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, 2011

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	**23-2259884**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
140 West Street New York, New York	**10007**
(Address of principal executive offices)	(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, 2011, the aggregate market value of the registrant's voting stock held by non-affiliates was approximately $101,499,660,140.

At January 31, 2012, 2,835,524,157 shares of the registrant's common stock were outstanding, after deducting 132,085,962 shares held in treasury.

Documents Incorporated By Reference:

Portions of the registrant's Annual Report to Shareowners for the year ended December 31, 2011 (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 2012 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 that, acting through its subsidiaries, is one of the world's leading providers of communications, information and entertainment products and services to consumers, businesses and governmental agencies with a presence in over 150 countries around the world. 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 193,900 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, Verizon Wireless and Wireline, which we operate and manage as strategic business segments and organize by products and services.

Verizon Wireless	Verizon 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 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 both in the United States and in over 150 other countries around the world.

The following portions of the 2011 Verizon Annual Report to Shareowners are incorporated into this report:

- "Overview" on pages 26 through 28; and,
- "Segment Results of Operations" on pages 33 through 38 and in Note 13 to the consolidated financial statements on pages 77 through 79.

Verizon Wireless

Background

Our Verizon Wireless segment, primarily comprised of 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) and fourth-generation (4G) Long-Term Evolution technology (LTE) networks of any U.S. wireless service provider.

Verizon Wireless is the largest wireless service provider in the United States as measured by retail customers and revenue. At December 31, 2011, Verizon Wireless had 92.2 million retail customers and 2011 revenues of approximately $70.2 billion, representing approximately 63% of Verizon's 2011 aggregate revenues.

In 2010, we launched our 4G LTE mobile broadband network, which provides higher data throughput performance and improved network efficiencies. As of January 19, 2012, we have deployed 4G LTE in 195 markets covering more than 200 million people throughout the country. We expect to deploy 4G LTE in virtually all of our current 3G network footprint by mid-2013.

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 on a wholesale basis.

Wireless Services

We offer voice and data services on a postpaid and prepaid basis. Postpaid customers represent individual lines of service for which a customer is billed and pays in advance a monthly access charge in return for a monthly voice and/or data service allowance, and use of any services beyond the allowance is billed in arrears. Our prepaid service enables individuals to obtain wireless data and voice services without a long-term contract or credit verification by paying in advance. Approximately 95% of our retail customers received our data and voice services on a postpaid basis as of December 31, 2011.

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 provides us with higher data throughput performance and improved network efficiencies compared to those offered by 3G technologies. During 2011, we began offering an array of 4G-enabled devices, including smartphones, tablets, netbooks, notebook computers and devices that provide a mobile Wi-Fi connection that we refer to as Jetpack devices.

We offer a wide variety of Verizon Wireless-branded data services and applications, such as:

- Internet access via our smartphones and basic phones. Our customers can access the Internet on all of our smartphones, as well as our basic phones that 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 data usage. We offer usage-based data packages and data plans that allow customers, regardless of the device, to select the plan that best matches their data usage patterns. This data pricing model offers customers more options for smartphones, basic phones, tablets and netbooks.
- Our Mobile Broadband service, which enables our customers to access the Internet at broadband speeds. Our customers can access our Mobile Broadband service on netbooks, notebook computers and tablets that either have embedded 4G LTE or Evolution – Data Optimized (EV-DO) Mobile Broadband modules, or that are used in conjunction with separate Mobile Broadband devices that enable access to this service, such as smartphones, as well as USB modems and other dedicated devices that provide a mobile Wi-Fi connection. Our 4G LTE and 3G Mobile Broadband plans are offered at various price points, depending upon both the size of the gigabyte package purchased and the Mobile Broadband-enabled device covered by the plan.
- Messaging services, which enable our customers to send and receive text, picture and video messages.
- Consumer-focused multimedia offerings, which provide our customers with access to applications providing music, video, gaming, news and other content.
- 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 destinations and enable our business customers to locate, monitor and communicate with their mobile field workers.
- Global Data services, which allow our customers to access their e-mail on our Global Ready Phones while at hundreds of international destinations and to access the Internet at such destinations with laptops that are either Global Ready, tethered to a Global Ready Phone, or are used in conjunction with other Global Ready devices, such as certain USB data modems or Jetpacks.

In addition to the foregoing offerings, our customers, depending upon the wireless devices 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 on the Google, Inc. (Google) Android operating system, and those offered via the Apple, Inc. (Apple) iTunes store, accessible through smartphones and tablets running on the Apple iOS operating system.

Voice Services

We offer a variety of plans for voice services and features with competitive pricing tailored to meet the needs of customers seeking individual lines of service, as well as those family or business customers with multiple-line accounts. In addition, many of our plans allow customers to place calls to, and receive calls from, certain phone numbers they designate that are not part of the Verizon Wireless network (including domestic landline numbers) without the call time counting against their minute allowance. We adjust our plans periodically to address changing customer preferences and needs and to take advantage of the availability of new technology. We also offer a variety of international wireless voice services to our customers through roaming arrangements with wireless service providers outside of the United States.

Other Connection-Related Services

We provide data access and enhanced value added services to support telemetry-type applications, which are characterized by machine-to-machine (M2M) wireless connections that typically do not include a voice component. Our M2M services support devices used by a variety of vertical market segments, such as healthcare, manufacturing, utilities, distribution and consumer products. For example, companies purchase data access and enhanced services from us in order to connect with and monitor equipment, such as medical devices used to monitor patients, fleet management devices that monitor company-operated vehicles and utility monitoring devices used for smart grid applications. Other companies purchase data access and enhanced services from us to support devices that are included in a service they in turn sell to end-users. We provide data access and enhanced value-added services to support telematics, which generally involve the integration of wireless safety and security, diagnostics, remote unlock/start-up and other services in 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.

Wireless Devices

We offer several categories of wireless devices, including smartphones and basic phones, as well as tablets and other Internet access devices.

Smartphones. Our device line-up includes an array of smartphones that are enabled to utilize our 3G EV-DO (Revision A) or 4G LTE high-speed data services and have operating platforms, such as Google Android, Apple iOS, BlackBerry OS, and Windows Mobile.

Basic Phones. Some of our basic phones are 3G EV-DO-enabled and have HTML-browsing capability. Additionally, we offer a selection of basic phones that operate via our CDMA-1XRTT service.

Tablets and Other Internet Access Devices. We offer a variety of 4G LTE and/or 3G EV-DO-enabled tablets from multiple manufacturers that run primarily on either the Apple iOS or Google Android operating systems. These tablets also permit our customers to access the Internet via a Wi-Fi connection. In addition, we offer dedicated devices that provide a mobile Wi-Fi 4G LTE and/or 3G EV-DO connection, which we refer to as Jetpack devices, capable of connecting up to five Wi-Fi–enabled devices to the Internet at one time. Our customers can also access the Internet wirelessly at broadband speeds on their computers via data cards or through the use of certain laptop computers and netbooks with embedded 4G LTE and 3G EV-DO Mobile Broadband modules offered by original equipment manufacturers (OEMs). During 2011, we continued to experience strong subscriber demand for tablets and Jetpack devices, which represented a larger proportion of our data revenue growth as compared to the prior year.

