in current assets and liabilities, net of effects from acquisition/disposition of businesses:			
Accounts receivable	**(859)**	(1,393)	(1,085)
Inventories	**299**	235	(188)
Other assets	**(313)**	(102)	(59)
Accounts payable and accrued liabilites	**1,075**	(1,251)	(1,701)
Other, net	**(1,930)**	(986)	(1,993)
Net cash provided by operating activities	**33,363**	31,390	27,452
Cash Flows from Investing Activities			
Capital expenditures (including capitalized software)	**(16,458)**	(16,872)	(17,133)
Acquisitions of licenses, investments and businesses, net of cash acquired	**(1,438)**	(5,958)	(15,904)
Proceeds from dispositions	**2,594**	–	–
Net change in short-term investments	**(3)**	84	1,677
Other, net	**251**	(410)	(114)
Net cash used in investing activities	**(15,054)**	(23,156)	(31,474)
Cash Flows from Financing Activities			
Proceeds from long-term borrowings	**–**	12,040	21,598
Repayments of long-term borrowings and capital lease obligations	**(8,136)**	(19,260)	(4,146)
Increase (decrease) in short-term obligations, excluding current maturities	**(1,097)**	(1,652)	2,389
Dividends paid	**(5,412)**	(5,271)	(4,994)
Proceeds from access line spin-off	**3,083**	–	–
Proceeds from sale of common stock	**–**	–	16
Purchase of common stock for treasury	**–**	–	(1,368)
Other, net	**(2,088)**	(1,864)	(844)
Net cash provided by (used in) financing activities	**(13,650)**	(16,007)	12,651
Increase (decrease) in cash and cash equivalents	**4,659**	(7,773)	8,629
Cash and cash equivalents, beginning of year	**2,009**	9,782	1,153
Cash and cash equivalents, end of year	**$ 6,668**	$ 2,009	$ 9,782

See Notes to Consolidated Financial Statements

Consolidated Statements of Changes in Equity Verizon Communications Inc. and Subsidiaries – As Adjusted

(dollars in millions, except per share amounts, and shares in thousands)

Years Ended December 31,	2010		2009		2008	
	Shares	**Amount**	Shares	Amount	Shares	Amount
Common Stock						
Balance at beginning of year	**2,967,610**	**$ 297**	2,967,610	$ 297	2,967,610	$ 297
Balance at end of year	**2,967,610**	**297**	2,967,610	297	2,967,610	297
Contributed Capital						
Balance at beginning of year		**40,108**		40,291		40,316
Access line spin-off		**(2,184)**		–		–
Other		**(2)**		(183)		(25)
Balance at end of year		**37,922**		40,108		40,291
Reinvested Earnings						
Balance at beginning of year		**7,260**		7,676		17,884
Benefit plan accounting changes (Note 1)		**–**		–		(2,953)
Adjusted balance at beginning of year		**7,260**		7,676		14,931
Net income (loss) attributable to Verizon		**2,549**		4,894		(2,193)
Dividends declared ($1.925, $1.87 and $1.78 per share)		**(5,441)**		(5,310)		(5,062)
Balance at end of year		**4,368**		7,260		7,676
Accumulated Other Comprehensive Income (Loss)						
Balance at beginning of year attributable to Verizon		**(1,372)**		(1,912)		(4,484)
Spin-off of local exchange businesses and related landline activities (Note 3)		**23**		–		27
Benefit plan accounting changes (Note 1)		**–**		–		2,930
Adjusted balance at beginning of year		**(1,349)**		(1,912)		(1,527)
Foreign currency translation adjustments		**(171)**		78		(231)
Unrealized gains (losses) on marketable securities		**29**		87		(97)
Unrealized gains (losses) on cash flow hedges		**89**		87		(40)
Defined benefit pension and postretirement plans		**2,451**		288		(17)
Other comprehensive income (loss)		**2,398**		540		(385)
Balance at end of year attributable to Verizon		**1,049**		(1,372)		(1,912)
Treasury Stock						
Balance at beginning of year	**(131,942)**	**(5,000)**	(127,090)	(4,839)	(90,786)	(3,489)
Shares purchased	**–**	**–**	–	–	(36,779)	(1,368)
Other (Note 10)	**(9,000)**	**(280)**	(5,000)	(166)	–	–
Shares distributed						
Employee plans	**347**	**13**	142	5	468	18
Shareowner plans	**8**	**–**	6	–	7	–
Balance at end of year	**(140,587)**	**(5,267)**	(131,942)	(5,000)	(127,090)	(4,839)
Deferred Compensation–ESOPs and Other						
Balance at beginning of year		**89**		79		79
Restricted stock equity grant		**97**		–		–
Amortization		**14**		10		–
Balance at end of year		**200**		89		79
Noncontrolling Interest						
Balance at beginning of year		**42,761**		37,199		32,266
Net income attributable to noncontrolling interest		**7,668**		6,707		6,155
Other comprehensive income (loss)		**(35)**		103		(30)
Total comprehensive income		**7,633**		6,810		6,125

Distributions and other	**(2,051)**	(1,248)	(1,192)
Balance at end of year	**48,343**	42,761	37,199
Total Equity	**$ 86,912**	$84,143	$78,791
Comprehensive Income			
Net income	**$ 10,217**	$11,601	$ 3,962
Other comprehensive income (loss)	**2,363**	643	(415)
Total Comprehensive Income	**$ 12,580**	$12,244	$ 3,547
Comprehensive income attributable to noncontrolling interest	**$ 7,633**	$ 6,810	$ 6,125
Comprehensive income (loss) attributable to Verizon	**4,947**	5,434	(2,578)
Total Comprehensive Income	**$ 12,580**	$12,244	$ 3,547

See Notes to Consolidated Financial Statements

Note 1

Description of Business and Summary of Significant Accounting Policies

Description of Business

Verizon Communications Inc. (Verizon or the Company) is one of the world's leading providers of communications services. We have two reportable segments, Domestic Wireless and Wireline. For further information concerning our business segments, see Note 14.

Verizon's Domestic Wireless segment, operating as Verizon Wireless, provides wireless voice and data services and equipment across the United States (U.S.) using one of the most extensive and reliable wireless networks in the nation. Verizon Wireless continues to expand its penetration of data services and offerings of data devices for both consumer and business customers.

Our Wireline segment provides communications services, including voice, broadband video and data, network access, nationwide long distance and other communications products and services, and also owns and operates one of the most expansive end-to-end global Internet Protocol (IP) networks. We continue to deploy advanced broadband network technology, with our fiber-to-the-premises network, operated under the FiOS service mark, creating a platform with sufficient bandwidth and capabilities to meet customers' current and future needs. FiOS allows us to offer our customers a wide array of broadband services, including advanced data and video offerings. Our IP network includes over 485,000 route miles of fiber optic cable and provides access to over 150 countries across six continents, enabling us to provide next-generation IP network products and information technology services to medium and large businesses and government customers worldwide.

Consolidation

The method of accounting applied to investments, whether consolidated, equity or cost, involves an evaluation of all significant terms of the investments that explicitly grant or suggest evidence of control or influence over the operations of the investee. The consolidated financial statements include our controlled subsidiaries. For controlled subsidiaries that are not wholly owned, the noncontrolling interest is included in Net income and Total equity. Investments in businesses which we do not control, but have the ability to exercise significant influence over operating and financial policies, are accounted for using the equity method. Investments in which we do not have the ability to exercise significant influence over operating and financial policies are accounted for under the cost method. Equity and cost method investments are included in Investments in unconsolidated businesses in our consolidated balance sheets. Certain of our cost method investments are classified as available-for-sale securities and adjusted to fair value pursuant to the accounting standard related to debt and equity securities. All significant intercompany accounts and transactions have been eliminated.

Basis of Presentation

We have reclassified certain prior year amounts to conform to the current year presentation. Also, refer to "Employee Benefit Plans" below regarding a change in accounting for benefit plans.

Corporate, eliminations and other during the periods presented include a non-cash adjustment of $0.2 billion, ($0.1 billion) and ($34 million) in 2010, 2009 and 2008, respectively, primarily to adjust wireless data revenues. This adjustment was recorded to properly defer previously recognized wireless data revenues that will be earned and recognized in future periods. The adjustment was recorded during 2010, which reduced Net income (loss) attributable to Verizon by approximately $0.1 billion. Consolidated revenues in 2009 and 2008 were not affected as the amounts involved were not material to our consolidated financial statements.

Use of Estimates

We prepare our financial statements using U.S. generally accepted accounting principles (GAAP), which require management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates.

Examples of significant estimates include: the allowance for doubtful accounts, the recoverability of plant, property and equipment, the recoverability of intangible assets and other long-lived assets, unbilled revenues, fair values of financial instruments, unrecognized tax benefits, valuation allowances on tax assets, accrued expenses, pension and postretirement benefit assumptions, contingencies and allocation of purchase prices in connection with business combinations.

Revenue Recognition

Domestic Wireless

Our Domestic Wireless segment earns revenue by providing access to and usage of its network, which includes voice and data revenue. In general, access revenue is billed one month in advance and recognized when earned. Usage revenue is generally billed in arrears and recognized when service is rendered. Equipment sales revenue associated with the sale of wireless handsets and accessories is recognized when the products are delivered to and accepted by the customer, as this is considered to be a separate earnings process from the sale of wireless services. For agreements involving the resale of third-party services in which we are considered the primary obligor in the arrangements, we record the revenue gross at the time of the sale.

Wireline

Our Wireline segment earns revenue based upon usage of its network and facilities and contract fees. In general, fixed monthly fees for voice, video, data and certain other services are billed one month in advance and recognized when earned. Revenue from services that are not fixed in amount and are based on usage is generally billed in arrears and recognized when such services are provided.

When we bundle the equipment with maintenance and monitoring services, we recognize equipment revenue when the equipment is installed in accordance with contractual specifications and ready for the customer's use. The maintenance and monitoring services are recognized monthly over the term of the contract as we provide the services. Long-term contracts are accounted for using the percentage of completion method. We use the completed contract method if we cannot estimate the costs with a reasonable degree of reliability.

Installation related fees, along with the associated costs up to but not exceeding these fees, are deferred and amortized over the estimated customer relationship period.

We report taxes imposed by governmental authorities on revenue-producing transactions between us and our customers on a net basis.

Discontinued Operations, Assets Held for Sale, and Sales of Businesses and Investments

We classify as discontinued operations for all periods presented any component of our business that we hold for sale that has operations and cash flows that are clearly distinguishable operationally and for financial reporting purposes.

Maintenance and Repairs

We charge the cost of maintenance and repairs, including the cost of replacing minor items not constituting substantial betterments, principally to Cost of services and sales as these costs are incurred.

Advertising Costs

Costs for advertising products and services as well as other promotional and sponsorship costs are charged to Selling, general and administrative expense in the periods in which they are incurred (see Note 16).

Earnings Per Common Share

Basic earnings per common share are based on the weighted-average number of shares outstanding during the period. Where appropriate, diluted earnings per common share include the dilutive effect of shares issuable under our stock-based compensation plans.

There were a total of approximately 3 million stock options and restricted stock units outstanding to purchase shares included in the computation of diluted earnings per common share for the year ended December 31, 2010. Dilutive stock options outstanding to purchase shares included in the computation of diluted earnings per common share for the years ended December 31, 2009 and 2008 were not significant. Outstanding options to purchase shares that were not included in the computation of diluted earnings per common share because to do so would have been anti-dilutive for the period, including approximately 73 million, 112 million, and 158 million weighted-average shares for the years ended December 31, 2010, 2009 and 2008, respectively.

We are authorized to issue up to 4.25 billion and 250 million shares of common stock and Series Preferred Stock, respectively.

Cash and Cash Equivalents

We consider all highly liquid investments with a maturity of 90 days or less when purchased to be cash equivalents. Cash equivalents are stated at cost, which approximates quoted market value and include amounts held in money market funds.

Marketable Securities

We have investments in marketable securities which are considered "available-for-sale" under the provisions of the accounting standard for certain debt and equity securities. Marketable securities are included in the accompanying consolidated balance sheets in Short-term investments, Investments in unconsolidated businesses or Other assets. We continually evaluate our investments in marketable securities for impairment due to declines in market value considered to be other-than-temporary. That evaluation includes, in addition to persistent, declining stock prices, general economic and company-specific evaluations. In the event of a determination that a decline in market value is other-than-temporary, a charge to earnings is recorded for the loss, and a new cost basis in the investment is established.

Inventories

Inventory consists of wireless and wireline equipment held for sale, which is carried at the lower of cost (determined principally on either an average cost or first-in, first-out basis) or market.

Plant and Depreciation

We record plant, property and equipment at cost. Our local telephone operations' depreciation expense is principally based on the composite group remaining life method and straight-line composite rates. This method provides for the recognition of the cost of the remaining net investment in local telephone plant, less anticipated net salvage value, over the remaining asset lives. This method requires the periodic revision of depreciation rates.

Plant, property and equipment of other wireline and wireless operations are generally depreciated on a straight-line basis. The asset lives used by our operations are presented in the following table:

Average Useful Lives (in years)	
Buildings	15 - 45
Central office and other network equipment	3 - 15
Outside communications plant	
Copper cable	15
Fiber cable (including undersea cable)	11 - 25
Poles, conduit and other	30 - 50
Furniture, vehicles and other	2 - 20

When we replace, retire or otherwise dispose of depreciable plant used in our local telephone network, we deduct the carrying amount of such plant from the respective accounts and charge it to accumulated depreciation. When the depreciable assets of our other wireline and wireless operations are retired or otherwise disposed of, the related cost and accumulated depreciation are deducted from the plant accounts, and any gains or losses on disposition are recognized in income.

We capitalize and depreciate network software purchased or developed along with related plant assets. We also capitalize interest associated with the acquisition or construction of network-related assets. Capitalized interest is reported as a reduction in interest expense and depreciated as part of the cost of the network-related assets.

In connection with our ongoing review of the estimated remaining average useful lives of plant, property and equipment at our local telephone operations, we determined that there were no changes necessary to average useful lives for 2010. We determined effective January 1, 2009 that the average useful lives of fiber cable (not including undersea cable) would be increased to 25 years from 20 to 25 years and the average useful lives of copper cable would be changed to 15 years from 13 to 18 years. The changes to average useful lives of fiber cable did not have a significant impact on depreciation expense. In connection with our ongoing review of the estimated remaining average useful lives of plant, property and equipment at our wireless operations, we determined that changes were necessary to the remaining estimated useful lives as a result of technology upgrades, enhancements, and planned retirements. These changes resulted in an increase in depreciation expense of $0.3 billion in 2010 and 2009, and $0.2 billion in 2008. While the timing and extent of current deployment plans are subject to ongoing analysis and modification, we believe the current estimates of useful lives are reasonable.

Computer Software Costs

We capitalize the cost of internal-use network and non-network software, which has a useful life in excess of one year. Subsequent additions, modifications or upgrades to internal-use network and non-network software are capitalized only to the extent that they allow the software to perform a task it previously did not perform. Software maintenance and training costs are expensed in the period in which they are incurred. Also, we capitalize interest associated with the development of internal-use network and non-network software. Capitalized non-network internal-use software costs are amortized using the straight-line method over a period of 2 to 7 years and are included in Other intangible assets, net in our consolidated balance sheets. For a discussion of our impairment policy for capitalized software costs, see "Goodwill and Other Intangible Assets" below. Also, see Note 4 for additional detail of internal-use non-network software reflected in our consolidated balance sheets.

Goodwill and Other Intangible Assets

Goodwill

Goodwill is the excess of the acquisition cost of businesses over the fair value of the identifiable net assets acquired. Impairment testing for goodwill is performed annually in the fourth fiscal quarter or more frequently if indications of potential impairment exist. The impairment test for goodwill uses a two-step approach, which is performed at the reporting unit level. We have determined that in our case, the reporting units are our operating segments since that is the lowest level at which discrete, reliable financial and cash flow information is regularly reviewed by our chief operating decision maker. Step one compares the fair value of the reporting unit (calculated using a market approach and/or a discounted cash flow method) to its carrying value. If the carrying value exceeds the fair value, there is a potential impairment and step two must be performed. Step two compares the carrying value of the reporting unit's goodwill to its implied fair value (i.e., fair value of reporting unit less the fair value of the unit's assets and liabilities, including identifiable intangible assets). If the implied fair value of goodwill is less than the carrying amount of goodwill, an impairment is recognized.

Intangible Assets Not Subject to Amortization

A significant portion of our intangible assets are wireless licenses that provide our wireless operations with the exclusive right to utilize designated radio frequency spectrum to provide cellular communication services. While licenses are issued for only a fixed time, generally ten years, such licenses are subject to renewal by the Federal Communications Commission (FCC). Renewals of licenses have occurred routinely and at nominal cost. Moreover, we have determined that there are currently no legal, regulatory, contractual, competitive, economic or other factors that limit the useful life of our wireless licenses. As a result, we treat the wireless licenses as an indefinite-lived intangible asset. We reevaluate the useful life determination for wireless licenses each year to determine whether events and circumstances continue to support an indefinite useful life.

We test our wireless licenses for potential impairment annually or more frequently if indications of impairment exist. We evaluate our licenses on an aggregate basis using a direct value approach. The direct value approach estimates fair value using a discounted cash flow analysis to estimate what a marketplace participant would be willing to pay to purchase the aggregated wireless licenses as of the valuation date. If the fair value of the aggregated wireless licenses is less than the aggregated carrying amount of the licenses, an impairment is recognized.

Interest expense incurred while qualifying activities are performed to ready wireless licenses for their intended use is capitalized as part of wireless licenses. The capitalization period ends when the development is substantially complete and the license is ready for its intended use.

Intangible Assets Subject to Amortization

Our intangible assets that do not have indefinite lives (primarily customer lists and non-network internal-use software) are amortized over their useful lives and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If any indications were present, we would test for recoverability by comparing the carrying amount of the asset to the net undiscounted cash flows expected to be generated from the asset. If those net undiscounted cash flows do not exceed the carrying amount, we would perform the next step, which is to determine the fair value of the asset and record an impairment, if any. We reevaluate the useful life determinations for these intangible assets each year to determine whether events and circumstances warrant a revision in their remaining useful lives.

For information related to the carrying amount of goodwill by segment, wireless licenses and other intangible assets, as well as the major components and average useful lives of our other acquired intangible assets, see Note 4.

Fair Value Measurements

Fair value of financial and non-financial assets and liabilities is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The three-tier hierarchy for inputs used in measuring fair value, which prioritizes the inputs used in the methodologies of measuring fair value for assets and liabilities, is as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities
Level 2 - Observable inputs other than quoted prices in active markets for identical assets and liabilities
Level 3 - No observable pricing inputs in the market

Financial assets and financial liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. Our assessment of the significance of a particular input to the fair value measurements requires judgment, and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

Income Taxes

Our effective tax rate is based on pre-tax income, statutory tax rates, tax laws and regulations and tax planning strategies available to us in the various jurisdictions in which we operate.

Deferred income taxes are provided for temporary differences in the bases between financial statement and income tax assets and liabilities. Deferred income taxes are recalculated annually at tax rates then in effect. We record valuation allowances to reduce our deferred tax assets to the amount that is more likely than not to be realized.

We use a two-step approach for recognizing and measuring tax benefits taken or expected to be taken in a tax return. The first step is recognition: we determine whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. In evaluating whether a tax position has met the more-likely-than-not recognition threshold, we presume that the position will be examined by the appropriate taxing authority that has full knowledge of all relevant information. The second step is measurement: a tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. The tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Differences between tax positions taken in a tax return and amounts recognized in the financial statements will generally result in one or more of the following: an increase in a liability for income taxes payable, a reduction of an income tax refund receivable, a reduction in a deferred tax asset, or an increase in a deferred tax liability.

The accounting standard relating to income taxes generated by leveraged lease transactions requires that changes in the projected timing of income tax cash flows generated by a leveraged lease transaction be recognized as a gain or loss in the year in which the change occurs.

Significant management judgment is required in evaluating our tax positions and in determining our effective tax rate.

Stock-Based Compensation

We measure and recognize compensation expense for all stock-based compensation awards made to employees and directors based on estimated fair values. See Note 11 for further details.

Foreign Currency Translation

The functional currency of our foreign operations is generally the local currency. For these foreign entities, we translate income statement amounts at average exchange rates for the period, and we translate assets and liabilities at end-of-period exchange rates. We record these translation adjustments in Accumulated other comprehensive income (loss), a separate component of Equity, in our consolidated balance sheets. We report exchange gains and losses on intercompany foreign currency transactions of a long-term nature in Accumulated other comprehensive income (loss). Other exchange gains and losses are reported in income.

Employee Benefit Plans

Pension and postretirement health care and life insurance benefits earned during the year as well as interest on projected benefit obligations are accrued currently. Prior service costs and credits resulting from changes in plan benefits are generally amortized over the average remaining service period of the employees expected to receive benefits. Expected return on plan assets is determined by applying the return on assets assumption to the actual fair value of plan assets. Actuarial gains and losses are recognized in operating results in the year in which they occur. These gains and losses are measured annually as of December 31 or upon a remeasurement event. Verizon management employees no longer earn pension benefits or earn service towards the company retiree medical subsidy (see Note 12).

We recognize a pension or a postretirement plan's funded status as either an asset or liability on the consolidated balance sheets. Also, we measure any unrecognized prior service costs and credits that arise during the period as a component of Accumulated other comprehensive income (loss), net of applicable income tax.

Change in Accounting for Benefit Plans

During the fourth quarter of 2010, Verizon retrospectively changed its method of accounting for pension and other postretirement benefits. Historically, Verizon has recognized actuarial gains and losses as a component of Equity in its consolidated balance sheets on an annual basis. These gains and losses were amortized into operating results generally over the average future service period of active employees. Verizon elected to immediately recognize actuarial gains and losses in its operating results in the year in which the gains and losses occur. This change is intended to improve the transparency of Verizon's operational performance by recognizing the effects of current economic and interest rate trends on plan investments and assumptions. Additionally, Verizon will no longer calculate expected return on plan assets using an averaging technique permitted under U.S. GAAP for market-related value of plan assets but instead will use actual fair value of plan assets. Accordingly, the financial data for all periods presented has been adjusted to reflect the effect of these accounting changes.

The cumulative effect of the change on Reinvested earnings as of January 1, 2008 was a decrease of approximately $3.0 billion, with the corresponding adjustment to Accumulated other comprehensive loss. The significant effects of the change in accounting for benefit plans on our consolidated statements of income and consolidated balance sheet for the periods presented were as follows:

(dollars in millions, except per share amounts)

Years ended December 31,	**2010**		**2009**		**2008**	
	Recognized Under Previous Method	**Recognized Under New Method**	**Previously Reported**	**Adjusted**	**Previously Reported**	**Adjusted**
Income Statement Information:						
Cost of services and sales	$ 45,127	$ 44,149	$ 44,299	$ 44,579	$ 39,007	$ 38,615
Selling, general and administrative expense	31,298	31,366	32,950	30,717	26,898	41,517
Depreciation and amortization expense	16,400	16,405	16,532	16,534	14,565	14,610
Income before (provision) benefit for income taxes	11,780	12,684	11,568	13,520	15,914	1,643
(Provision) benefit for income taxes	(2,094)	(2,467)	(1,210)	(1,919)	(3,331)	2,319
Net income	9,686	10,217	10,358	11,601	12,583	3,962
Net income (loss) attributable to Verizon	2,018	2,549	3,651	4,894	6,428	(2,193)
Basic Earnings (Loss) Per Common Share:						
Net income (loss) attributable to Verizon	0.71	0.90	1.29	1.72	2.26	(0.77)
Diluted Earnings (Loss) Per Common Share:						
Net income (loss) attributable to Verizon	0.71	0.90	1.29	1.72	2.26	(0.77)

At December 31,	**2010**		**2009**	
	Recognized Under Previous Method	**Recognized Under New Method**	**Previously Reported**	**Adjusted**
Balance Sheet Information:				
Reinvested earnings	$ 14,168	$ 4,368	$ 17,592	$ 7,260
Accumulated other comprehensive income (loss)	(8,443)	1,049	(11,479)	(1,372)

Derivative Instruments

We have entered into derivative transactions primarily to manage our exposure to fluctuations in foreign currency exchange rates, interest rates, equity and commodity prices. We employ risk management strategies, which may include the use of a variety of derivatives including cross currency swaps, foreign currency and prepaid forwards and collars, interest rate and commodity swap agreements and interest rate locks. We do not hold derivatives for trading purposes.

We measure all derivatives, including derivatives embedded in other financial instruments, at fair value and recognize them as either assets or liabilities on our consolidated balance sheets. Our derivative instruments are valued primarily using models based on readily observable market parameters for all substantial terms of our derivative contracts and thus are classified as Level 2. Changes in the fair values of derivative instruments not qualifying as hedges or any ineffective portion of hedges are recognized in earnings in the current period. Changes in the fair values of derivative instruments used effectively as fair value hedges are recognized in earnings, along with changes in the fair value of the hedged item. Changes in the fair value of the effective portions of cash flow hedges are reported in other comprehensive income (loss) and recognized in earnings when the hedged item is recognized in earnings.

Recently Adopted Accounting Standards

The adoption of the following accounting standards and updates during 2010 did not result in a significant impact to our consolidated financial statements:

In January 2010, we adopted the accounting standard regarding consolidation accounting for variable interest entities. This standard requires an enterprise to perform an analysis to determine whether the entity's variable interest or interests give it a controlling interest in a variable interest entity.

In January 2010, we adopted the accounting standard update regarding fair value measurements and disclosures, which requires additional disclosures regarding assets and liabilities measured at fair value.

In December 2010, we adopted the accounting standard update regarding disclosures for finance receivables and allowances for credit losses. This standard update requires that entities disclose information at more disaggregated levels than previously required.

Recent Accounting Standards

On January 1, 2011, we prospectively adopted the accounting standard update regarding revenue recognition for multiple deliverable arrangements. This method allows a vendor to allocate revenue in an arrangement using its best estimate of selling price if neither vendor specific objective evidence nor third party evidence of selling price exists. Accordingly, the residual method of revenue allocation is no longer permissible. The adoption of this standard update is not expected to have a significant impact on our consolidated financial statements.

On January 1, 2011, we prospectively adopted the accounting standard update regarding revenue recognition for arrangements that include software elements. This update requires tangible products that contain software and non-software elements that work together to deliver the products' essential functionality to be evaluated under the accounting standard regarding multiple deliverable arrangements. The adoption of this standard update is not expected to have a significant impact on our consolidated financial statements.

Note 2

Acquisitions

Acquisition of Alltel Corporation

On June 5, 2008, Verizon Wireless entered into an agreement and plan of merger with Alltel Corporation (Alltel), a provider of wireless voice and data services to consumer and business customers in 34 states, and its controlling stockholder, Atlantis Holdings LLC, an affiliate of private investment firms TPG Capital and GS Capital Partners, to acquire, in an all-cash merger, 100% of the equity of Alltel for cash consideration of $5.9 billion and the assumption of approximately $24 billion of aggregate principal amount of Alltel debt. Verizon Wireless closed the transaction on January 9, 2009.

We have completed the appraisals necessary to assess the fair values of the tangible and intangible assets acquired and liabilities assumed, the fair value of noncontrolling interests, and the amount of goodwill recognized as of the acquisition date.

The fair values of the assets acquired and liabilities assumed were determined using the income, cost, and market approaches. The fair value measurements were primarily based on significant inputs that are not observable in the market other than interest rate swaps (see Note 10) and long-term debt assumed in the acquisition. The income approach was primarily used to value the intangible assets, consisting primarily of wireless licenses and customer relationships. The cost approach was used, as appropriate, for plant, property and equipment. The market approach, which indicates value for a subject asset based on available market pricing for comparable assets, was utilized in combination with the income approach for certain acquired investments. Additionally, Alltel historically conducted business operations in certain markets through non-wholly owned entities (Managed Partnerships). The fair value of the noncontrolling interests in these Managed Partnerships as of the acquisition date of approximately $0.6 billion was estimated by using a market approach. The fair value of the majority of the long-term debt assumed and held was primarily valued using quoted market prices.

In December 2008, Verizon Wireless and Verizon Wireless Capital LLC, as the borrowers, entered into a $17.0 billion credit facility (Bridge Facility). On January 9, 2009, Verizon Wireless borrowed $12.4 billion under the Bridge Facility in order to complete the acquisition of Alltel and repay a portion of the approximately $24 billion of Alltel debt assumed. Verizon Wireless used cash generated from operations and the net proceeds from the sale of notes in private placements issued in February 2009, May 2009 and June 2009, to repay the borrowings under the Bridge Facility (see Note 9). The Bridge Facility and the commitments under the Bridge Facility have been terminated.

The following table summarizes the consideration paid and the allocation of the assets acquired, including cash acquired of $1.0 billion, and liabilities assumed as of the close of the acquisition, as well as the fair value at the acquisition date of Alltel's noncontrolling partnership interests:

	(dollars in millions)
Assets acquired	
Current assets	$ 2,760
Plant, property and equipment	3,513
Wireless licenses	9,444
Goodwill	16,353
Intangible assets subject to amortization	2,391
Other assets	2,444
Total assets acquired	36,905
Liabilities assumed	
Current liabilities	1,833
Long-term debt	23,929
Deferred income taxes and other liabilities	5,032
Total liabilities assumed	30,794
Net assets acquired	6,111
Noncontrolling interest	(519)
Contributed capital	333
Total cash consideration	$ 5,925

Included in the above purchase price allocation is $2.1 billion of net assets that were divested as a condition of the regulatory approval as described below.

Wireless licenses have an indefinite life, and accordingly, are not subject to amortization. The weighted average period prior to renewal of these licenses at acquisition was approximately 5.7 years. The customer relationships included in Intangible assets subject to amortization are being amortized using an accelerated method over 8 years, and other intangibles are being amortized on a straight-line basis or an accelerated method over a period of 2 to 3 years. At the time of the acquisition, goodwill of approximately $1.4 billion was expected to be deductible for tax purposes.

Alltel Divestiture Markets

As a condition of the regulatory approvals by the Department of Justice (DOJ) and the FCC to complete the acquisition in January 2009, Verizon Wireless was required to divest overlapping properties in 105 operating markets in 24 states (Alltel Divestiture Markets). Total assets and total liabilities divested were $2.6 billion and $0.1 billion, respectively, principally comprised of network assets, wireless licenses and customer relationships that were included in Prepaid expenses and other current assets and Other current liabilities, respectively, on the accompanying consolidated balance sheet at December 31, 2009.