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

A key component of all wireless devices is the chipset, which contains the “intelligence” of the phone. Most of our wireless device suppliers rely on Qualcomm Incorporated (Qualcomm) for manufacturing and supplying CDMA-1XRTT and EV-DO chipsets. We also sell phones that include CDMA-1XRTT and EV-DO chipsets manufactured by VIA Telecom under license from Qualcomm. The LTE chipsets used in our 4G LTE-enabled devices are manufactured by various companies, each using its own 4G 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.

Strategic Initiatives

We have undertaken several initiatives to develop innovative devices, data services and applications available to run on our networks, including the following:

- *LTE Innovation Center*. We operate the Verizon LTE Innovation Center, which we believe serves as a catalyst for the early development of non-traditional devices and associated services and applications for use on 4G LTE networks. The center works with many of our strategic partners representing various industries to help them quickly bring products to market.
- *Application Innovation Center*. The Verizon Application Innovation Center was established to allow developers to work on applications side-by-side with network experts from Verizon Wireless to create, optimize and polish their ideas and turn them into viable wireless applications.
- *ISIS*. ISIS is a joint venture with AT&T and T-Mobile that is developing a mobile commerce platform that will enable customers to pay for point-of-sale purchases via their mobile phones using near field communications technology, rather than by paying with cash or a credit card.

- Comcast Corporation, Time Warner Cable, Bright House Networks and Verizon Wireless have formed a technology innovation joint venture for the development of technology and intellectual property to better integrate wireline and wireless products and services.

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 covered a population of approximately 296 million as of December 31, 2011.

Our goal is to provide the highest network reliability for the provision of data and voice services. We design and deploy our data network in a manner that we believe maximizes the number of successful data sessions and completions of large file downloads and uploads while delivering on our advertised throughput speeds, and we design and deploy our voice 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. 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 platforms are 4G LTE and 3G CDMA. 4G LTE provides higher throughput performance and improved efficiencies for data services than 3G technologies. We launched our 4G LTE network in December 2010, and by January 19, 2012 it was deployed in 195 markets covering more than 200 million people. By mid-2013, we expect that our 4G LTE network will have been deployed in virtually our entire 3G CDMA network footprint. We also plan to expand our 4G LTE coverage beyond our existing 3G CDMA footprint through our LTE in Rural America Program. Under this program, we are working with wireless carriers in rural areas to collaboratively build and operate a 4G LTE network using each carrier's network assets and our core 4G LTE equipment and 700 MHz spectrum. We currently have 15 committed program participants that have the potential to provide 4G LTE coverage to more than two million people outside of our 4G LTE footprint.

While competing wireless service providers are also migrating to LTE technology, we believe that we have a time-to-market and coverage advantage over these providers.

Our 3G CDMA network is based on spread-spectrum digital radio technology. CDMA-1XRTT technology is deployed in virtually all of the cell sites in our 3G 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 3G CDMA network.

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. In addition, we have a fleet of portable backup generators that can be deployed to cell sites if needed. We further enhance reliability by using a fully redundant backbone Multiprotocol Label Switching network in all critical locations.

In September 2011, Verizon Wireless implemented network optimization practices designed to ensure that the overwhelming majority of our data customers are not negatively impacted by the unusually high data consumption of a few data users. Under these current practices, the top five percent of our 3G smartphone data users with unlimited data plans, as well as 3G data users roaming on our network, may experience a reduction in average data speeds when connected to a congested cell site. If a cell site is not congested, a user's connection speed will not be impacted. Network optimization helps to ensure high quality network performance for our entire customer base.

Spectrum

The spectrum licenses we hold can be used for mobile wireless voice and data communications services. 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 the United States resides. 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, together, 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 advanced broadband services, and in late 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 we will need additional spectrum to meet future demand. This increasing demand is being driven by growth in customer connections and usage of wireless broadband services, which use more bandwidth and require ever faster rates of speed to stay competitive. We can meet spectrum needs by acquiring licenses or leasing spectrum from other licensees, or by acquiring new spectrum licenses from the Federal Communications Commission (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 current Presidential Administration have been seeking the release of additional mobile use spectrum. In addition, Congress has recently adopted legislation that provides for the establishment of a national public safety network and the reallocation and auction, through the use of voluntary incentive auctions, by 2022 of portions of the existing broadcast spectrum. The timing and nature of those auctions will be determined by future regulatory proceedings. We have entered into agreements to acquire AWS spectrum licenses held by SpectrumCo, LLC and Cox TMI Wireless. During 2011, we also entered into agreements with a subsidiary of Leap Wireless and with Savary Island Wireless, which is majority-owned by Leap Wireless, for the purchase of certain of their AWS and PCS licenses in exchange for cash and our 700 MHz A block license in Chicago. The consummation of each of these transactions is subject to customary closing conditions, including approval by the FCC.

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 benefit from spectrum license trades in order to meet certain of our capacity and expansion needs in the future. These swaps as well as any spectrum purchases are 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 groups; promoting our brand; leveraging our extensive distribution network; jointly marketing with Vodafone; and jointly marketing to enterprise customers with Verizon's Wireline business units through Verizon Enterprise Solutions, a sales and marketing organization that encompasses all of Verizon's solutions for business and government customers globally. Our marketing plan includes a coordinated program of television, print, radio, outdoor signage, Internet and point-of-sale media promotions designed to present our marketing message consistently across all of our markets. 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.

Company-operated stores are a core component of our distribution strategy. Our direct channel, which includes our business-to-business operations and systems organization, is focused on supporting the wireless communications needs of our local, regional and national business customers. We also have a dedicated organization to more effectively serve the needs of our largest corporate customers and our federal and other large government accounts. In addition, 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.

Our indirect channel includes agents that sell our postpaid and prepaid wireless products and services at retail locations throughout the United States, as well as through the Internet. The majority of these agents sell our postpaid and prepaid products and services, and do so under exclusive selling arrangements with us. In addition, we utilize high-profile, national retailers, such as Best Buy, Wal-Mart, RadioShack and Target, to sell our postpaid and prepaid wireless products and services. Stores such as Dollar General, Big Lots and various drugstore chains sell our prepaid products and services.

In December 2011, we entered into commercial agreements with affiliates of Comcast Corporation, Time Warner Cable, Bright House Networks and Cox Communications Inc. (the cable companies). Through these agreements, the cable companies and Verizon Wireless became agents to sell one another's products and services and, over time, the cable companies will have the option, subject to the terms and conditions of the agreements to sell Verizon Wireless service on a wholesale basis. These agreements are currently under review by the Department of Justice.

Competition

We operate in a highly competitive industry. We compete against other national wireless service providers, including AT&T, Sprint Nextel Corporation and T-Mobile USA, as well as various regional wireless service providers, including 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, Microsoft, 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 believe that the deployment of our 4G LTE network will help us to keep pace with network capacity requirements and meet customer demand for higher speeds.
- *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 service 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. 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. Our competitors also recognize the importance of customer service and are also focused 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. In addition to these devices, we also continue to expand international roaming agreements and offer significant coverage outside of the United States for customers that require a solution overseas.
- *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.
- *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 voice service including long distance, broadband video and data, IP network services, network access and other services. We provide these products and services to consumers and small businesses in the United States, as well as to businesses and government customers and carriers both in the United States and in over 150 other countries around the world. In 2011, Wireline revenues were $40.7 billion, representing approximately 37% 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.

During 2011, we enhanced our offerings of cloud services by acquiring Terremark Worldwide Inc. (Terremark), a global provider of information technology infrastructure and cloud services, and by acquiring a provider of cloud software technology. These acquisitions improved Verizon's competitive position in the managed hosting and cloud services space, enhanced our offerings to business and government customers globally and contributed to our growth in revenues.

Mass Markets

Mass Markets operations provide local exchange (basic service and end-user access) and long distance (including regional toll) voice services, broadband services (including high-speed Internet and FiOS Internet) and FiOS Video services to residential and small business subscribers. In 2011, Mass Markets revenues were $16.3 billion, representing approximately 40% of Wireline's aggregate revenues.

Video Services. We offer video service over our fiber-optic network. As of December 31, 2011, FiOS Video is available to approximately 13 million homes across 12 states, as well as the District of Columbia. We believe FiOS Video has features that differentiate it from the competition, including its channel line-up, Interactive Media Guide, Home Media DVR and breadth of high definition content, as well as the following:

- *Flex View* – With Flex View, FiOS customers can watch content anytime, anywhere, on any device. Customers who subscribe to FiOS Video and Internet also have the ability to upload their photos, music and videos to their personal Flex View Library, which gives them easy access to this content via any data-capable device. Our HBO GO offering provides customers with unlimited access to HBO programming on any data-capable device. Verizon's FiOS Video subscribers can also access Turner Broadcasting's online programming directly on the TBS and TNT sites and through Verizon FiOS Video Online. In addition, through FiOS TV Widgets, viewers have one-touch, on demand access to local weather, traffic and community information and popular social media applications, such as Facebook, YouTube and Twitter, as well as online commerce opportunities. The widget platform has evolved in an open-development environment, which provides opportunities for third parties to develop enhanced customer features via the FiOS Video product.
- *Home Monitoring and Control Solution* – During the fourth quarter of 2011, we introduced the Home Monitoring and Control Solution, which allows FiOS customers to use any data-capable device to remotely operate key functions of their home, such as setting and controlling lights, thermostats and appliances. In addition, customers have the ability to monitor their home via networked cameras.
- *Xbox Interoperability* – In October 2011, we announced a partnership with Microsoft Corporation to offer FiOS Video and broadband customers who also subscribe to the Xbox LIVE Gold online gaming service the ability to view popular live HD TV channels through their Xbox console without a set-top box or extra hardware. This technology further expands our initiative to provide customers with the ability to watch content anytime, anywhere, on any data-capable device.

In February 2012, a new joint venture between Verizon and Coinstar, Inc. was announced. At the outset, Verizon will hold a 65% majority ownership share and Redbox Automated Retail, LLC, a subsidiary of Coinstar, Inc. will hold a 35% ownership share. The joint venture will be consolidated by Verizon for reporting purposes. The joint venture will offer access to physical media rentals through Redbox kiosks and online and mobile content streaming from Verizon to consumers across the country. The joint venture plans to introduce its product portfolio, which will include subscription services, in mid-2012. The initial funding related to the formation of the joint venture is not significant to Verizon.

Data Services. We offer high-speed Internet and FiOS broadband data products with varying downstream and upstream processing speeds. Our customers can 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 voice services 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 plans that include 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 strategic services, including networking products and solutions, advanced communications services, and other core communications services to medium and large business customers, multinational corporations and state and federal government customers. Global Enterprise jointly markets these services with Verizon's other business units through Verizon Enterprise Solutions. In 2011, Global Enterprise revenues were $15.6 billion, representing approximately 38% of Wireline's aggregate revenues.

Strategic Services. Strategic services consist of networking products and solutions, which are primarily private Internet Protocol (IP) services, and advanced communication services, which are primarily security, infrastructure and cloud services.

Networking products and solutions primarily include:

- *Private IP* – Services include our multiprotocol label switching (MPLS)-based solution, which 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. Our Private IP network allows customers to communicate over a private secure network in more than 120 countries.
- *Other* – Other services primarily include Ethernet access and ring services. Ethernet Access services allow customers to connect network environments around the world, helping enable applications and technologies to work seamlessly and with little disruption. Ring services include technologies that can help customer handle bandwidth demands while controlling costs.

Advanced communication services primarily include:

- *Infrastructure and Cloud Services* – Offerings for managed hosting services that provide enterprise and government customers with data center and network facilities, connectivity, security, architecture and support; data center collocation services that house and protect customers' critical applications and systems, such as several facilities that offer extensive carrier neutral options; application management services that provide customers with comprehensive monitoring and management of applications, with a focus on critical business processes and the end-users experience; and advanced enterprise-class cloud services that provide customers with the ability to improve IT infrastructure and boost application performance.
- *Security* – Security services include integrated solutions to help companies secure their networks and data that include the following offerings:
  - *Security Professional Services* – Offers security consultants that can deliver a plan based on Verizon's extensive industry expertise;
  - *Governance, Risk and Compliance* – Assists customers assess risk levels based on current security controls and develop a plan to address security-related compliance objectives;
  - *Identity Management* – Provides identity-based access management for customer data, applications, and systems across multiple IT environments;
  - *Managed Security* – Allows leveraging our expertise and best practices to design, implement, and maintain a secure IT infrastructure as well as help prevent, detect, and report security threats.
- *Other* – Other services primarily include: dedicated internet access, which provides customers with high-bandwidth, full-time dedicated access to Verizon's global network; and, unified communications and collaboration capabilities which help customers fully utilize voice over IP and IP conferencing services.

Other Services. Other Services include core voice and data services, which consist of a comprehensive portfolio of global solutions utilizing traditional telecommunications' technology, such as conferencing and contact center solutions as well as private line and data access networks, frame relay and Asynchronous Transfer Mode (ATM) services. Core services also include providing customer premise equipment, installation, maintenance and site services.