On May 8, 2009, Verizon Wireless entered into a definitive agreement with AT&T Mobility LLC (AT&T Mobility), a subsidiary of AT&T Inc., pursuant to which AT&T Mobility agreed to acquire 79 of the 105 Alltel Divestiture Markets, including licenses and network assets, for approximately $2.4 billion in cash. On June 9, 2009, Verizon Wireless entered into a definitive agreement with Atlantic Tele-Network, Inc. (ATN), pursuant to which ATN agreed to acquire the remaining 26 Alltel Divestiture Markets, including licenses and network assets, for $0.2 billion in cash. During the second quarter of 2010, Verizon Wireless completed both transactions. Upon completion of the divestitures, we recorded a tax charge of approximately $0.2 billion for the taxable gain associated with the Alltel Divestiture Markets.

Pro Forma Information

The unaudited pro forma information presents the combined operating results of Verizon and Alltel, with the results prior to the acquisition date adjusted to include the pro forma impact of: the elimination of transactions between Verizon and Alltel; the adjustment of amortization of intangible assets and depreciation of fixed assets based on the purchase price allocation; the elimination of merger expenses and management fees incurred by Alltel; and the adjustment of interest expense reflecting the assumption and partial redemption of Alltel's debt and incremental borrowing incurred by Verizon Wireless to complete the acquisition of Alltel.

The unaudited pro forma results are presented for illustrative purposes only and do not reflect the realization of potential cost savings, or any related integration costs. These pro forma results do not purport to be indicative of the results that would have actually been obtained if the merger had occurred as of January 1, 2008, nor does the pro forma data intend to be a projection of results that may be obtained in the future.

The following unaudited pro forma consolidated results of operations assume that the acquisition of Alltel was completed as of January 1, 2008:

(dollars in millions, except per share amounts)	
Year ended December 31,	2008
Operating revenues	$ 106,509
Net loss attributable to Verizon	(2,140)
Loss per common share from net loss attributable to Verizon:	
Basic	(.75)
Diluted	(.75)

Consolidated results of operations reported for the year ended December 31, 2009 were not significantly different than the pro forma consolidated results of operations assuming the acquisition of Alltel was completed on January 1, 2009.

Acquisition of Rural Cellular Corporation

On August 7, 2008, Verizon Wireless acquired 100% of the outstanding common stock and redeemed all of the preferred stock of Rural Cellular Corporation (Rural Cellular) in a cash transaction valued at approximately $1.3 billion. The final purchase price allocation primarily resulted in $1.1 billion of wireless licenses and $0.9 billion in goodwill. Rural Cellular was a wireless communications service provider operating under the trade name of "Unicel," focusing primarily on rural markets in the United States.

As part of its regulatory approval for the Rural Cellular acquisition, the FCC and DOJ required the divestiture of six operating markets. On December 22, 2008, we exchanged assets acquired from Rural Cellular and an additional cellular license with AT&T for assets having a total aggregate value of approximately $0.5 billion.

Other

On August 23, 2010, Verizon Wireless acquired the net assets and related customers of six operating markets in Louisiana and Mississippi in a transaction with AT&T Inc. for cash consideration of $0.2 billion. These assets were acquired to enhance Verizon Wireless' network coverage in these operating markets. The preliminary purchase price allocation primarily resulted in $0.1 billion of wireless licenses and $0.1 billion in goodwill.

Terremark Worldwide, Inc.

On January 27, 2011, Verizon announced that it had entered into a definitive agreement to acquire all of the common stock of Terremark Worldwide, Inc., a global provider of IT infrastructure and cloud services, for $19 per share in cash (or approximately $1.4 billion). Terremark had approximately $0.5 billion of debt outstanding as of December 31, 2010. The acquisition, which is subject to the satisfaction of conditions, including the receipt of a regulatory approval, is expected to close in the first quarter of 2011. The acquisition will enhance Verizon's offerings to governmental and large enterprise customers.

Merger Integration and Acquisition Related Charges

During 2010, we recorded pre-tax merger integration charges of $0.9 billion primarily related to the Alltel acquisition. These charges primarily related to the decommissioning of overlapping cell sites, preacquisition contingencies, handset conversions and trade name amortization.

During 2009, we recorded pre-tax merger integration and acquisition charges of $1.2 billion. These charges primarily related to the Alltel acquisition and were comprised of trade name amortization, re-branding initiatives and handset conversions. The charges during 2009 were also comprised of transaction fees and costs associated with the acquisition, including fees related to the credit facility that was entered into and utilized to complete the acquisition.

During 2008, we recorded pre-tax charges of $0.2 billion, primarily comprised of systems integration activities and other costs related to re-branding initiatives, facility exit costs and advertising associated with the MCI acquisition.

Note 3

Dispositions

Frontier Transaction

On May 13, 2009, we announced plans to spin off a newly formed subsidiary of Verizon (Spinco) to our stockholders and for Spinco to merge with Frontier Communications Corporation (Frontier) immediately following the spin-off pursuant to a definitive agreement with Frontier, with Frontier to be the surviving corporation.

On July 1, 2010, after receiving regulatory approval, we completed the spin-off of the shares of Spinco to Verizon stockholders and the merger of Spinco with Frontier, resulting in Verizon stockholders collectively owning approximately 68 percent of Frontier's equity which was outstanding immediately following the merger. Frontier issued approximately 678.5 million shares of Frontier common stock in the aggregate to Verizon stockholders in the merger, and Verizon stockholders received one share of Frontier common stock for every 4.165977 shares of Verizon common stock they owned as of June 7, 2010. Verizon stockholders received cash in lieu of any fraction of a share of Frontier common stock to which they otherwise were entitled.

At the time of the spin-off and the merger, Spinco held defined assets and liabilities of the local exchange business and related landline activities of Verizon in Arizona, Idaho, Illinois, Indiana, Michigan, Nevada, North Carolina, Ohio, Oregon, South Carolina, Washington, West Virginia and Wisconsin, and in portions of California bordering Arizona, Nevada and Oregon, including Internet access and long distance services and broadband video provided to designated customers in those areas. The transactions did not involve any assets or liabilities of Verizon Wireless. The merger resulted in Frontier acquiring approximately 4 million access lines and certain related businesses from Verizon, which collectively generated revenues of approximately $4 billion for Verizon's Wireline segment during 2009 and approximately $1.7 billion of revenue for Verizon's Wireline segment during the six months ended June 30, 2010.

Pursuant to the terms of Verizon's equity incentive plans, shortly following the closing of the spin-off and the merger, the number of outstanding and unvested restricted stock units (RSUs) and performance stock units (PSUs) held by current and former Verizon employees (including Verizon employees who became employees of Frontier in connection with the merger) was increased to reflect a number of additional units approximately equal to the cash value of the Frontier common stock that the holders of the RSUs and PSUs would have received with respect to hypothetical shares of Verizon common stock subject to awards under those plans. In addition, the exercise prices and number of shares of Verizon common stock underlying stock options to purchase shares of Verizon common stock previously granted to employees under equity incentive plans were adjusted pursuant to the terms of those plans to take into account the decrease in the value of Verizon common stock immediately following the spin-off and merger.

The total value of the transaction to Verizon and its stockholders was approximately $8.6 billion. Verizon stockholders received $5.3 billion in Frontier common stock (based on the valuation formula contained in the merger agreement with Frontier) as described above, and Verizon received $3.3 billion in aggregate value, comprised of $3.1 billion in the form of a special cash payment from Spinco and $0.3 billion in a reduction in Verizon's consolidated indebtedness. During July 2010, Verizon used the proceeds from the special cash payment to reduce its consolidated indebtedness (see Note 9). The accompanying consolidated financial statements for the year ended December 31, 2010 include these operations prior to the completion of the spin-off on July 1, 2010. The spin-off decreased Goodwill and Total equity by approximately $0.6 billion and $1.9 billion, respectively.

On April 12, 2010, Spinco completed a financing of $3.2 billion in principal amount of notes. The gross proceeds of the offering were deposited into an escrow account. Immediately prior to the spin-off on July 1, 2010, the funds in the escrow account representing the net cash proceeds from the offering were released to Verizon. These proceeds are reflected in the consolidated statement of cash flows as Proceeds from access line spin-off.

Verizon received a ruling from the Internal Revenue Service confirming that both the spin-off and the merger qualify as tax-free transactions for U.S. tax purposes, except to the extent that cash is paid to Verizon shareholders in lieu of fractional shares. In addition, Verizon received a ruling from Canada Revenue Agency confirming that the spin-off qualifies as a tax-free transaction for Canadian tax purposes.

During 2010 and 2009, we recorded pre-tax charges of $0.5 billion and $0.2 billion, respectively, primarily for costs incurred related to network, non-network software and other activities to enable the divested markets in the transaction with Frontier to operate on a stand-alone basis subsequent to the closing of the transaction, and professional advisory and legal fees in connection with this transaction. Also included during 2010 are fees related to early extinguishment of debt. During 2009, we also recorded pre-tax charges of $0.2 billion for costs incurred related to our Wireline cost reduction initiatives.

FairPoint Transaction

On March 31, 2008, we completed the spin-off of the shares of Northern New England Spinco Inc. to Verizon shareowners and the merger of Northern New England Spinco Inc. with FairPoint Communications, Inc. As a result of the spin-off, our net debt was reduced by approximately $1.4 billion. The consolidated statements of income for the periods presented include the results of operations of the local exchange and related business assets in Maine, New Hampshire and Vermont through the date of completion of the spin-off.

During 2008, we recorded charges of $0.1 billion for costs incurred related to the separation of the wireline facilities and operations in Maine, New Hampshire and Vermont from Verizon at the closing of the transaction, as well as for professional advisory and legal fees in connection with this transaction.

Note 4

Wireless Licenses, Goodwill and Other Intangible Assets

Wireless Licenses

Changes in the carrying amount of wireless licenses are as follows:

	(dollars in millions)
Balance at December 31, 2008	$ 61,974
Wireless licenses acquired (Note 2)	9,444
Capitalized interest on wireless licenses	730
Reclassifications, adjustments and other	(81)
Balance at December 31, 2009	$ 72,067
Wireless licenses acquired (Note 2)	**178**
Capitalized interest on wireless licenses	**748**
Reclassifications, adjustments and other	**3**
Balance at December 31, 2010	**$ 72,996**

During the years ended December 31, 2010 and 2009, approximately $12.2 billion of wireless licenses were under development for commercial service for which we were capitalizing interest costs. In December 2010, a portion of these licenses were placed in service. Accordingly, approximately $3.3 billion of wireless licenses continue to be under development for commercial service.

During 2008, Verizon Wireless was the winning bidder in the FCC auction of spectrum in the 700 MHz band and paid the FCC $9.4 billion to acquire 109 licenses in the 700 MHz band.

The average remaining renewal period of our wireless license portfolio was 6.9 years as of December 31, 2010 (see Note 1, Goodwill and Other Intangible Assets – *Intangible Assets Not Subject to Amortization*).

Goodwill

Changes in the carrying amount of goodwill are as follows:

(dollars in millions)	Domestic Wireless	Wireline	Total
Balance at December 31, 2008	$ 1,297	$ 4,738	$ 6,035
Acquisitions (Note 2)	16,353	–	16,353
Reclassifications, adjustments and other	88	(4)	84
Balance at December 31, 2009	$ 17,738	$ 4,734	$22,472
Acquisitions (Note 2)	**131**	**–**	**131**
Dispositions (Note 3)	**–**	**(614)**	**(614)**
Reclassifications, adjustments and other	**–**	**(1)**	**(1)**
Balance at December 31, 2010	**$ 17,869**	**$ 4,119**	**$21,988**

Reclassifications, adjustments and other in Domestic Wireless during 2009 relate to the finalization of the Rural Cellular purchase accounting.

Other Intangible Assets

The following table displays the composition of other intangible assets:

	At December 31, 2010			At December 31, 2009 (dollars in millions)		
	Gross Amount	**Accumulated Amortization**	**Net Amount**	Gross Amount	Accumulated Amortization	Net Amount
Other intangible assets:						
Customer lists (6 to 8 years)	**$ 3,150**	**$ (1,551)**	**$ 1,599**	$ 3,134	$ (1,012)	$ 2,122
Non-network internal-use software (2 to 7 years)	**8,446**	**(4,614)**	**3,832**	8,455	(4,346)	4,109
Other (2 to 25 years)	**885**	**(486)**	**399**	865	(332)	533
Total	**$ 12,481**	**$ (6,651)**	**$ 5,830**	$ 12,454	$ (5,690)	$ 6,764

The amortization expense for other intangible assets was as follows:

Years	(dollars in millions)
2010	**$ 1,812**
2009	1,970
2008	1,383

Estimated annual amortization expense for other intangible assets is as follows:

Years	(dollars in millions)
2011	$ 1,656
2012	1,335
2013	1,100
2014	729
2015	512

Note 5

Plant, Property and Equipment

The following table displays the details of Plant, property and equipment, which is stated at cost:

At December 31,	**2010**	2009 (dollars in millions)
Land	**$ 865**	$ 925
Buildings and equipment	**21,064**	21,492
Network equipment	**170,086**	184,547
Furniture, office and data processing equipment	**8,301**	9,083
Work in progress	**4,375**	4,194
Leasehold improvements	**4,816**	4,694
Vehicles and other	**2,148**	4,808
	211,655	229,743
Less accumulated depreciation	**123,944**	137,758
Total	**$ 87,711**	$ 91,985

Note 6

Investments in Unconsolidated Businesses

Our investments in unconsolidated businesses are comprised of the following:

At December 31,	Ownership	2010	2009
		(dollars in millions)	
Equity Investees			
Vodafone Omnitel	**23.1%**	**$ 2,002**	$ 1,978
Other	**Various**	**1,471**	1,130
Total equity investees		**3,473**	3,108
Cost Investees	**Various**	**24**	10
Total investments in unconsolidated businesses		**$ 3,497**	$ 3,118

Dividends and repatriations of foreign earnings received from these investees amounted to $0.5 billion in 2010, $0.9 billion in 2009 and $0.8 billion in 2008.

Equity Method Investments

Vodafone Omnitel

Vodafone Omnitel N.V. (Vodafone Omnitel) is the second largest wireless communications company in Italy. At December 31, 2010 and 2009, our investment in Vodafone Omnitel included goodwill of $1.1 billion.

Other Equity Investees

We have limited partnership investments in entities that invest in affordable housing projects, for which we provide funding as a limited partner and receive tax deductions and tax credits based on our partnership interests. At December 31, 2010 and 2009, we had equity investments in these partnerships of $1.2 billion and $0.9 billion, respectively. We adjust the carrying value of these investments for any losses incurred by the limited partnerships through earnings.

The remaining investments include wireless partnerships in the U.S. and other smaller domestic and international investments.

Cost Method Investments

Some of our cost investments are carried at their current market value. Other cost investments are carried at their original cost if the current market value is not readily determinable. We do however, adjust the carrying value of these securities in cases where we have determined that a decline in their estimated market value is other-than-temporary.