We are currently conducting an assessment and enhancement project 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 provides communications services including data, voice and local dial tone and broadband services primarily to local, long distance and other carriers that use our facilities to provide services to their customers. In 2011, Global Wholesale revenues were $8.0 billion, representing approximately 20% of Wireline's aggregate revenues. A portion of Global Wholesale revenues is generated by a few large telecommunication companies, most of who compete directly with us.

Global Wholesale provides the following services, which it jointly markets with Verizon's other business units through Verizon Enterprise Solutions:

- *Data Services.* We offer a robust portfolio of data services with varying speeds and options to enhance our wholesale customers' networks and provide connections to their end users and subscribers. Our data services include high-speed digital data offerings, such as Ethernet and Synchronous Optical Network, as well as core data circuits, such as DS1/DS3. In addition, data services include special access revenues that are generated from carriers that buy dedicated local exchange capacity to support their private networks.

  Our wireless customers in the United States represent the largest growth opportunity in wholesale, as we build backhaul connections from their cell sites to mobile switching centers. These customers are also 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 networks.

  Data Services also includes certain value-added business services, which leverage 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 enhance 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.
- *Voice Services*. Provides switched access services that allow carriers to complete their end-user calls that originate or terminate within our territory.
- *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 applicable regulations.

Other

Other services include such services as local exchange and long distance services derived from former MCI mass market customers, operator services, card services and supply sales, as well as dial around services including 10-10-987, 10-10-220 and prepaid cards. In 2011, Other revenues were $0.8 billion, representing approximately 2% of Wireline's aggregate revenues.

Network

In order to provide services to our customers, we operate an advanced telecommunications network in the United States and around the world.

FiOS. We are well on the way toward our goal of being the premier broadband and entertainment service provider in our service areas, and we know network reliability and expanded functionality are key to achieving that objective. We offer America's fastest Internet with speeds up to 150Mbps utilizing Fiber-to-the-Premise (FTTP) access technologies over fiber optic cables. Our network architecture also provides 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. Field trials have 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 fiber-optic network, connection speeds of 10 Gbps were reached, demonstrating the significant capacity built into the FiOS network.

The Verizon FiOS network now carries 130 high definition television channels, over 30 thousand video-on-demand titles, 3,800 high definition titles and continues groundbreaking advances in 3D technology. ESPN 3D was the first 24/7 3D channel, and Verizon recently took another first step in 3D programming with the first televised live 3D college football game. New FiOS service offerings also continue to eliminate the barrier between "home" and "away". The introduction of the MY FiOS mobile application provides Verizon FiOS customers on-the-go access to entertainment, personal content, TV controls, home monitoring, customer service tools and more. Examples of how Verizon customers can use

MY FiOS include: viewing a live camera feed when away from home using our new Home Monitoring and Control service; selecting from the latest movies available on Flex View and for viewing on a laptop or other mobile device; remotely scheduling a DVR to record a favorite TV show; or sharing photos and videos using Media Manager.

Global IP. 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 Quality of Service-aware IP Virtual Private Network managed 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 988 edge routers in 251 sites throughout 66 countries. We also activated most of the links in the Europe India Gateway system in 2011, linking countries/territories between Europe, the Middle East and India, thereby delivering significant network capacity and diversity into emerging international markets.

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 in 2010, and followed that up with another industry first in 2011 with initial deployments of 100G technology on our U.S. backbone network. During 2012, approximately 7,000 additional route miles of the domestic ultra-long-haul backbone network will be upgraded to 100G capable systems.

Fiber-to-the-Cellsite. Our FTTCS Ethernet 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 18,000 total cell site connections have been completed since the start of this program.

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.

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, which 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 2011 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 and 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. In addition, 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. 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. In Global Enterprise, we provide our customers with ready access to their system and performance information and we conduct proactive testing of our 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 continue to invest in 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 a significant factor 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 and services. Customers are shifting their focus from access to applications and are seeking ways to leverage their broadband and video connections. Converged features, such as integrated wireless and wireline functionality, are becoming similarly important, driven 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" on page 46 of the 2011 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 47 through 49 of the 2011 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 49 of the 2011 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, 2011, Verizon and its subsidiaries had approximately 193,900 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:

- adverse conditions in the U.S. and international economies;
- competition in our markets;
- material adverse changes in labor matters, including labor negotiations or additional organizing activity, and any resulting financial and/or operational impact;
- 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;
- breaches of network or information technology security, natural disasters or terrorist attacks 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 condition 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 lower-cost products and services 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, be unable to implement our business strategy and experience reduced profits.

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, enhance our existing offerings and introduce new offerings to address our customers' changing demands. If we are unable to meet future challenges from 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 our 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. Our ability to continue to deploy our 4G LTE 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 4G LTE network equipment on schedule and according to our specifications. Furthermore, our deployment of 4G 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.

In addition to introducing new technologies and offerings, we must phase out outdated and unprofitable technologies and services. If we are unable to do so on a cost-effective basis, we could experience reduced profits.

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 and 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 by 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. 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, which took effect in November 2011 and are subject to a pending appeal, will 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 the "open access" and "net neutrality" rules are not fully defined and given that the rules create procedural mechanisms for parties to complain of violations, 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.

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

Cyber attacks or other breaches of network or information technology (IT) security, natural disasters, terrorist acts or acts of war 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 particular, both unsuccessful and successful cyber attacks on companies have increased in frequency, scope and potential harm in recent years. The costs associated with a major cyber attack on Verizon could include expensive incentives offered to existing customers and business partners to retain their business, increased expenditures on cyber security measures, lost revenues from business interruption, litigation and damage to our reputation. Further, certain of Verizon's businesses, including the provisioning of security solutions and infrastructure and cloud services to business customers, could be negatively affected if our ability to protect our own networks is called into question as a result of a cyber attack. In addition, if we fail to prevent the theft of valuable information such as financial data, sensitive information about the Company and intellectual property, or if we fail to protect the privacy of customer and employee confidential data against breaches of network or IT security, it could result in damage to our reputation, which could adversely impact customer and investor confidence. 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 193,900 employees and approximately 209,400 retirees as of December 31, 2011 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 Patient Protection and Affordable Care Act and the Health Care Education Reconciliation Act of 2010, 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, 2011, approximately 30% of our workforce was represented by labor unions. Labor contracts covering many of our union employees expired on August 6, 2011, at which time Verizon experienced a 14-day work stoppage. The Company and the unions then entered into a Return to Work agreement pursuant to which the employees returned to work under the terms and conditions of the previous contracts indefinitely; however, either the Company or the unions may terminate the contract extensions after providing seven (7) days notice. We continue to be engaged in negotiations with our unions regarding new contracts. Depending on the course of these negotiations, we could incur additional costs and/or experience additional work stoppages, which could adversely affect our business operations, including through a loss of revenue and strained relationships with customers. 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 $216 billion at December 31, 2011 and $212 billion at December 31, 2010, 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,	**2011**	2010
Network equipment	**80.9%**	80.3%
Land, buildings and building equipment	**10.6%**	10.4%
Furniture and other	**8.5%**	9.3%
	100.0%	100.0%

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

At December 31,	**2011**	2010
Wireline	**66.0%**	67.9%
Wireless	**32.8%**	30.9%
Other	**1.2%**	1.2%
	100.0%	100.0%

Network equipment consists primarily of cable (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 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 and a number of other telecommunications companies, have been the subject of multiple class action suits concerning their 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 appealed this dismissal, and by decision issued December 29, 2011, the United States Court of Appeals for the Ninth Circuit affirmed the dismissal. Plaintiffs have not petitioned the United States Supreme Court to review the decision, but their time to do so has not yet expired.

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. Discovery in the case is underway, with a trial set for October 2012.

On October 25, 2011, a Litigation Trust created during the bankruptcy proceedings of FairPoint Communications, Inc. filed a complaint in state court in Mecklenburg County, North Carolina, against Verizon and other related entities, including Verizon Wireless. The complaint claims that FairPoint's acquisition of Verizon's landline operations in Maine, New Hampshire and Vermont in March 2008 was structured and carried out in a way that left FairPoint insolvent or lead to its insolvency shortly thereafter and ultimately to its October 2009 bankruptcy. The Litigation Trust seeks approximately $2 billion in damages. Verizon removed the case to the United States District Court for the Western District of North Carolina in November 2011. A trial date has not yet been set and neither motion practice nor discovery has begun.

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, 2011, there were 705,202 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
2011	**Fourth Quarter**	**$ 40.25**	**$ 35.17**	**$ .5000**
	Third Quarter	**37.87**	**32.28**	**.5000**
	Second Quarter	**38.74**	**34.94**	**.4875**
	First Quarter	**38.95**	**33.36**	**.4875**
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

* Prices have been adjusted to reflect the spinoff of certain of Verizon's local exchange business and related 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 2011, Verizon did not repurchase any shares of Verizon common stock. At December 31, 2011, the maximum number of shares that could be purchased by or on behalf of Verizon under our share buyback program was 100 million.

For other information required by this item, see the section entitled "Stock Performance Graph" on page 25 of the 2011 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 2011 Verizon Annual Report to Shareowners under the heading "Selected Financial Data" on page 25, 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 2011 Verizon Annual Report to Shareowners under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 26 through 49, which is incorporated herein by reference.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Information required by this item is included in the 2011 Verizon Annual Report to Shareowners under the heading "Market Risk" on page 44, which is incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data

Information required by this item is included in the 2011 Verizon Annual Report to Shareowners on pages 52 through 83, 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, 2011.

There were no changes in the registrant's internal control over financial reporting during the fourth quarter of 2011 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 2011 Verizon Annual Report to Shareowners on pages 50 and 51 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
Lowell C. McAdam	57	Chairman and Chief Executive Officer	2011
Robert J. Barish	50	Senior Vice President and Controller	2009
John W. Diercksen	62	Executive Vice President – Strategy, Development and Planning	2003
Roger Gurnani	51	Executive Vice President and Chief Information Officer	2010
Daniel S. Mead	58	Executive Vice President and President and Chief Executive Officer – Verizon Wireless Joint Venture	2010
Anthony J. Melone	51	Executive Vice President and Chief Technology Officer	2010
Randal S. Milch	53	Executive Vice President and General Counsel	2008
W. Robert Mudge	52	President - Consumer and Mass Business Markets	2012
Marc C. Reed	53	Executive Vice President and Chief Administrative Officer	2004
Francis J. Shammo	51	Executive Vice President and Chief Financial Officer	2010
John G. Stratton	50	Executive Vice President and President – Verizon Enterprise	2012
Thomas J. Tauke	61	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 2012 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 2012 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 2012 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, 2011:

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	**40,441,494**	**$ 38.44**	**106,647,119**
Equity compensation plans not approved by security holders	**283,880**	**40.12**	**–**
Total	**40,725,374**	**38.46**	**106,647,119**

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 2012 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 2012 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:

* Incorporated herein by reference to the appropriate portions of the registrant's Annual Report to Shareowners for the fiscal year ended December 31, 2011. (See Part II.)

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 herein by reference).**
10f	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).**
10g	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).**
10h	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).**
	10h(i) 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).**
	10h(ii) 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).**
	10h(ii)(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).**
	10h(iii) 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).**

10h(iv) 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).**

10h(iv)(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).**

10h(v) 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).**

10h(vi) Performance Stock Unit Agreement 2011-2013 Award Cycle (filed as Exhibit 10a to Form 10-Q for the period ended March 31, 2011 and incorporated herein by reference).**

10h(vii) Restricted Stock Unit Agreement 2011-2013 Award Cycle (filed as Exhibit 10b to Form 10-Q for the period ended March 31, 2011 and incorporated herein by reference).**

10h(viii) Form of 2011 Special Performance Stock Unit Agreement (filed as Exhibit 10 to Form 10-Q for the period ended September 30, 2011 and incorporated herein by reference).**

10i 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).**

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

10j(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).**

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

10k(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).**

10l 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).**

10m 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).**

10n fGTE Executive Retiree Life Insurance Plan (filed as Exhibit 10q to Form 10-K for the year ended December 31, 2010 and incorporated herein by reference).**

10o Verizon Executive Life Insurance Plan, As Amended and Restated September 2009 (filed as Exhibit 10s to Form 10-K for the year ended December 31, 2010 and incorporated herein by reference).**

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

10q Form of Aircraft Time Sharing Agreement (filed as Exhibit 10v to Form 10-K for the year ended December 31, 2010 and incorporated herein by reference).**

10r 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).**

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

10s 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).**

10s(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).**

10t 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).

10u 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).

10v 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).

10w 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).

10x 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).

10y 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).

10z 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).

10aa Amendment No. 5 to Cellco Partnership Amended and Restated Partnership Agreement, dated as of January 21, 2011, (filed as Exhibit 10ll to Form 10-K for the year ended December 31, 2010 and incorporated herein by reference).

10bb 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, 2011 filed herewith. Only the information incorporated by reference into this Form 10-K is included in the exhibit.

21 List of principal subsidiaries of Verizon filed herewith.

23	Consent of Ernst & Young LLP 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, 2011, 2010 and 2009

(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 2011	**$ 876**	**$ 1,026**	**$ 139**	**$ 1,239**	**$ 802**
Year 2010	976	1,246	103	1,449	876
Year 2009	941	1,306	418	1,689	976
Valuation Allowance for Deferred Tax Assets:					
Year 2011	**$ 3,421**	**$ 108**	**$ 25**	**$ 1,178**	**$ 2,376**
Year 2010	2,942	675	4	200	3,421
Year 2009	2,995	404	43	500	2,942

(a) Allowance for Uncollectible Accounts Receivable primarily includes amounts previously written off which were credited directly to this account when recovered.