Summarized Financial Information

Summarized financial information for our equity investees is as follows:

Balance Sheet

At December 31,	2010	2009
	(dollars in millions)	
Current assets	**$ 3,620**	$ 3,588
Noncurrent assets	**7,568**	8,179
Total assets	**$ 11,188**	$ 11,767
Current liabilities	**$ 5,509**	$ 6,804
Noncurrent liabilities	**8**	49
Equity	**5,671**	4,914
Total liabilities and equity	**$ 11,188**	$ 11,767

Income Statement

Years Ended December 31,	2010	2009	2008
		(dollars in millions)	
Net revenue	**$12,356**	$12,903	$13,077
Operating income	**4,156**	4,313	3,820
Net income	**2,563**	2,717	2,634

Note 7

Noncontrolling Interest

Noncontrolling interests in equity of subsidiaries were as follows:

At December 31,	2010	2009
	(dollars in millions)	
Noncontrolling interests in consolidated subsidiaries:		
Verizon Wireless	**$ 47,557**	$ 41,950
Wireless partnerships	**786**	811
	$ 48,343	$ 42,761

Wireless Joint Venture

Our Domestic Wireless segment, Cellco Partnership doing business as Verizon Wireless (Verizon Wireless) is a joint venture formed in April 2000 by the combination of the U.S. wireless operations and interests of Verizon and Vodafone. Verizon owns a controlling 55% interest in Verizon Wireless and Vodafone owns the remaining 45%.

Note 8

Leasing Arrangements

As Lessor

We are the lessor in leveraged and direct financing lease agreements for commercial aircraft, power generating facilities, telecommunications equipment, real estate property and other equipment. These leases have remaining terms of up to 40 years as of December 31, 2010. In addition, we lease space on certain of our cell towers to other wireless carriers. Minimum lease payments receivable represent unpaid rentals, less principal and interest on third-party nonrecourse debt relating to leveraged lease transactions. Since we have no general liability for this debt, which holds a senior security interest in the leased equipment and rentals, the related principal and interest have been offset against the minimum lease payments receivable in accordance with GAAP. All recourse debt is reflected in our consolidated balance sheets.

At each reporting period, we monitor the credit quality of the various lessees in our portfolios. Regarding the leveraged lease portfolio, external credit reports are used where available and where not available we use internally developed indicators. These indicators or internal credit risk grades factor historic loss experience, the value of the underlying collateral, delinquency trends, industry and general economic conditions. The credit quality of our lessees vary from AAA to B-. All accounts are current as of the end of this reporting period. For each reporting period the leveraged leases within the portfolio are reviewed for indicators of impairment where it is probable the rent due according to the contractual terms of the lease will not be collected. Currently there are no impaired leases.

Finance lease receivables, which are included in Prepaid expenses and other and Other assets in our consolidated balance sheets are comprised of the following:

(dollars in millions)

At December 31,			**2010**			2009
	Leveraged Leases	**Direct Finance Leases**	**Total**	Leveraged Leases	Direct Finance Leases	Total
Minimum lease payments receivable	**$ 2,360**	**$ 155**	**$ 2,515**	$ 2,504	$ 166	$ 2,670
Estimated residual value	**1,305**	**7**	**1,312**	1,410	12	1,422
Unearned income	**(1,140)**	**(20)**	**(1,160)**	(1,251)	(19)	(1,270)
Total	**$ 2,525**	**$ 142**	**$ 2,667**	$ 2,663	$ 159	$ 2,822
Allowance for doubtful accounts			**(152)**			(158)
Finance lease receivables, net			**$ 2,515**			$ 2,664
Prepaid expenses and other			**$ 59**			$ 72
Other assets			**2,456**			2,592
			$ 2,515			$ 2,664

Accumulated deferred taxes arising from leveraged leases, which are included in Deferred income taxes, amounted to $2.0 billion at December 31, 2010 and $2.1 billion at December 31, 2009.

The following table is a summary of the components of income from leveraged leases:

(dollars in millions)

Years Ended December 31,	**2010**	2009	2008
Pretax income	**$ 74**	$ 83	$ 74
Income tax expense	**32**	34	30

The future minimum lease payments to be received from noncancelable capital leases (direct financing and leveraged leases), net of nonrecourse loan payments related to leveraged leases and allowances for doubtful accounts, along with payments relating to operating leases for the periods shown at December 31, 2010, are as follows:

(dollars in millions)

Years	Capital Leases	Operating Leases
2011	$ 194	$ 109
2012	156	89
2013	151	71
2014	129	51
2015	85	26
Thereafter	1,800	40
Total	**$ 2,515**	**$ 386**

As Lessee

We lease certain facilities and equipment for use in our operations under both capital and operating leases. Total rent expense under operating leases amounted to $2.5 billion in 2010 and 2009, and $2.2 billion in 2008.

Amortization of capital leases is included in Depreciation and amortization expense in the consolidated statements of income. Capital lease amounts included in Plant, property and equipment are as follows:

(dollars in millions)

At December 31,	2010	2009
Capital leases	**$ 321**	$ 357
Less accumulated amortization	**79**	126
Total	**$ 242**	$ 231

The aggregate minimum rental commitments under noncancelable leases for the periods shown at December 31, 2010, are as follows:

(dollars in millions)

Years	Capital Leases	Operating Leases
2011	$ 97	$ 1,898
2012	74	1,720
2013	70	1,471
2014	54	1,255
2015	42	1,012
Thereafter	81	5,277
Total minimum rental commitments	418	$ 12,633
Less interest and executory costs	86	
Present value of minimum lease payments	332	
Less current installments	75	
Long-term obligation at December 31, 2010	**$ 257**	

As of December 31, 2010, the total minimum sublease rentals to be received in the future under noncancelable operating subleases was not significant.

Note 9

Debt

Changes to debt during 2010 are as follows:

(dollars in millions)	Debt Maturing within One Year	Long-term Debt	Total
Balance at January 1, 2010	$ 7,205	$ 55,051	$ 62,256
Repayments of long-term borrowings and capital lease obligations	(6,118)	(2,018)	(8,136)
Decrease in short-term obligations, excluding current maturities	(1,097)	–	(1,097)
Reclassifications of long-term debt	7,362	(7,362)	–
Other	190	(419)	(229)
Balance at December 31, 2010	**$ 7,542**	**$ 45,252**	**$ 52,794**

Debt maturing within one year is as follows:

At December 31,	(dollars in millions) 2010	2009
Long-term debt maturing within one year	$ 7,542	$ 6,105
Commercial paper	–	1,100
Total debt maturing within one year	$ 7,542	$ 7,205

At December 31, 2010, there was no commercial paper outstanding. The weighted average interest rate for our commercial paper outstanding at December 31, 2009 was 0.7%.

Capital expenditures (primarily acquisition and construction of network assets) are partially financed pending long-term financing through bank loans and the issuance of commercial paper payable within 12 months.

On April 14, 2010, we terminated all commitments under our previous $5.3 billion 364-day credit facility with a syndicate of lenders and entered into a new $6.2 billion three-year credit facility with a group of major financial institutions. As of December 31, 2010, the unused borrowing capacity under the three-year credit facility was approximately $6.1 billion.

Long-Term Debt

Outstanding long-term debt obligations are as follows:

			(dollars in millions)	
At December 31,	**Interest Rates %**	**Maturities**	**2010**	2009
Verizon Communications – notes payable and other	**4.35 – 5.50**	**2011 – 2018**	**$ 6,062**	$ 6,196
	5.55 – 6.90	**2012 – 2038**	**10,441**	10,386
	7.35 – 8.95	**2012 – 2039**	**7,677**	9,671
Verizon Wireless – notes payable and other	**3.75 – 5.55**	**2011 – 2014**	**7,000**	7,000
	7.38 – 8.88	**2011 – 2018**	**5,975**	6,118
	Floating	**2011**	**1,250**	6,246
Verizon Wireless – Alltel assumed notes	**6.50 – 7.88**	**2012 – 2032**	**2,315**	2,334
Telephone subsidiaries – debentures	**4.63 – 7.00**	**2011 – 2033**	**7,937**	8,797
	7.15 – 7.88	**2012 – 2032**	**1,449**	1,449
	8.00 – 8.75	**2011 – 2031**	**880**	1,080
Other subsidiaries – debentures and other	**6.84 – 8.75**	**2018 – 2028**	**1,700**	1,700
Employee stock ownership plan loans	–	–	–	23
Capital lease obligations (average rates of 6.8% and 6.3%, respectively)			**332**	397
Unamortized discount, net of premium			**(224)**	(241)
Total long-term debt, including current maturities			**52,794**	61,156
Less long-term debt maturing within one year			**7,542**	6,105
Total long-term debt			**$ 45,252**	$ 55,051

Notes Payable and Other

2010

During July 2010, Verizon received approximately $3.1 billion in cash in connection with the completion of the spin-off and merger of Spinco (see Note 3). This special cash payment was subsequently used to redeem $2.0 billion of 7.25% Verizon Communications Notes due December 2010 at a redemption price of 102.7% of the principal amount of the notes, plus accrued and unpaid interest through the date of redemption, as well as other short-term borrowings. In addition, during 2010 Verizon repaid $0.2 billion of floating rate vendor financing debt.

During 2011, $0.5 billion of 5.35% Verizon Communications notes matured and were repaid and Verizon utilized $0.3 billion of a fixed rate vendor financing facility.

2009

During 2009, Verizon issued $1.8 billion of 6.35% notes due 2019 and $1.0 billion of 7.35% Notes due 2039, resulting in cash proceeds of $2.7 billion, net of discounts and issuance costs, which was used to reduce our commercial paper borrowings, repay maturing debt and for general corporate purposes. In January 2009, Verizon utilized a $0.2 billion floating rate vendor financing facility. In addition, during 2009 $0.5 billion of floating rate Notes due 2009 and $0.1 billion of 8.23% Verizon Notes matured and were repaid.

Verizon Wireless – Notes Payable and Other

Verizon Wireless Capital LLC, a wholly owned subsidiary of Verizon Wireless, is a limited liability company formed under the laws of Delaware on December 7, 2001 as a special purpose finance subsidiary to facilitate the offering of debt securities of Verizon Wireless by acting as co-issuer. Other than the financing activities as a co-issuer of Verizon Wireless indebtedness, Verizon Wireless Capital LLC has no material assets, operations or revenues. Verizon Wireless is jointly and severally liable with Verizon Wireless Capital LLC for co-issued notes, as indicated below.

2010

On June 28, 2010, Verizon Wireless exercised its right to redeem the outstanding $1.0 billion of aggregate floating rate notes due June 2011 at a redemption price of 100% of the principal amount of the notes, plus accrued and unpaid interest through the date of redemption. In addition, during 2010, Verizon Wireless repaid the remaining $4.0 billion of borrowings that were outstanding under a $4.4 billion Three-Year Term Loan Facility Agreement with a maturity date of September 2011 (Three-Year Term Loan Facility). No borrowings remain outstanding under this facility as of December 31, 2010 and this facility has been cancelled.

2009

During November 2009, Verizon Wireless and Verizon Wireless Capital LLC completed an exchange offer to exchange privately placed notes issued in November 2008, and February and May 2009 for new notes with similar terms.

In June 2009, Verizon Wireless issued $1.0 billion aggregate principal amount of floating rate notes due 2011.

In May 2009, Verizon Wireless and Verizon Wireless Capital LLC co-issued $4.0 billion aggregate principal amount of two-year fixed and floating rate notes in a private placement resulting in cash proceeds of approximately $4.0 billion, net of discounts and issuance costs. In February 2009, Verizon Wireless and Verizon Wireless Capital LLC co-issued $4.3 billion aggregate principal amount of three and five-year fixed rate notes in a private placement resulting in cash proceeds of $4.2 billion, net of discounts and issuance costs.

In August 2009, Verizon Wireless repaid $0.4 billion of borrowings that were outstanding under the Three-Year Term Loan Facility, reducing the outstanding borrowings under this facility to $4.0 billion as of December 31, 2009.

Telephone and Other Subsidiary Debt

During 2010, $0.3 billion of 6.125% and $0.2 billion of 8.625% Verizon New York Inc. Debentures, $0.2 billion of 6.375% Verizon North Inc. Debentures and $0.2 billion of 6.3% Verizon Northwest Inc. Debentures matured and were repaid. During 2009, we redeemed $0.1 billion of 6.8% Verizon New Jersey Inc. Debentures, $0.3 billion of 6.7% Debentures and $0.2 billion of 5.5% Verizon California Inc. Debentures and $0.2 billion of 5.875% Verizon New England Inc. Debentures. In April 2009, we redeemed $0.5 billion of 7.51% GTE Corporation Debentures.

Guarantees

We guarantee the debt obligations of GTE Corporation (but not the debt of its subsidiary or affiliate companies) that were issued and outstanding prior to July 1, 2003. As of December 31, 2010, $1.7 billion principal amount of these obligations remain outstanding.

Debt Covenants

We and our consolidated subsidiaries are in compliance with all debt covenants.

Maturities of Long-Term Debt

Maturities of long-term debt outstanding at December 31, 2010 are as follows:

Years	(dollars in millions)
2011	$ 7,542
2012	5,902
2013	5,915
2014	3,529
2015	1,201
Thereafter	28,705

Note 10

Fair Value Measurements and Financial Instruments

The following table presents the balances of assets measured at fair value on a recurring basis as of December 31, 2010:

(dollars in millions)

	Level 1	Level 2	Level 3	Total
Assets:				
Short-term investments:				
Equity securities	$ 281	$ –	$ –	$ 281
Fixed income securities	8	256	–	264
Other current assets:				
Interest rate swaps	–	42	–	42
Cross currency swaps	–	7	–	7
Other assets:				
Equity securities	285	–	–	285
Fixed income securities	205	766	–	971
Interest rate swaps	–	278	–	278
Forward interest rate swaps	–	108	–	108
Cross currency swaps	–	101	–	101
Total	$ 779	$ 1,558	$ –	$ 2,337

Equity securities consist of investments in common stock of domestic and international corporations in a variety of industry sectors and are generally measured using quoted prices in active markets and are classified as Level 1.

Fixed income securities consist primarily of investments in U.S. Treasuries and agencies, as well as municipal bonds. We use quoted prices in active markets for our U.S. Treasury securities, and therefore these securities are classified as Level 1. For all other fixed income securities that do not have quoted prices in active markets, we use alternative matrix pricing as a practical expedient resulting in these debt securities being classified as Level 2.

Derivative contracts are valued using models based on readily observable market parameters for all substantial terms of our derivative contracts and thus are classified within Level 2. We use mid-market pricing for fair value measurements of our derivative instruments.

We recognize transfers between levels of the fair value hierarchy as of the end of the reporting period. There were no transfers within the fair value hierarchy during 2010.

Fair Value of Short-term and Long-term Debt

The fair value of our short-term and long-term debt, excluding capital leases, is determined based on market quotes for similar terms and maturities or future cash flows discounted at current rates. The fair value of our short-term and long-term debt, excluding capital leases, was as follows:

(dollars in millions)

At December 31,	**2010**		2009	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Short and long-term debt, excluding capital leases	**$ 52,462**	**$ 59,020**	$ 61,859	$ 67,359

Derivatives

Interest Rate Swaps

We have entered into domestic interest rate swaps to achieve a targeted mix of fixed and variable rate debt, where we principally receive fixed rates and pay variable rates based on London Interbank Offered Rate (LIBOR). These swaps are designated as fair value hedges and hedge against changes in the fair value of our debt portfolio. We record the interest rate swaps at fair value on our consolidated balance sheets as assets and liabilities. Changes in the fair value of the interest rate swaps are recorded to Interest expense, which are offset by changes in the fair value of the debt due to changes in interest rates. The fair value of these contracts was $0.3 billion and $0.2 billion at December 31, 2010 and December 31, 2009, respectively, and are primarily included in Other assets and Long-term debt. As of December 31, 2010, the total notional amount of these interest rate swaps was $6.0 billion. During February 2011, we entered into interest rate swaps, designated as fair value hedges, with a notional amount of approximately $3.0 billion.

Forward Interest Rate Swaps

In order to manage our exposure to future interest rate changes, during 2010, we entered into forward interest rate swaps with a total notional value of $1.4 billion. We have designated these contracts as cash flow hedges. The fair value of these contracts was $0.1 billion at December 31, 2010 and the contracts are included in Other assets. On or before February 7, 2011, Verizon terminated these forward interest rate swaps.

Cross Currency Swaps

Verizon Wireless has entered into cross currency swaps designated as cash flow hedges to exchange approximately $2.4 billion British Pound Sterling and Euro denominated debt into U.S. dollars and to fix our future interest and principal payments in U.S. dollars, as well as mitigate the impact of foreign currency transaction gains or losses. The fair value of these swaps included primarily in Other assets was approximately $0.1 billion and $0.3 billion at December 31, 2010 and December 31, 2009, respectively. During 2010 and 2009, a pre-tax loss of $0.2 billion and a pre-tax gain of $0.3 billion, respectively, was recognized in Other comprehensive income, a portion of which was reclassified to Other income and (expense), net to offset the related pre-tax foreign currency transaction gain on the underlying debt obligations.

Prepaid Forward Agreement

During the first quarter of 2009, we entered into a privately negotiated prepaid forward agreement for 14 million shares of Verizon common stock at a cost of approximately $0.4 billion. We terminated the prepaid forward agreement with respect to 5 million of the shares during the fourth quarter of 2009 and 9 million of the shares during the first quarter of 2010, which resulted in the delivery of those shares to Verizon.

Alltel Interest Rate Swaps

As a result of the Alltel acquisition, Verizon Wireless acquired seven interest rate swap agreements with a notional value of $9.5 billion that paid fixed and received variable rates based on three-month and one-month LIBOR with maturities ranging from 2009 to 2013. During 2009, we settled all of these agreements for a gain that was not significant. Changes in the fair value of these swaps were recorded in earnings through settlement.

Concentrations of Credit Risk

Financial instruments that subject us to concentrations of credit risk consist primarily of temporary cash investments, short-term and long-term investments, trade receivables, certain notes receivable, including lease receivables, and derivative contracts. Our policy is to deposit our temporary cash investments with major financial institutions. Counterparties to our derivative contracts are also major financial institutions. The financial institutions have all been accorded high ratings by primary rating agencies. We limit the dollar amount of contracts entered into with any one financial institution and monitor our counterparties' credit ratings. We generally do not give or receive collateral on swap agreements due to our credit rating and those of our counterparties. While we may be exposed to credit losses due to the nonperformance of our counterparties, we consider the risk remote and do not expect the settlement of these transactions to have a material effect on our results of operations or financial condition.

Note 11

Stock-Based Compensation

Verizon Communications Long-Term Incentive Plan

The 2009 Verizon Communications Inc. Long-Term Incentive Plan (the Plan) permits the granting of stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance stock units and other awards. The maximum number of shares available for awards from the Plan is 119.6 million shares.

Restricted Stock Units

The Plan provides for grants of Restricted Stock Units (RSUs) that generally vest at the end of the third year after the grant. The RSUs granted prior to January 1, 2010 are classified as liability awards because the RSUs will be paid in cash upon vesting. The RSU award liability is measured at its fair value at the end of each reporting period and, therefore, will fluctuate based on the performance of Verizon common stock. The RSUs granted subsequent to January 1, 2010 are classified as equity awards because these RSUs will be paid in Verizon common stock upon vesting. The RSU equity awards are measured using the grant date fair value of Verizon common stock and are not remeasured at the end of each reporting period. Dividend equivalent units are also paid to participants at the time the RSU award is paid, and in the same proportion as the RSU award.

Performance Stock Units

The Plan also provides for grants of Performance Stock Units (PSUs) that generally vest at the end of the third year after the grant. As defined by the Plan, the Human Resources Committee of the Board of Directors determines the number of PSUs a participant earns based on the extent to which the corresponding goal has been achieved over the three-year performance cycle. All payments are subject to approval by the Human Resources Committee. The PSUs are classified as liability awards because the PSU awards are paid in cash upon vesting. The PSU award liability is measured at its fair value at the end of each reporting period and, therefore, will fluctuate based on the price of Verizon common stock as well as performance relative to the targets. Dividend equivalent units are also paid to participants at the time that the PSU award is determined and paid, and in the same proportion as the PSU award.

The following table summarizes Verizon's Restricted Stock Unit and Performance Stock Unit activity:

(shares in thousands)	Restricted Stock Units	Performance Stock Units
Outstanding January 1, 2008	21,573	32,135
Granted	7,277	11,194
Payments	(6,869)	(7,597)
Cancelled/Forfeited	(161)	(2,518)
Outstanding December 31, 2008	21,820	33,214
Granted	7,101	14,079
Payments	(9,357)	(17,141)
Cancelled/Forfeited	(121)	(257)
Outstanding December 31, 2009	19,443	29,895
Granted	**8,422**	**17,311**
Payments	**(6,788)**	**(14,364)**
Cancelled/Forfeited	**(154)**	**(462)**
Outstanding December 31, 2010	**20,923**	**32,380**

As of December 31, 2010, unrecognized compensation expense related to the unvested portion of Verizon's RSUs and PSUs was approximately $0.3 billion and is expected to be recognized over a weighted-average period of approximately two years.

The RSUs granted in 2010, and classified as equity awards, have a weighted average grant date fair value of $28.63. During 2010, 2009 and 2008, we paid $0.7 billion, $0.9 billion and $0.6 billion, respectively, to settle RSUs and PSUs classified as liability awards.

Verizon Wireless' Long-Term Incentive Plan

The 2000 Verizon Wireless Long-Term Incentive Plan (the Wireless Plan) provides compensation opportunities to eligible employees of Verizon Wireless (the Partnership). The Wireless Plan provides rewards that are tied to the long-term performance of the Partnership. Under the Wireless Plan, Value Appreciation Rights (VARs) were granted to eligible employees. As of December 31, 2010, all VARs were fully vested. We have not granted new VARs since 2004.

VARs reflect the change in the value of the Partnership, as defined in the Wireless Plan. Similar to stock options, the valuation is determined using a Black-Scholes model. Once VARs become vested, employees can exercise their VARs and receive a payment that is equal to the difference between the VAR price on the date of grant and the VAR price on the date of exercise, less applicable taxes. VARs are fully exercisable three years from the date of grant, with a maximum term of 10 years. All VARs were granted at a price equal to the estimated fair value of the Partnership, as defined in the Wireless Plan, at the date of the grant.

The following table summarizes the assumptions used in the Black-Scholes model during 2010:

	Ranges
Risk-free rate	0.14% - 0.88%
Expected term (in years)	0.03 - 2.00
Expected volatility	31.05% - 47.56%

The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of the measurement date. Expected volatility was based on a blend of the historical and implied volatility of publicly traded peer companies for a period equal to the VARs expected life ending on the measurement date.

The following table summarizes the Value Appreciation Rights activity:

(shares in thousands)	VARs	Weighted-Average Grant-Date Fair Value
Outstanding rights, January 1, 2008	60,412	$ 17.58
Exercised	(31,817)	18.47
Cancelled/Forfeited	(351)	19.01
Outstanding rights, December 31, 2008	28,244	16.54
Exercised	(11,442)	16.53
Cancelled/Forfeited	(211)	17.63
Outstanding rights, December 31, 2009	16,591	16.54
Exercised	**(4,947)**	**24.47**
Cancelled/Forfeited	**(75)**	**22.72**
Outstanding rights, December 31, 2010	**11,569**	**13.11**

During 2010, 2009 and 2008, we paid $0.1 billion, $0.2 billion and $0.6 billion, respectively, to settle VARs classified as liability awards.

Stock-Based Compensation Expense

After-tax compensation expense for stock-based compensation related to RSUs, PSUs, and VARs described above included in net income attributable to Verizon was $0.5 billion, $0.5 billion and $0.4 billion for 2010, 2009 and 2008, respectively.

Stock Options

The Plan provides for grants of stock options to participants at an option price per share of 100% of the fair market value of Verizon common stock on the date of grant. Each grant has a 10-year life, vesting equally over a three-year period, starting at the date of the grant. We have not granted new stock options since 2004.

The following table summarizes Verizon's stock option activity:

(shares in thousands)	**Stock Options**	**Weighted-Average Exercise Price**
Outstanding, January 1, 2008	181,858	$ 45.94
Exercised	(227)	36.54
Cancelled/Forfeited	(41,473)	46.28
Outstanding, December 31, 2008	140,158	45.86
Exercised	(2)	25.32
Cancelled/Forfeited	(32,391)	50.31
Outstanding, December 31, 2009	107,765	44.52
Exercised	**(372)**	**34.51**
Cancelled/Forfeited	**(50,549)**	**44.90**
Outstanding, December 31, 2010	**56,844**	**44.25**

All stock options outstanding at December 31, 2010, 2009 and 2008 were exercisable.

The following table summarizes information about Verizon's stock options outstanding as of December 31, 2010:

Range of Exercise Prices	**Stock Options (in thousands)**	**Weighted-Average Remaining Life (years)**	**Weighted-Average Exercise Price**
$ 20.00-29.99	34	1.7	$ 27.91
30.00-39.99	18,146	2.6	35.02
40.00-49.99	19,973	1.1	45.21
50.00-59.99	18,691	0.1	52.21
Total	**56,844**	**1.2**	**44.25**

The total intrinsic value for stock options outstanding and stock options exercised, and the after-tax compensation expense for stock options was not significant as of and for the years ended December 31, 2010, 2009 and 2008, respectively.

Note 12

Employee Benefits

We maintain non-contributory defined benefit pension plans for many of our employees. In addition, we maintain postretirement health care and life insurance plans for our retirees and their dependents, which are both contributory and non-contributory, and include a limit on the Company's share of the cost for certain recent and future retirees. We also sponsor defined contribution savings plans to provide opportunities for eligible employees to save for retirement on a tax-deferred basis. We use a measurement date of December 31 for our pension and postretirement health care and life insurance plans. See Note 1 regarding the change in accounting for benefit plans.

Pension and Other Postretirement Benefits

Pension and other postretirement benefits for many of our employees are subject to collective bargaining agreements. Modifications in benefits have been bargained from time to time, and we may also periodically amend the benefits in the management plans. The following tables summarize benefit costs, as well as the benefit obligations, plan assets, funded status and rate assumptions associated with pension and postretirement health care and life insurance benefit plans.

Obligations and Funded Status

				(dollars in millions)
		Pension	Health Care and Life	
At December 31,	**2010**	2009	**2010**	2009
Change in Benefit Obligations				
Beginning of year	**$ 31,818**	$ 30,394	**$ 27,337**	$ 27,096
Service cost	**353**	384	**305**	311
Interest cost	**1,797**	1,924	**1,639**	1,766
Plan amendments	**(212)**	–	**(2,580)**	(5)
Actuarial (gain) loss, net	**748**	2,056	**826**	(469)
Benefits paid	**(1,996)**	(2,565)	**(1,675)**	(1,740)
Termination benefits	**687**	75	**–**	18
Curtailment (gain) loss, net	**61**	1,245	**132**	352
Acquisitions and divestitures, net	**(581)**	192	**(266)**	8
Settlements paid	**(3,458)**	(1,887)	**–**	–
End of year	**$ 29,217**	$ 31,818	**$ 25,718**	$ 27,337
Change in Plan Assets				
Beginning of year	**$ 28,592**	$ 27,791	**$ 3,091**	$ 2,555
Actual return on plan assets	**3,089**	4,793	**319**	638
Company contributions	**138**	337	**1,210**	1,638
Benefits paid	**(1,996)**	(2,565)	**(1,675)**	(1,740)
Settlements paid	**(3,458)**	(1,887)	**–**	–
Acquisitions and divestitures, net	**(551)**	123	**–**	–
End of year	**$ 25,814**	$ 28,592	**$ 2,945**	$ 3,091
Funded Status				
End of year	**$ (3,403)**	$ (3,226)	**$ (22,773)**	$ (24,246)

				(dollars in millions)
		Pension	Health Care and Life	
At December 31,	**2010**	2009	**2010**	2009
Amounts recognized on the balance sheet				
Noncurrent assets	**$ 398**	$ 3,141	**$ –**	$ –
Current liabilities	**(146)**	(139)	**(581)**	(542)
Noncurrent liabilities	**(3,655)**	(6,228)	**(22,192)**	(23,704)
Total	**$ (3,403)**	$ (3,226)	**$ (22,773)**	$ (24,246)
Amounts recognized in Accumulated Other Comprehensive Loss (Pretax)				
Prior service cost	**$ 554**	$ 999	**$ (567)**	$ 2,667
Total	**$ 554**	$ 999	**$ (567)**	$ 2,667

Beginning in 2013, as a result of federal health care reform, Verizon will no longer file for the Retiree Drug Subsidy (RDS) and will instead contract with a Medicare Part D plan on a group basis to provide prescription drug benefits to Medicare eligible retirees. This change to our Medicare Part D strategy, resulted in the adoption of plan amendments during the fourth quarter of 2010, which will allow the company to be eligible for greater Medicare Part D plan subsidies over time.

The accumulated benefit obligation for all defined benefit pension plans was $28.5 billion and $30.8 billion at December 31, 2010 and 2009, respectively.

Information for pension plans with an accumulated benefit obligation in excess of plan assets follows:

		(dollars in millions)
At December 31,	**2010**	2009
Projected benefit obligation	**$ 28,329**	$ 28,719
Accumulated benefit obligation	**27,752**	28,128
Fair value of plan assets	**24,529**	22,352

Net Periodic Cost

The following table summarizes the benefit (income) cost related to our pension and postretirement health care and life insurance plans:

(dollars in millions)

	Pension			Health Care and Life		
Years Ended December 31,	**2010**	2009	2008	**2010**	2009	2008
Service cost	**$ 353**	$ 384	$ 382	**$ 305**	$ 311	$ 306
Amortization of prior service cost	**109**	112	62	**375**	401	395
Subtotal	**462**	496	444	**680**	712	701
Expected return on plan assets	**(2,176)**	(2,216)	(3,444)	**(252)**	(205)	(331)
Interest cost	**1,797**	1,924	1,966	**1,639**	1,766	1,663
Subtotal	**83**	204	(1,034)	**2,067**	2,273	2,033
Remeasurement (gain) loss, net	**(166)**	(515)	13,946	**758**	(901)	1,069
Net periodic benefit (income) cost	**(83)**	(311)	12,912	**2,825**	1,372	3,102
Curtailment and termination benefits	**860**	1,371	32	**386**	532	31
Total	**$ 777**	$ 1,060	$12,944	**$3,211**	$1,904	$3,133

Other pre-tax changes in plan assets and benefit obligations recognized in other comprehensive (income) loss are as follows:

(dollars in millions)

	Pension		Health Care and Life	
At December 31,	**2010**	2009	**2010**	2009
Prior service cost	**$ (336)**	$ (51)	**$ (2,859)**	$ (167)
Reversal of amortization items				
Prior service cost	**(109)**	(112)	**(375)**	(401)
Total recognized in other comprehensive (income) loss (pretax)	**$ (445)**	$ (163)	**$ (3,234)**	$ (568)

The estimated prior service cost for the defined benefit pension plans that will be amortized from Accumulated other comprehensive income into net periodic benefit cost over the next fiscal year is $0.1 billion. The estimated prior service cost for the defined benefit postretirement plans that will be amortized from Accumulated other comprehensive loss into net periodic benefit cost over the next fiscal year is ($0.1 billion).