(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 24, 2012

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/ Lowell C. McAdam Lowell C. McAdam	Chairman and Chief Executive Officer	February 24, 2012

Principal Financial Officer:

/s/ Francis J. Shammo Francis J. Shammo	Executive Vice President and Chief Financial Officer	February 24, 2012

Principal Accounting Officer:

/s/ Robert J. Barish Robert J. Barish	Senior Vice President and Controller	February 24, 2012

/s/ Richard L. Carrión Richard L. Carrión	Director	February 24, 2012
/s/ Melanie L. Healey Melanie L. Healey	Director	February 24, 2012
/s/ M. Frances Keeth M. Frances Keeth	Director	February 24, 2012
/s/ Robert W. Lane Robert W. Lane	Director	February 24, 2012
/s/ Sandra O. Moose Sandra O. Moose	Director	February 24, 2012
/s/ Joseph Neubauer Joseph Neubauer	Director	February 24, 2012
/s/ Donald T. Nicolaisen Donald T. Nicolaisen	Director	February 24, 2012
/s/ Clarence Otis, Jr Clarence Otis, Jr.	Director	February 24, 2012
/s/ Hugh B. Price Hugh B. Price	Director	February 24, 2012
/s/ Rodney E. Slater Rodney E. Slater	Director	February 24, 2012
/s/ John W. Snow John W. Snow	Director	February 24, 2012

EXHIBIT 12

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

(dollars in millions)

Years Ended December 31,	**2011**	2010	2009	2008	2007
Earnings:					
Income before provision for income taxes, discontinued operations and extraordinary item	**$10,483**	$12,684	$13,520	$1,643	$16,783
Equity in earnings of unconsolidated businesses	**(444)**	(508)	(553)	(567)	(585)
Dividends from unconsolidated businesses	**480**	510	942	779	2,571
Interest expense [1]	**2,827**	2,523	3,102	1,819	1,829
Portion of rent expense representing interest	**817**	837	839	734	684
Amortization of capitalized interest	**148**	139	134	125	115
Earnings, as adjusted	**$14,311**	$16,185	$17,984	$4,533	$21,397
Fixed Charges:					
Interest expense [1]	**$ 2,827**	$ 2,523	$ 3,102	$1,819	$ 1,829
Portion of rent expense representing interest	**817**	837	839	734	684
Capitalized interest	**442**	964	927	747	429
Fixed Charges	**$ 4,086**	$ 4,324	$ 4,868	$3,300	$ 2,942
Ratio of earnings to fixed charges	**3.50**	3.74	3.69	1.37	7.27

(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.

EXHIBIT 13

Selected Financial Data Verizon Communications Inc. and Subsidiaries

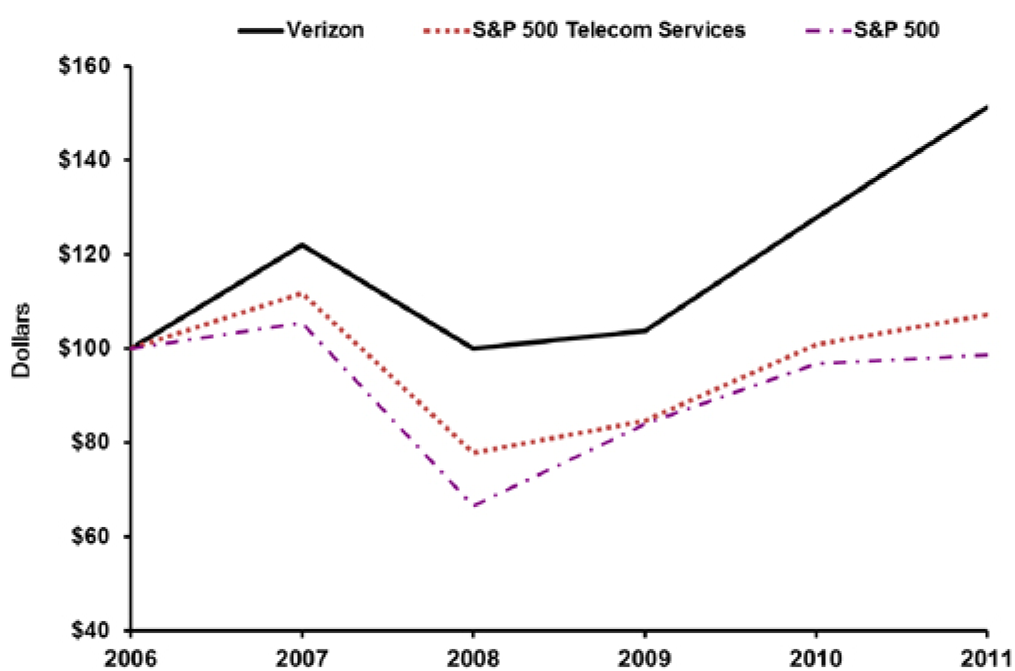
(dollars in millions, except per share amounts)

	2011	2010	2009	2008	2007
Results of Operations					
Operating revenues	**$ 110,875**	$ 106,565	$ 107,808	$ 97,354	$ 93,469
Operating income	**12,880**	14,645	15,978	2,612	17,816
Income (loss) before discontinued operations and extraordinary item attributable to Verizon	**2,404**	2,549	4,894	(2,193)	7,201
Per common share – basic	**.85**	.90	1.72	(.77)	2.48
Per common share – diluted	**.85**	.90	1.72	(.77)	2.48
Net income (loss) attributable to Verizon	**2,404**	2,549	4,894	(2,193)	7,212
Per common share – basic	**.85**	.90	1.72	(.77)	2.49
Per common share – diluted	**.85**	.90	1.72	(.77)	2.49
Cash dividends declared per common share	**1.975**	1.925	1.870	1.780	1.670
Net income attributable to noncontrolling interest	**7,794**	7,668	6,707	6,155	5,053
Financial Position					
Total assets	**$ 230,461**	$ 220,005	$ 226,907	$ 202,185	$ 186,942
Debt maturing within one year	**4,849**	7,542	7,205	4,993	2,954
Long-term debt	**50,303**	45,252	55,051	46,959	28,203
Employee benefit obligations	**32,957**	28,164	32,622	32,512	29,960
Noncontrolling interest	**49,938**	48,343	42,761	37,199	32,266
Equity attributable to Verizon	**35,970**	38,569	41,382	41,592	50,580

- Significant events affecting our historical earnings trends in 2009 through 2011 are described in “Other Items” in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section.
- 2008 and 2007 data includes sales of businesses, severance, pension and benefit charges, merger integration costs, and other items.