Assumptions

The weighted-average assumptions used in determining benefit obligations follow:

	Pension		Health Care and Life	
At December 31,	**2010**	2009	**2010**	2009
Discount rate	**5.75 %**	6.25%	**5.75%**	6.25 %
Rate of compensation increases	**3.00**	4.00	**N/A**	N/A

The weighted-average assumptions used in determining net periodic cost follow:

	Pension			Health Care and Life		
Years Ended December 31,	**2010**	2009	2008	**2010**	2009	2008
Discount rate	**6.25%**	6.75%	6.50%	**6.25%**	6.75%	6.50%
Expected return on plan assets	**8.50**	8.50	8.50	**8.25**	8.25	8.25
Rate of compensation increase	**4.00**	4.00	4.00	**N/A**	N/A	4.00

In order to project the long-term target investment return for the total portfolio, estimates are prepared for the total return of each major asset class over the subsequent 10-year period, or longer. Those estimates are based on a combination of factors including the current market interest rates and valuation levels, consensus earnings expectations, historical long-term risk premiums and value-added. To determine the aggregate return for the pension trust, the projected return of each individual asset class is then weighted according to the allocation to that investment area in the trust's long-term asset allocation policy.

The assumed Health Care Cost Trend Rates follow:

	Health Care and Life		
At December 31,	**2010**	2009	2008
Healthcare cost trend rate assumed for next year	**7.75%**	8.00%	9.00%
Rate to which cost trend rate gradually declines	**5.00**	5.00	5.00
Year the rate reaches level it is assumed to remain thereafter	**2016**	2014	2014

A one-percentage-point change in the assumed health care cost trend rate would have the following effects:

	(dollars in millions)	
One-Percentage-Point	Increase	Decrease
Effect on 2010 service and interest cost	$ 232	$ (191)
Effect on postretirement benefit obligation as of December 31, 2010	2,788	(2,303)

Plan Assets

Our portfolio strategy emphasizes a long-term equity orientation, significant global diversification, the use of both public and private investments and financial and operational risk controls. Our diversification and risk control processes serve to minimize the concentration of risk. Assets are allocated according to long-term risk and return estimates. Both active and passive management approaches are used depending on perceived market efficiencies and various other factors.

While target allocation percentages will vary over time, the company's overall investment strategy is to achieve a mix of assets, which allows us to meet projected benefits payments while taking into consideration risk and return. The target allocations for plan assets are currently 46% public equity, 32% fixed income, 14% private equity, 6% real estate and 2% cash. Our target policies are revisited periodically to ensure they are in line with fund objectives. There are no significant concentrations of risk, in terms of sector, industry, geography or company names.

Pension and healthcare and life plans assets include Verizon common stock of $0.1 billion at December 31, 2010 and 2009.

Pension Plans

The fair values for the pension plans by asset category at December 31, 2010 are as follows:

				(dollars in millions)
Asset Category	**Total**	**Level 1**	**Level 2**	**Level 3**
Cash and cash equivalents	**$ 2,175**	**$ 2,126**	**$ 49**	**$ –**
Equity securities	**10,158**	**9,052**	**1,106**	**–**
Fixed income securities				
U.S. Treasuries and agencies	**599**	**141**	**458**	**–**
Corporate bonds	**1,615**	**233**	**1,202**	**180**
International bonds	**910**	**20**	**890**	**–**
Other	**502**	**–**	**502**	**–**
Real estate	**1,769**	**–**	**–**	**1,769**
Other				
Private equity	**5,889**	**–**	**40**	**5,849**
Hedge funds	**2,197**	**–**	**1,481**	**716**
Total	**$ 25,814**	**$ 11,572**	**$ 5,728**	**$ 8,514**

The fair values for the pension plans by asset category at December 31, 2009 are as follows:

				(dollars in millions)
Asset Category	**Total**	**Level 1**	**Level 2**	**Level 3**
Cash and cash equivalents	$ 2,299	$ 2,288	$ 11	$ –
Equity securities	12,691	11,533	1,158	–
Fixed income securities				
U.S. Treasuries and agencies	1,095	428	667	–
Corporate bonds	2,531	73	2,321	137
International bonds	1,112	768	344	–
Other	646	–	646	–
Real estate	1,541	–	–	1,541
Other				
Private equity	5,362	–	26	5,336
Hedge funds	1,315	–	1,315	–
Total	$28,592	$15,090	$ 6,488	$ 7,014

The following is a reconciliation of the beginning and ending balance of pension plan assets that are measured at fair value using significant unobservable inputs:

(dollars in millions)

	Corporate Bonds	Real Estate	Private Equity	Hedge Funds	Total
Balance at December 31, 2008	$ 23	$ 1,665	$5,101	$ –	$6,789
Actual gain (loss) on plan assets	26	(455)	(5)	–	(434)
Purchases and sales	84	331	263	–	678
Transfers in and/or out of Level 3	4	–	(23)	–	(19)
Balance at December 31, 2009	$ 137	$ 1,541	$5,336	$ –	$7,014
Actual gain (loss) on plan assets	**3**	**(49)**	**518**	**24**	**496**
Purchases and sales	**37**	**294**	**(5)**	**109**	**435**
Transfers in and/or out of Level 3	**3**	**(17)**	**–**	**583**	**569**
Balance at December 31, 2010	**$ 180**	**$ 1,769**	**$5,849**	**$ 716**	**$8,514**

Health Care and Life Plans

The fair values for the other postretirement benefit plans by asset category at December 31, 2010 are as follows:

(dollars in millions)

Asset Category	**Total**	**Level 1**	**Level 2**	**Level 3**
Cash and cash equivalents	**$ 394**	**$ 21**	**$ 373**	**$ –**
Equity securities	**1,919**	**1,202**	**717**	**–**
Fixed income securities				
U.S. Treasuries and agencies	**80**	**47**	**33**	**–**
Corporate bonds	**173**	**58**	**115**	**–**
International bonds	**125**	**8**	**117**	**–**
Other	**198**	**–**	**198**	**–**
Other	**56**	**–**	**56**	**–**
Total	**$2,945**	**$ 1,336**	**$ 1,609**	**$ –**

The fair values for the other postretirement benefit plans by asset category at December 31, 2009 are as follows:

(dollars in millions)

Asset Category	**Total**	**Level 1**	**Level 2**	**Level 3**
Cash and cash equivalents	$ 166	$ 27	$ 139	$ –
Equity securities	2,240	1,681	559	–
Fixed income securities				
U.S. Treasuries and agencies	61	36	25	–
Corporate bonds	275	42	233	–
International bonds	81	13	68	–
Other	231	–	231	–
Other	37	–	37	–
Total	$3,091	$ 1,799	$ 1,292	$ –

Plan assets are recognized and measured at fair value in accordance with the accounting standards regarding fair value measurements. The following are general descriptions of asset categories, as well as the valuation methodologies and inputs used to determine the fair value of each major category of assets.

Cash and cash equivalents include short-term investment funds, primarily in diversified portfolios of investment grade money market instruments and are valued using quoted market prices or other valuation methods, and thus are classified within Level 1 or Level 2.

Equity securities are investments in common stock of domestic and international corporations in a variety of industry sectors, and are valued primarily using quoted market prices or other valuation methods, and thus are classified within Level 1 or Level 2.

Fixed income securities include U.S. Treasuries and agencies, debt obligations of foreign governments and debt obligations in corporations of domestic and foreign issuers. Fixed income also includes investments in asset backed securities such as collateralized mortgage obligations, mortgage backed securities and interest rate swaps. The fair value of fixed income securities are based on observable prices for identical or comparable assets, adjusted using benchmark curves, sector grouping, matrix pricing, broker/dealer quotes and issuer spreads, and thus are classified within Level 1 or Level 2.

Real estate investments include those in limited partnerships that invest in various commercial and residential real estate projects both domestically and internationally. The fair values of real estate assets are typically determined by using income and/or cost approaches or comparable sales approach, taking into consideration discount and capitalization rates, financial conditions, local market conditions and the status of the capital markets, and thus are classified within Level 3.

Private equity investments include those in limited partnerships that invest in operating companies that are not publicly traded on a stock exchange. Investment strategies in private equity include leveraged buyouts, venture capital, distressed investments and investments in natural resources. These investments are valued using inputs such as trading multiples of comparable public securities, merger and acquisition activity and pricing data from the most recent equity financing taking into consideration illiquidity, and thus are classified within Level 3.

Hedge fund investments include those seeking to maximize absolute returns using a broad range of strategies to enhance returns and provide additional diversification. The fair values of hedge funds are estimated using net asset value per share (NAV) of the investments. Verizon has the ability to redeem these investments at NAV within the near term and thus are classified within Level 2. Investments that cannot be redeemed in the near term are classified within Level 3.

Cash Flows

In 2010, contributions to our qualified pension plans were not significant. In 2010, we contributed $0.1 billion to our nonqualified pension plans and $1.2 billion to our other postretirement benefit plans. During January 2011, we contributed approximately $0.4 billion to our qualified pension plans. We do not expect to make additional qualified pension plan contributions during the remainder of 2011. We anticipate approximately $0.1 billion in contributions to our non-qualified pension plans and $1.5 billion to our other postretirement benefit plans in 2011.

Estimated Future Benefit Payments

The benefit payments to retirees are expected to be paid as follows:

(dollars in millions)

Year	Pension Benefits	Health Care and Life Prior to Medicare Prescription Drug Subsidy	Expected Medicare Prescription Drug Subsidy
2011	**$ 3,114**	**$ 2,126**	**$ 107**
2012	**2,339**	**2,142**	**120**
2013	**2,273**	**1,951**	**–**
2014	**2,225**	**1,931**	**–**
2015	**2,188**	**1,873**	**–**
2016-2020	**10,536**	**8,452**	**–**

Savings Plan and Employee Stock Ownership Plans

We maintain four leveraged employee stock ownership plans (ESOP). Only one plan currently has unallocated shares. We match a certain percentage of eligible employee contributions to the savings plans with shares of our common stock from this ESOP. At December 31, 2010, the number of unallocated and allocated shares of common stock in this ESOP were 2 million and 66 million, respectively. All leveraged ESOP shares are included in earnings per share computations.

Total savings plan costs were $0.7 billion in 2010, 2009 and 2008.

Severance Benefits

The following table provides an analysis of our actuarially determined severance liability recorded in accordance with the accounting standard regarding employers' accounting for postemployment benefits:

Year	Beginning of Year	Charged to Expense	Payments	Other	End of Year
					(dollars in millions)
2008	$ 1,024	$ 512	$ (509)	$ 77	$ 1,104
2009	1,104	950	(522)	106	1,638
2010	**1,638**	**1,217**	**(1,307)**	**21**	**1,569**

Charged to expense includes the impact of the activities described below. Other primarily includes the expense incurred related to our ongoing severance plans.

Severance, Pension and Benefit Charges

During 2010, we recorded net pre-tax severance, pension and benefits charges of $3.1 billion primarily in connection with an agreement we reached with certain unions on temporary enhancements to the separation programs contained in their existing collective bargaining agreements. These temporary enhancements were intended to help address a previously declared surplus of employees and to help reduce the need for layoffs. Accordingly, during 2010, we recorded severance, pension and benefits charges associated with the approximately 11,900 union-represented employees who volunteered for the incentive offer. These charges included $1.2 billion for severance for the 2010 programs mentioned above and a planned workforce reduction of approximately 2,500 employees in 2011. In addition, we recorded $1.3 billion for pension and postretirement curtailment losses and special termination benefits that were due to the workforce reductions, which caused the elimination of a significant amount of future service. Also, we recorded remeasurement losses of $0.6 billion for our pension and postretirement plans in accordance with our accounting policy to recognize actuarial gains and losses in the year in which they occur. The remeasurement losses included $0.1 billion of pension settlement losses related to employees that received lump sum distributions, primarily resulting from our previously announced separation plans.

During 2009, we recorded net pre-tax severance, pension and benefits charges of $1.4 billion primarily for pension and postretirement curtailment losses and special termination benefits of $1.9 billion as workforce reductions caused the elimination of a significant amount of future service requiring us to recognize a portion of the prior service costs. These charges also included $0.9 billion for workforce reductions of approximately 17,600 employees; 4,200 of whom were separated during late 2009 and the remainder in 2010. Also, we recorded remeasurement gains of $1.4 billion for our pension and postretirement plans in accordance with our accounting policy to recognize actuarial gains and losses in the year in which they occur.

During 2008, we recorded net pre-tax severance, pension and benefits charges of $15.6 billion primarily due to remeasurement losses of $15.0 billion for our pension and postretirement plans in accordance with our accounting policy to recognize actuarial gains and losses in the year in which they occur. These remeasurement losses included $0.5 billion of pension settlement losses related to employees that received lump sum distributions, primarily resulting from our previously announced separation plans. These severance, pension and benefit charges also included $0.5 billion for workforce reductions in connection with the separation of approximately 8,600 employees and related charges; 3,500 of whom were separated in the second half of 2008 and the remainder in 2009 and $0.1 billion for pension and postretirement curtailment losses and special termination benefits, that were due to the workforce reductions, which caused the elimination of a significant amount of future service.

Note 13

Income Taxes

The components of income before provision (benefit) for income taxes are as follows:

(dollars in millions)

Years Ended December 31,	2010	2009	2008
Domestic	$ 11,921	$ 12,625	$ 722
Foreign	763	895	921
Total	$ 12,684	$ 13,520	$ 1,643

The components of the provision (benefit) for income taxes are as follows:

(dollars in millions)

Years Ended December 31,	2010	2009	2008
Current			
Federal	$ (705)	$ (611)	$ 365
Foreign	(19)	73	240
State and Local	(42)	364	544
Total	(766)	(174)	1,149
Deferred			
Federal	2,945	1,616	(2,411)
Foreign	(24)	(35)	(91)
State and Local	316	518	(960)
Total	3,237	2,099	(3,462)
Investment tax credits	(4)	(6)	(6)
Total income tax provision (benefit)	$2,467	$1,919	$(2,319)

The following table shows the principal reasons for the difference between the effective income tax rate and the statutory federal income tax rate:

Years Ended December 31,	2010	2009	2008
Statutory federal income tax rate	35.0%	35.0%	35.0%
State and local income tax rate, net of federal tax benefits	1.4	1.5	(16.5)
Distributions from foreign investments	–	–	(4.3)
Medicare Part D subsidy charge	6.9	–	–
Equity in earnings from unconsolidated businesses	(1.6)	(1.6)	(14.0)
Noncontrolling interest	(19.5)	(16.0)	(119.4)
Other, net	(2.8)	(4.7)	(22.0)
Effective income tax rate	19.4%	14.2%	(141.2)%

The effective income tax rate in 2010 increased to 19.4% from 14.2% in 2009. The increase was primarily driven by a one-time, non-cash income tax charge of $1.0 billion. The one-time non-cash income tax charge was a result of the enactment of the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010, both of which became law in March 2010 (collectively the Health Care Act). Under the Health Care Act, beginning in 2013, Verizon and other companies that receive a subsidy under Medicare Part D to provide retiree prescription drug coverage will no longer receive a federal income tax deduction for the expenses incurred in connection with providing the subsidized coverage to the extent of the subsidy received. Because future anticipated retiree prescription drug plan liabilities and related subsidies were already reflected in Verizon's financial statements, this change required Verizon to reduce the value of the related tax benefits recognized in its financial statements in the period during which the Health Care Act was enacted. The increase was partially offset by higher earnings attributable to the noncontrolling interest.

During 2008, we recorded a pension and postretirement benefit plan remeasurement loss rendering the 2008 effective tax rate not meaningful. Excluding the tax impact of this actuarial loss in 2008, the effective income tax rate decreased in 2009 primarily driven by higher earnings attributable to the noncontrolling interest. Included within the (4.7)% 'Other net' above is the impact of lower federal taxes, net of higher state taxes attributable to prior year adjustments to tax balances that were not material to the overall effective income tax rate.

Excluding the tax impact of the actuarial loss in 2008, the state and local income tax rate decreased due to tax benefits recognized after statutes of limitations in multiple jurisdictions lapsed and the impact of earnings attributable to the noncontrolling interest.

Deferred taxes arise because of differences in the book and tax bases of certain assets and liabilities. Significant components of deferred taxes are shown in the following table:

At December 31,	2010	2009
	(dollars in millions)	
Employee benefits	**$11,499**	$13,204
Tax loss and credit carry forwards	**3,907**	2,786
Uncollectible accounts receivable	**248**	303
Other - assets	**951**	1,269
	16,605	17,562
Valuation allowances	**(3,421)**	(2,942)
Deferred tax assets	**13,184**	14,620
Former MCI intercompany accounts receivable basis difference	**1,489**	1,633
Depreciation	**11,758**	10,296
Leasing activity	**1,980**	2,081
Wireless joint venture including wireless licenses	**19,514**	18,249
Other - liabilities	**1,152**	1,012
Deferred tax liabilities	**35,893**	33,271
Net deferred tax liability	**$22,709**	$18,651

At December 31, 2010, undistributed earnings of our foreign subsidiaries indefinitely invested outside of the United States amounted to approximately $1.2 billion. We have not provided deferred taxes on these earnings because we intend that they will remain indefinitely invested outside of the United States. Determination of the amount of unrecognized deferred taxes related to these undistributed earnings is not practical.

At December 31, 2010, we had net after tax loss and credit carry forwards for income tax purposes of approximately $4.2 billion. Of these net after tax loss and credit carry forwards, approximately $3.5 billion will expire between 2011 and 2030 and approximately $0.7 billion may be carried forward indefinitely. The amount of net after tax loss and credit carry forwards reflected as a deferred tax asset above has been reduced by approximately $0.6 billion at December 31, 2010 and 2009, due to federal and state tax law limitations on utilization of net operating losses.

During 2010, the valuation allowance increased approximately $0.5 billion. The balance at December 31, 2010 and the 2010 activity is primarily related to state and foreign tax losses and credit carry forwards.

Unrecognized Tax Benefits

A reconciliation of the beginning and ending balance of unrecognized tax benefits is as follows:

	2010	2009	2008
		(dollars in millions)	
Balance at January 1,	**$3,400**	$2,622	$2,883
Additions based on tax positions related to the current year	**231**	288	251
Additions for tax positions of prior years	**476**	1,128	344
Reductions for tax positions of prior years	**(569)**	(477)	(651)
Settlements	**(256)**	(27)	(126)
Lapses of statutes of limitations	**(40)**	(134)	(79)
Balance at December 31,	**$3,242**	$3,400	$2,622

Included in the total unrecognized tax benefits at December 31, 2010, 2009 and 2008 is $2.1 billion, $2.1 billion and $1.6 billion, respectively, that if recognized, would favorably affect the effective income tax rate.

We recognized the following net after tax benefits related to interest and penalties in the provision for income taxes:

Years Ended December 31,	(dollars in millions)
2010	**$ 29**
2009	14
2008	55

The after-tax accrual for the payment of interest and penalties in the balance sheets are as follows:

At December 31,	(dollars in millions)
2010	**$ 527**
2009	552

Verizon and/or its subsidiaries file income tax returns in the U.S. federal jurisdiction, and various state, local and foreign jurisdictions. The Internal Revenue Service (IRS) is currently examining the Company's U.S. income tax returns for the years 2004 through 2006. As a large taxpayer, we are under continual audit by the IRS and multiple state and foreign jurisdictions on numerous open tax positions. Significant tax examinations and litigation are ongoing in Massachusetts, New York, Canada, Australia and Italy for tax years as early as 2002. It is reasonably possible that the amount of the liability for unrecognized tax benefits could change by a significant amount during the next twelve-month period. An estimate of the range of the possible change cannot be made until issues are further developed or examinations close.

Note 14

Segment Information

Reportable Segments

We have two reportable segments, which we operate and manage as strategic business units and organize by products and services. We measure and evaluate our reportable segments based on segment operating income, consistent with the chief operating decision maker's assessment of segment performance.

Corporate, eliminations and other includes unallocated corporate expenses, intersegment eliminations recorded in consolidation, the results of other businesses, such as our investments in unconsolidated businesses, pension and other employee benefit related costs, lease financing, as well as the historical results of divested operations and other adjustments and gains and losses that are not allocated in assessing segment performance due to their non-operational nature. Although such transactions are excluded from the business segment results, they are included in reported consolidated earnings. Gains and losses that are not individually significant are included in all segment results as these items are included in the chief operating decision maker's assessment of segment performance.

The reconciliation of segment operating revenues and expenses to consolidated operating revenues and expenses below also includes those items of a non-recurring or non-operational nature. We exclude from segment results the effects of certain items that management does not consider in assessing segment performance, primarily because of their non-recurring non-operational nature.

During the fourth quarter of 2010, Verizon changed its method of accounting for benefit plans as described in Note 1, as a result, all prior periods have been adjusted. As part of this change to its method of accounting, the service cost and the amortization of prior service costs, which are representative of the benefits earned by active employees during the period, will continue to be allocated to the segment in which the employee is employed, while interest cost and expected return on assets will now be recorded at the Corporate level. The recognition of actuarial gains and losses will also be recorded at the Corporate level.

In order to comply with regulatory conditions related to the acquisition of Alltel in January 2009, Verizon Wireless divested overlapping properties in 105 operating markets in 24 states during the first half of 2010. In addition, on July 1, 2010, certain of Verizon's local exchange business and related landline activities in 14 states were spun off (see Note 3). Furthermore, in 2008, we completed the spin-off of our local exchange and related business assets in Maine, New Hampshire and Vermont. Accordingly, the historical Domestic Wireless and Wireline results for these operations have been reclassified to Corporate and Other to reflect comparable segment operating results.

We have adjusted prior-period consolidated and segment information, where applicable, to conform to current year presentation.

Our segments and their principal activities consist of the following:

Segment	Description
Domestic Wireless	Domestic Wireless' communications products and services include wireless voice and data services and equipment sales across the U.S.
Wireline	Wireline's communications products and services include voice, Internet access, broadband video and data, Internet protocol network services, network access, long distance and other services. We provide these products and services to consumers in the U.S., as well as to carriers, businesses and government customers both in the U.S. and in over 150 other countries around the world.

The following table provides operating financial information for our two reportable segments:

2010	**Domestic Wireless**	**Wireline**	(dollars in millions) **Total Segments**
External Operating Revenues			
Service revenue	**$ 55,588**	**$ –**	**$ 55,588**
Equipment and other	**7,753**	**–**	**7,753**
Mass Markets	**–**	**16,247**	**16,247**
Global Enterprise	**–**	**15,667**	**15,667**
Global Wholesale	**–**	**7,173**	**7,173**
Other	**–**	**858**	**858**
Intersegment revenues	**66**	**1,282**	**1,348**
Total operating revenues	**63,407**	**41,227**	**104,634**
Cost of services and sales	**19,245**	**22,618**	**41,863**
Selling, general and administrative expense	**18,082**	**9,372**	**27,454**
Depreciation and amortization expense	**7,356**	**8,469**	**15,825**
Total operating expenses	**44,683**	**40,459**	**85,142**
Operating income	**$ 18,724**	**$ 768**	**$ 19,492**
Assets	**$ 138,863**	**$ 83,849**	**$ 222,712**
Plant, property and equipment, net	**32,253**	**54,594**	**86,847**
Capital expenditures	**8,438**	**7,269**	**15,707**

2009	Domestic Wireless	Wireline	(dollars in millions) Total Segments
External Operating Revenues			
Service revenue	$ 51,975	$ –	$ 51,975
Equipment and other	8,250	–	8,250
Mass Markets	–	16,109	16,109
Global Enterprise	–	15,666	15,666
Global Wholesale	–	7,958	7,958
Other	–	1,443	1,443
Intersegment revenues	100	1,275	1,375
Total operating revenues	60,325	42,451	102,776
Cost of services and sales	19,348	22,693	42,041
Selling, general and administrative expense	17,309	9,947	27,256
Depreciation and amortization expense	7,030	8,238	15,268
Total operating expenses	43,687	40,878	84,565
Operating income	$ 16,638	$ 1,573	$ 18,211
Assets	$ 135,162	$ 91,778	$ 226,940
Plant, property and equipment, net	30,849	59,373	90,222
Capital expenditures	7,152	8,892	16,044

2008	Domestic Wireless	Wireline	(dollars in millions) Total Segments
External Operating Revenues			
Service revenue	$ 42,527	$ –	$ 42,527
Equipment and other	6,665	–	6,665
Mass Markets	–	15,823	15,823
Global Enterprise	–	16,599	16,599
Global Wholesale	–	8,770	8,770
Other	–	1,959	1,959
Intersegment revenues	106	1,172	1,278
Total operating revenues	49,298	44,323	93,621
Cost of services and sales	15,660	22,890	38,550
Selling, general and administrative expense	14,273	10,169	24,442
Depreciation and amortization expense	5,405	8,174	13,579
Total operating expenses	35,338	41,233	76,571
Operating income	$ 13,960	$ 3,090	$ 17,050
Assets	$ 111,979	$ 90,386	$ 202,365
Plant, property and equipment, net	27,136	58,287	85,423
Capital expenditures	6,510	9,797	16,307

Reconciliation to Consolidated Financial Information

A reconciliation of the segment operating revenues to consolidated operating revenues is as follows:

			(dollars in millions)
	2010	2009	2008
Operating Revenues			
Total reportable segments	**$104,634**	$102,776	$93,621
Reconciling items:			
Deferred revenue adjustment (see Note 1)	**(235)**	78	34
Impact of divested operations	**2,407**	5,297	4,084
Corporate, eliminations and other	**(241)**	(343)	(385)
Consolidated operating revenues	**$106,565**	$107,808	$97,354

A reconciliation of the total of the reportable segments' operating income to consolidated Income before provision for income taxes is as follows:

			(dollars in millions)
	2010	2009	2008
Operating Income			
Total segment operating income	**$ 19,492**	$ 18,211	$ 17,050
Merger integration and acquisition costs (see Note 2)	**(867)**	(954)	(174)
Access line spin-off and other charges (see Note 3)	**(407)**	(453)	(103)
Severance, pension and benefit charges (see Note 12)	**(3,054)**	(1,440)	(15,602)
Deferred revenue adjustment (see Note 1)	**(235)**	78	34
Impact of divested operations (see Note 3)	**755**	1,769	1,197
Corporate, eliminations and other	**(1,039)**	(1,233)	210
Consolidated operating income	**$ 14,645**	$ 15,978	$ 2,612
Equity in earnings of unconsolidated businesses	**508**	553	567
Other income (expense), net	**54**	91	283
Interest expense	**(2,523)**	(3,102)	(1,819)
Income Before (Provision) Benefit for Income Taxes	**$ 12,684**	$ 13,520	$ 1,643
Assets			
Total reportable segments	**$222,712**	$226,940	
Corporate, eliminations and other	**(2,707)**	(33)	
Total consolidated	**$220,005**	$226,907	

We generally account for intersegment sales of products and services and asset transfers at current market prices. No single customer accounted for more than 10% of our total operating revenues during the years ended December 31, 2010, 2009 and 2008. International operating revenues and long-lived assets are not significant.

Note 15

Comprehensive Income

Comprehensive income consists of net income and other gains and losses affecting equity that, under generally accepted accounting principles, are excluded from net income. Significant changes in the components of Other comprehensive income (loss), net of (provision) benefit for income taxes are described below.

Foreign Currency Translation

The changes in Foreign currency translation adjustments were as follows:

(dollars in millions)			
Years Ended December 31,	**2010**	2009	2008
Vodafone Omnitel	**$(119)**	$ 49	$(119)
Other international operations	**(52)**	29	(112)
Foreign currency translation adjustments	**$(171)**	$ 78	$(231)

Net Unrealized Gains (Losses) on Cash Flow Hedges

The changes in Unrealized gains (losses) on cash flow hedges were as follows:

(dollars in millions)			
Years Ended December 31,	**2010**	2009	2008
Unrealized gains (losses)	**$ 38**	$112	$ (43)
Less reclassification adjustments for gains (losses) realized in net income	**(51)**	25	(3)
Net unrealized gains (losses) on cash flow hedges	**$ 89**	$ 87	$ (40)

Unrealized Gains (Losses) on Marketable Securities

The changes in Unrealized gains (losses) on marketable securities were as follows:

(dollars in millions)			
Years Ended December 31,	**2010**	2009	2008
Unrealized gains (losses)	**$ 37**	$ 95	$(142)
Less reclassification adjustments for gains (losses) realized in net income	**8**	8	(45)
Net unrealized gains (losses) on marketable securities	**$ 29**	$ 87	$ (97)

Foreign Currency Translation Adjustments

The change in Foreign currency translation adjustments during 2010 was primarily driven by the devaluation of the Euro versus the U.S. dollar. The change in Foreign currency translation adjustments during 2009 was primarily driven by the devaluation of the U.S. dollar versus the Euro. The change in Foreign currency translation adjustments during 2008 was primarily driven by the settlement of the foreign currency forward contracts, which hedged a portion of our net investment in Vodafone Omnitel and the devaluation of the Euro versus the U.S. dollar.

Net Unrealized Gains (Losses) on Cash Flow Hedges

During 2010, 2009 and 2008, Unrealized gains (losses) on cash flow hedges included in Other comprehensive income attributable to noncontrolling interest, primarily reflects activity related to a cross currency swap (see Note 10).

Defined Benefit Pension and Postretirement Plans

The change in Defined benefit pension and postretirement plans of $2.5 billion, net of taxes of $1.2 billion at December 31, 2010 was attributable to the change in prior service cost. The change was impacted by a change to our Medicare Part D strategy, resulting in the adoption of plan amendments during the fourth quarter of 2010, which will allow the company to be eligible for greater Medicare Part D plan subsidies over time and was also impacted by the curtailment losses associated with the voluntary incentive program for union-represented employees recorded in the second quarter of 2010 (see Note 12). The change in Defined benefit pension and postretirement plans of $0.3 billion, net of taxes of $0.4 billion at December 31, 2009 was attributable to a change in prior service cost.