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,					
	2006	2007	2008	2009	2010	**2011**
Verizon	100.0	122.1	100.0	103.9	127.9	**151.3**
S&P 500 Telecom Services	100.0	111.9	77.8	84.7	100.8	**107.3**
S&P 500	100.0	105.5	66.5	84.1	96.7	**98.8**

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. It assumes $100 was invested on December 31, 2006 with dividends (including the value of each respective spin-off) being reinvested.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

Verizon Communications Inc. (Verizon, or the Company) is a holding company that, acting through its subsidiaries is one of the world's leading providers of communications, information and entertainment products and services to consumers, businesses and governmental agencies with a presence in over 150 countries around the world. Our offerings, designed to meet customers' demand for speed, mobility, security and control, include voice, data and video services on our wireless and wireline networks. We have two reportable segments, Verizon Wireless and Wireline. Our wireless business, operating as Verizon Wireless, provides voice and data services and equipment sales across the United States using one of the most extensive and reliable wireless networks. Our wireline business provides consumer, business and government customers with 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 IP networks. We have a highly skilled, diverse and dedicated workforce of approximately 193,900 employees as of December 31, 2011.

In recent years Verizon has embarked upon a strategic transformation as advances in technology have changed the ways that our customers interact in their personal and professional lives and that businesses operate. To meet the changing needs of our customers and the changing technological landscape, we are focusing our efforts around higher margin and growing areas of our business: wireless data, wireline data and strategic services, including cloud computing services.

Our strategy requires significant capital investments to acquire wireless spectrum, put the spectrum into service, expand the fiber optic network that supports our wireless and wireline businesses, maintain our wireless and wireline networks and develop and maintain significant advanced database capacity.

- In our Wireless business, in 2011, strong customer and data services growth primarily driven by strong demand for smartphones and internet data devices resulted in revenue growth of 10.6% from 2010. At December 31, 2011, smartphones represented nearly 44% of our retail postpaid phone base, driving a 21% annual growth in data revenue, which accounts for 40% of Verizon Wireless' total service revenue.

  In 2010, we launched our fourth-generation (4G) Long-Term Evolution technology (LTE) mobile broadband network in 38 major markets, and as of January 19, 2012, we have deployed 4G LTE in 195 markets covering more than 200 million people throughout the country. We expect to deploy 4G LTE in virtually all of our current 3G network footprint by mid-2013. Our 4G LTE network is the fastest of its kind in the United States with speeds up to ten times faster than those of 3G broadband. As a result of our investment in 4G LTE and the shift to more data-centric devices, we expect to achieve both capacity improvements as well as a reduced cost per megabyte, which will allow us to hold or slightly improve our margins.

- In Wireline, during 2011 compared to 2010, revenues were positively impacted by a 15.2% increase in strategic services revenue, which represented 48.7% of total Global Enterprise revenues at the end of 2011, as well as the expansion of consumer and small business FiOS services, which represented 51% of Mass Markets revenue at the end of 2011. To compensate for the shrinking market for traditional voice service, we continue to build the Wireline segment around data, video and advanced business services—areas where demand for reliable high-speed connections is growing. As more applications are developed for this high-speed service, we expect that FiOS will become a hub for managing a multitude of home services that will eventually be part of the digital grid, including not just entertainment and communications, but also machine-to-machine communications, such as home monitoring, home health care, energy management services and utilities.

  In 2011, we acquired Terremark Worldwide Inc. (Terremark), a global provider of information technology infrastructure and cloud services. This acquisition enhanced our competitive position in managed hosting and cloud services offerings to business and government customers globally and is contributing to our growth in revenues. Additionally, in 2011 we acquired a provider of cloud software technology, which has further enhanced our offerings of cloud services. We expect our provisioning of cloud services to be instrumental to our future growth as it allows us to meet the evolving demands of our customers.

In December 2011, we entered into agreements to acquire Advanced Wireless Services (AWS) spectrum licenses held by SpectrumCo, LLC and Cox TMI Wireless. The aggregate value of these transactions is approximately $3.9 billion. The consummation of each of these transactions is subject to various conditions, including approval by the Federal Communications Commission (FCC) and review by the Department of Justice (DOJ). These spectrum acquisitions are expected to close in 2012.

In December 2011, we entered into commercial agreements with affiliates of Comcast Corporation, Time Warner Cable, Bright House Networks and Cox Communications Inc. (the cable companies). Through these agreements, the cable companies and Verizon Wireless became agents to sell one another's products and services and, over time, the cable companies will have the option, subject to the terms and conditions of the agreements, to sell Verizon Wireless service on a wholesale basis. In addition, the cable companies (other than Cox Communications Inc.) and Verizon Wireless have formed a technology innovation joint venture for the development of technology and intellectual property to better integrate wireline and wireless products and services. These commercial agreements and the formation of the joint venture are currently under review by the DOJ.

Investing in innovative technology like wireless networks, high-speed fiber and cloud services has positioned Verizon at the center of the growth trends of the future. By investing in our own capabilities, we are also investing in the markets we serve by making sure our communities have a fast, reliable infrastructure for competing in the information economy. We are committed to putting our customers first and being a responsible member of our communities. Guided by this commitment and by our core values of integrity, respect, performance excellence and accountability, we believe we are well-positioned to produce a long-term return for our shareowners, create meaningful work for ourselves and provide something of lasting value for society.

On December 31, 2011, Chief Executive Officer Lowell C. McAdam assumed the role of Chairman of the Board of Directors, thereby completing the succession plan that was put in place by our Board of Directors.

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.

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.

Connection and Operating Trends

In our 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 connection growth will accelerate as we continue to introduce new smartphones, internet devices such as tablets, and our suite of 4G LTE devices. We believe these devices will attract and retain higher value retail postpaid 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. In the third quarter of 2011, we experienced a decline in our Wireline margin due to storm-related and work stoppage events that occurred in the quarter. However, we reduced our FiOS installation backlog caused by the storm-related events, and we expect to continue improving margins in the Wireline segment in 2012.

Despite this challenging environment, we expect that we will continue to grow key aspects of our wireline business by providing superior network reliability, offering 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, and accelerating our cloud computing strategy. We will also continue to focus on cost efficiencies to attempt to offset adverse impacts from unfavorable economic conditions.

Operating Revenue

We expect to experience service revenue growth in our Verizon Wireless segment in 2012 primarily as a result of the growth of our postpaid customer base as well as continued data revenue growth driven by increased penetration of data services resulting from increased sales of smartphones and other data-capable devices. We expect that retail postpaid average revenue per user (ARPU) will continue to increase as an increasing proportion of our customers use smartphone devices with bundled voice and data service plans. However, we expect both retail postpaid ARPU and retail postpaid data ARPU growth to be adversely impacted by the ongoing declines in our average voice revenue per user, an expected decline in revenues from text messaging and an increase in the sale of lower priced packages for internet data devices, such as tablets, USB modems or Jetpacks, formerly known as "Mobile Hotspots." In addition, we have experienced ARPU dilution as a result of customers optimizing the value of their data packages for internet data devices, and we expect this trend to continue. 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 smartphones and other data-capable devices.