Accumulated Other Comprehensive Income (Loss)

The components of Accumulated other comprehensive income (loss) were as follows:

	(dollars in millions)	
At December 31,	**2010**	2009
Foreign currency translation adjustments	**$ 843**	$ 1,014
Net unrealized gain on cash flow hedges	**126**	37
Unrealized gain on marketable securities	**79**	50
Defined benefit pension and postretirement plans	**1**	(2,473)
Accumulated Other Comprehensive Income (Loss)	**$ 1,049**	$ (1,372)

Note 16

Additional Financial Information

The tables that follow provide additional financial information related to our consolidated financial statements:

Income Statement Information

		(dollars in millions)	
Years Ended December 31,	**2010**	2009	2008
Depreciation expense	**$ 14,593**	$ 14,564	$ 13,227
Interest incurred	**3,487**	4,029	2,566
Interest capitalized	**(964)**	(927)	(747)
Advertising expense	**2,451**	3,020	2,754

Balance Sheet Information

	(dollars in millions)	
December 31,	**2010**	2009
Accounts Payable and Accrued Liabilities		
Accounts payable	**$ 3,936**	$ 4,337
Accrued expenses	**4,110**	3,486
Accrued vacation, salaries and wages	**5,686**	5,084
Interest payable	**813**	872
Taxes payable	**1,157**	1,444
	$ 15,702	$ 15,223
Other Current Liabilities		
Advance billings and customer deposits	**$ 3,091**	$ 2,644
Dividends payable	**1,402**	1,372
Other	**2,860**	2,692
	$ 7,353	$ 6,708

Cash Flow Information

		(dollars in millions)	
Years Ended December 31,	**2010**	2009	2008
Cash Paid			
Income taxes, net of amounts refunded	**$ 430**	$ 158	$ 1,206
Interest, net of amounts capitalized	**2,433**	2,573	1,664

Note 17

Commitments and Contingencies

We are currently involved in certain legal proceedings and, as required, have accrued estimates of the probable and estimable losses for the resolution of these claims that, individually or in the aggregate, were not significant. These estimates have been developed in consultation with outside counsel and are based upon an analysis of potential results, assuming a combination of litigation and settlement strategies. It is possible, however, that future results of operations for any particular quarterly or annual period could be materially affected by changes in our assumptions or the effectiveness of our strategies related to these proceedings.

Several state and federal regulatory proceedings may require our telephone operations to pay penalties or to refund to customers a portion of the revenues collected in the current and prior periods. There are also various legal actions pending to which we are a party and claims that, if asserted, may lead to other legal actions. We have established reserves for specific liabilities in connection with regulatory and legal actions, including environmental matters that we currently deem to be probable and estimable. We do not expect that the ultimate resolution of pending regulatory and legal matters in future periods, including the Hicksville matter described below, will have a material effect on our financial condition, but it could have a material effect on our results of operations for a given reporting period.

During 2003, under a government-approved plan, remediation commenced at the site of a former Sylvania facility in Hicksville, New York that processed nuclear fuel rods in the 1950s and 1960s. Remediation beyond original expectations proved to be necessary and a reassessment of the anticipated remediation costs was conducted. A reassessment of costs related to remediation efforts at several other former facilities was also undertaken. In September 2005, the Army Corps of Engineers (ACE) accepted the Hicksville site into the Formerly Utilized Sites Remedial Action Program. This may result in the ACE performing some or all of the remediation effort for the Hicksville site with a corresponding decrease in costs to Verizon. To the extent that the ACE assumes responsibility for remedial work at the Hicksville site, an adjustment to a reserve previously established for the remediation may be made. Adjustments to the reserve may also be made based upon actual conditions discovered during the remediation at this or any other site requiring remediation.

In connection with the execution of agreements for the sales of businesses and investments, Verizon ordinarily provides representations and warranties to the purchasers pertaining to a variety of nonfinancial matters, such as ownership of the securities being sold, as well as indemnity from certain financial losses. From time to time, counterparties may make claims under these provisions, and Verizon will seek to defend against those claims and resolve them in the ordinary course of business.

Subsequent to the sale of Verizon Information Services Canada in 2004, we continue to provide a guarantee to publish directories, which was issued when the directory business was purchased in 2001 and had a 30-year term (before extensions). The preexisting guarantee continues, without modification, despite the subsequent sale of Verizon Information Services Canada and the spin-off of our domestic print and Internet yellow pages directories business. The possible financial impact of the guarantee, which is not expected to be adverse, cannot be reasonably estimated as a variety of the potential outcomes available under the guarantee result in costs and revenues or benefits that may offset each other. We do not believe performance under the guarantee is likely.

As of December 31, 2010, letters of credit totaling approximately $0.1 billion were executed in the normal course of business, which support several financing arrangements and payment obligations to third parties.

We depend on various key suppliers and vendors to provide us, directly or through other suppliers, with equipment and services, such as switch and network equipment, handsets and other devices and equipment, that we need in order to operate our business and provide products to our customers. For example, our handset and other device suppliers often rely on one vendor for the manufacture and supply of critical components, such as chipsets, used in their devices. If any of our key suppliers, or other suppliers, fail to provide equipment or services on a timely basis or fail to meet our performance expectations, we may be unable to provide services to our customers in a competitive manner or continue to maintain and upgrade our network. Any such disruption could increase our costs, decrease our operating efficiencies and have a material adverse effect on our business, results of operations and financial condition.

We have several commitments primarily to purchase equipment, software, programming and network services, and marketing activities, which will be used or sold in the ordinary course of business, from a variety of suppliers totaling $57.3 billion. Of this total amount, we expect to purchase $17.9 billion in 2011, $36.8 billion in 2012 through 2013, $2.1 billion in 2014 through 2015 and $0.5 billion thereafter. These amounts do not represent our entire anticipated purchases in the future, but represent only those items for which we are contractually committed. Our commitments are generally determined based on the noncancelable quantities or termination amounts. Since the commitments to purchase programming services from television networks and broadcast stations have no minimum volume requirement, we estimated our obligation based on number of subscribers at December 31, 2010, and applicable rates stipulated in the contracts in effect at that time. We also purchase products and services as needed with no firm commitment.

Note 18

Quarterly Financial Information (Unaudited)

(dollars in millions, except per share amounts)

			Net Income (Loss) attributable to Verizon[1]			
Quarter Ended	Operating Revenues	Operating Income	Amount	Per Share-Basic	Per Share-Diluted	Net Income
2010						
March 31	**$ 26,913**	**$ 4,441**	**$ 443**	**$ .16**	**$ .16**	**$ 2,318**
June 30	**26,773**	**410**	**(1,192)**	**(.42)**	**(.42)**	**553**
September 30	**26,484**	**3,383**	**659**	**.23**	**.23**	**2,698**
December 31	**26,395**	**6,411**	**2,639**	**.93**	**.93**	**4,648**
2009						
March 31	$ 26,591	$ 4,530	$ 1,521	$ .54	$ .54	$ 3,086
June 30	26,861	4,672	1,658	.58	.58	3,335
September 30	27,265	3,823	1,098	.39	.39	2,809
December 31	27,091	2,953	617	.22	.22	2,371

- Results of operations for the first quarter of 2010 include after-tax charges attributable to Verizon of $1.1 billion related to Medicare Part D subsidy, access line spin-off charges, merger integration and acquisition costs, and severance, pension and benefit charges.
- Results of operations for the second quarter of 2010 include after-tax charges attributable to Verizon of $2.8 billion related to severance, pension and benefit charges, merger integration and acquisition costs, access line spin-off charges, and a one-time non-cash adjustment to wireless data revenues.
- Results of operations for the third quarter of 2010 include after-tax charges attributable to Verizon of $0.9 billion primarily related to severance, pension and benefit charges, access line spin-off charges, and merger integration costs.
- Results of operations for the fourth quarter of 2010 include net after-tax gain attributable to Verizon of $1.1 billion related to severance, pension and benefit charges and merger integration and acquisition costs.
- Results of operations for the first quarter of 2009 include after-tax charges attributable to Verizon of $0.1 billion related to acquisition related charges, and merger integration costs.
- Results of operations for the second quarter of 2009 include after-tax charges attributable to Verizon of $0.1 billion of merger integration costs, acquisition related charges, and severance, pension and benefits charges.
- Results of operations for the third quarter of 2009 include after-tax charges attributable to Verizon of $0.5 billion primarily related to, merger integration and acquisition costs, access line spin-off and other charges and severance, pension and benefits charges.
- Results of operations for the fourth quarter of 2009 include after-tax charges attributable to Verizon of $0.8 billion for severance, pension and benefits charges, wireline cost reduction initiatives, access line spin-off and other charges and merger integration and acquisition costs.

[1] Net income (loss) attributable to Verizon per common share is computed independently for each quarter and the sum of the quarters may not equal the annual amount.

EXHIBIT 18

February 28, 2011

The Board of Directors
Verizon Communications Inc.
140 West Street
New York, NY 10007

Ladies and Gentlemen:

Note 1 of Notes to Consolidated Financial Statements of Verizon Communications Inc. included in its Annual Report for the year ended December 31, 2010 describes changes in the methods of accounting for actuarial gains and losses and the calculation of expected returns on plan assets for all of its pension and other postretirement benefit plans. The change in method of recognizing actuarial gains and losses is from a method that recognizes such gains and losses in stockholders' equity in the period incurred and amortizes them as a component of net periodic benefit cost in future periods subject to a corridor, to a method that recognizes actuarial gains and losses in the income statement in the period incurred. The change in method of computing expected returns on plan assets is from a method that utilizes a calculated value of plan assets that reflects changes in the fair value of plan assets over five years to a method that utilizes the actual fair value of plan assets. There are no authoritative criteria for determining a 'preferable' method of accounting for actuarial gains and losses or of calculating expected returns on plan assets based on the particular circumstances; however, we conclude that such changes in methods of accounting are to acceptable alternative methods which, based on your business judgment to make these changes and for the stated reasons, are preferable in your circumstances.

Very truly yours,

/s/ Ernst & Young LLP
Ernst & Young LLP

EXHIBIT 21

Verizon Communications Inc. and Subsidiaries
Principal Subsidiaries of Registrant at December 31, 2010

Name	Jurisdiction of Organization
Verizon California Inc.	California
Verizon Delaware LLC.	Delaware
Verizon Florida LLC.	Florida
Verizon Maryland Inc.	Maryland
Verizon New England Inc.	New York
Verizon New Jersey Inc.	New Jersey
Verizon New York Inc.	New York
Verizon Pennsylvania Inc.	Pennsylvania
GTE Southwest Incorporated (d/b/a Verizon Southwest)	Delaware
Verizon Virginia Inc.	Virginia
Cellco Partnership (d/b/a Verizon Wireless)	Delaware
Verizon Business Global LLC	Delaware

EXHIBIT 23

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Verizon Communications Inc. (Verizon) of our reports dated February 28, 2011, with respect to the consolidated financial statements of Verizon and the effectiveness of internal control over financial reporting of Verizon, included in the 2010 Annual Report to Shareowners of Verizon.

Our audits also included the financial statement schedule of Verizon listed in Item 15(a). This schedule is the responsibility of Verizon's management. Our responsibility is to express an opinion based on our audits. In our opinion, as to which the date is February 28, 2011, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also consent to the incorporation by reference in the following registration statements of Verizon and where applicable, related Prospectuses, of our reports dated February 28, 2011, with respect to the consolidated financial statements of Verizon and the effectiveness of internal control over financial reporting of Verizon, incorporated herein by reference, and our report included in the preceding paragraph with respect to the financial statement schedule of Verizon included in this Annual Report (Form 10-K) for the year ended December 31, 2010: Form S-8, No. 333-66349; Form S-4, No. 333-11573; Form S-8, No. 333-41593; Form S-8, No. 333-42801; Form S-4, No. 333-76171; Form S-8, No. 333-76171; Form S-8, No. 333-53830; Form S-8, No. 333-82690; Form S-4, No. 333-124008; Form S-8, No. 333-124008; Form S-4, No. 333-132651; Form S-8, No. 333-142549; Form S-8, No. 333-150504; Form S-3, No. 333-151922; Form S-3, No. 333-162833; and Form S-8, No. 333-169267.

/s/ Ernst & Young LLP

Ernst & Young LLP
New York, New York

February 28, 2011

EXHIBIT 24

VERIZON COMMUNICATIONS INC.

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below does hereby appoint Ivan G. Seidenberg, Lowell C. McAdam, Francis J. Shammo, Robert J. Barish and Holyce E. Hess Groos, and each of them acting individually, his or her true and lawful attorneys-in-fact and agents with full power of substitution, for him/her and in his/her name, place and stead, in any and all capacities, to sign Verizon Communications Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2010, and any amendments thereto, and to file the same, with all exhibits thereto and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he/she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or his, her or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof. This Power of Attorney may be executed in any number of counterparts.

Pursuant to the requirements of the Securities and Exchange Act of 1934, this Power of Attorney has been signed below by the following persons in the capacities and on the dates indicated.

/s/ Ivan G. Seidenberg Ivan G. Seidenberg	Chairman and Chief Executive Officer and Director (Principal Executive Officer)	February 3, 2011
/s/ Frances J. Shammo Frances J. Shammo	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 3, 2011
/s/ Robert J. Barish Robert J. Barish	Senior Vice President and Controller (Principal Accounting Officer)	February 3, 2011
/s/ Richard L. Carrión Richard L. Carrión	Director	February 3, 2011
/s/ M. Frances Keeth M. Frances Keeth	Director	February 3, 2011
/s/ Robert W. Lane Robert W. Lane	Director	February 3, 2011
/s/ Sandra O. Moose Sandra O. Moose	Director	February 3, 2011
/s/ Joseph Neubauer Joseph Neubauer	Director	February 3, 2011
/s/ Donald T. Nicolaisen Donald T. Nicolaisen	Director	February 3, 2011

/s/ Thomas H. O'Brien Thomas H. O'Brien	Director	February 3, 2011
/s/ Clarence Otis, Jr. Clarence Otis, Jr.	Director	February 3, 2011
/s/ Hugh B. Price Hugh B. Price	Director	February 3, 2011
/s/ Rodney E. Slater Rodney E. Slater	Director	February 3, 2011
/s/ John W. Snow John W. Snow	Director	February 3, 2011
/s/ John R. Stafford John R. Stafford	Director	February 3, 2011

EXHIBIT 31.1

I, Ivan G. Seidenberg, certify that:

1. I have reviewed this annual report on Form 10-K of Verizon Communications Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2011

/s/ Ivan G. Seidenberg
Ivan G. Seidenberg
Chairman and Chief Executive Officer

EXHIBIT 31.2

I, Francis J. Shammo, certify that:

1. I have reviewed this annual report on Form 10-K of Verizon Communications Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2011

/s/ Francis J. Shammo
Francis J. Shammo
Executive Vice President
and Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002, PURSUANT TO SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE

I, Ivan G. Seidenberg, Chairman and Chief Executive Officer of Verizon Communications Inc. (the Company), certify that:

(1) the report of the Company on Form 10-K for the annual period ending December 31, 2010 (the Report) fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934 (the Exchange Act); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods referred to in the Report.

Date: February 28, 2011

/s/ Ivan G. Seidenberg
Ivan G. Seidenberg
Chairman and Chief Executive Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Verizon Communications Inc. and will be retained by Verizon Communications Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002, PURSUANT TO SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE

I, Francis J. Shammo, Executive Vice President and Chief Financial Officer of Verizon Communications Inc. (the Company), certify that:

(1) the report of the Company on Form 10-K for the annual period ending December 31, 2010 (the Report) fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934 (the Exchange Act); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods referred to in the Report.

Date: February 28, 2011

/s/ Francis J. Shammo
Francis J. Shammo
Executive Vice President
and Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Verizon Communications Inc. and will be retained by Verizon Communications Inc. and furnished to the Securities and Exchange Commission or its staff upon request.