During 2011, we experienced a significant increase in Wireless equipment and other revenue as a result of sales of new smartphone devices, including Apple's iPhone 4 and 4S and our 4G LTE-capable devices. We expect that continued emphasis on increasing smartphone penetration will positively impact equipment revenue as these devices typically carry higher price points than basic phones.

We expect FiOS broadband and video penetration to positively impact our Mass Markets revenue and subscriber base but to continue to experience declining revenues in our Wireline segment primarily due to access line losses as a result of wireless substitution, along with a continued decline in our legacy wholesale and enterprise markets. However, we also expect continued growth 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 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 and sales commission costs. In addition, we expect content costs for our video services to continue to increase. 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, we continue to improve our processes across all business lines with a focus on improving productivity, which we expect will continue to contribute positively to our profitability.

Capital Expenditures

Our 2012 capital program includes capital to fund advanced networks and services, including 4G LTE and FiOS, the continued expansion of our core networks, including our IP and data center enhancements, maintenance and support for our legacy voice networks and other expenditures to drive operating efficiencies. 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 in 2011 were $16.2 billion, as compared to $16.5 billion in 2010. We believe that we have significant discretion over the amount and timing of our capital expenditures on a company-wide basis.

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 continued profitable growth, 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 2011, making this the fifth consecutive year in which we have raised our dividend.

Our goal is to use our cash to create long-term value for our shareholders. We will continue to look for investment opportunities that will help us to grow the business. When appropriate, we will also use our cash to reduce our debt levels and buy back shares of our outstanding common stock, and Verizon Wireless may make distributions to its partners (see "Cash Flows from Financing Activities-Other, net").

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.

We continue to be actively involved in labor negotiations with our unions. Many of our union-represented employees are currently working under an agreement indefinitely extending the contracts that expired in August 2011, with either the Company or the unions having the right to terminate the contract extension after providing seven days notice. The terms of any new contract will affect our future obligations to our employees for compensation and benefits.

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 Verizon Wireless and Wireline. In "Segment Results of Operations," we review the performance of our two reportable segments.

Corporate, eliminations and other includes unallocated corporate expenses such as certain pension and other employee benefit related costs, intersegment eliminations recorded in consolidation, the results of other businesses such as our investments in unconsolidated businesses, 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.

Corporate, eliminations and other during 2010 included a one-time non-cash adjustment of $0.2 billion primarily to adjust wireless data revenues. This adjustment was recorded to properly defer previously recognized wireless data revenues that were earned and recognized in future periods. The adjustment was not material to the consolidated financial statements (see "Other Items"). In addition, the results of operations related to the divestitures we completed in 2010 (see "Acquisitions and Divestitures") included in Corporate, eliminations and other are as follows:

(dollars in millions)

Years Ended December 31,	**2011**	2010	2009
Impact of Divested Operations			
Operating revenues	**$ –**	$2,407	$5,297
Cost of services and sales	**–**	574	1,288
Selling, general and administrative expense	**–**	665	1,356
Depreciation and amortization expense	**–**	413	884

Consolidated Revenues

(dollars in millions)

				Increase/(Decrease)			
Years Ended December 31,	**2011**	2010	2009	**2011 vs. 2010**		2010 vs. 2009	
Verizon Wireless							
Service revenue	**$ 59,157**	$ 55,629	$ 52,046	**$ 3,528**	**6.3%**	$ 3,583	6.9%
Equipment and other	**10,997**	7,778	8,279	**3,219**	**41.4**	(501)	(6.1)
Total	**70,154**	63,407	60,325	**6,747**	**10.6**	3,082	5.1
Wireline							
Mass Markets	**16,337**	16,256	16,115	**81**	**0.5**	141	0.9
Global Enterprise	**15,622**	15,316	15,289	**306**	**2.0**	27	0.2
Global Wholesale	**7,973**	8,746	9,533	**(773)**	**(8.8)**	(787)	(8.3)
Other	**750**	909	1,514	**(159)**	**(17.5)**	(605)	(40.0)
Total	**40,682**	41,227	42,451	**(545)**	**(1.3)**	(1,224)	(2.9)
Corporate, eliminations and other	**39**	1,931	5,032	**(1,892)**	**(98.0)**	(3,101)	(61.6)
Consolidated Revenues	**$ 110,875**	$ 106,565	$ 107,808	**$ 4,310**	**4.0**	$(1,243)	(1.2)

2011 Compared to 2010

The increase in consolidated revenues during 2011 compared to 2010 was primarily due to higher revenues at Verizon Wireless, the expansion of FiOS services and increased revenues from strategic services at our Wireline segment. In addition, the increase during 2011 was partially offset by the impact of divested operations.

The increase in Verizon Wireless' revenues during 2011 compared to 2010 was primarily due to growth in both service and equipment revenue. Service revenue increased during 2011 compared to 2010 primarily due to an increase in total connections since January 1, 2011, as well as continued growth in our data revenue, partially offset by a decline in voice revenue.

Total wireless data revenue was $23.6 billion and accounted for 40.0% of service revenue during 2011 compared to $19.6 billion and 35.1% during 2010. Total data revenue continues to increase as a result of the increased penetration of data offerings, in particular for smartphone data service plans which provide our customers with access to web and e-mail via their wireless device. We have also experienced growth in data revenues for internet data devices such as tablets, USB modems and Jetpacks which also require service plans allowing access to data services. Voice revenue decreased as a result of continued declines in retail postpaid voice ARPU due to the ongoing impact of our retail customers seeking to optimize the value of our voice minute bundles, partially offset by an increase in the number of customers.

Equipment and other revenue increased during 2011 compared to 2010 due to an increase in the sales volume for smartphones to new and upgrading customers. Partially offsetting these increases was a decrease in the sales volume for basic phones in both periods.

The decrease in Wireline's revenues during 2011 compared to 2010 was primarily driven by declines in Global Wholesale and Other Global Enterprise revenues. The decrease in Global Wholesale revenues was primarily due to a $0.4 billion decline in international voice revenues as a result of decreased minutes of use (MOUs) in traditional voice products as a result of increases in voice termination pricing on certain international routes. Other Global Enterprise revenues declined primarily due to lower customer premise equipment revenues, reflecting our focus on improving margins by de-emphasizing sales of equipment that are not a part of an overall enterprise solutions bundle, as well as customers migrating to next generation IP services. Other Wireline revenue also decreased primarily as a result of former MCI mass market customer losses. These revenue declines were partially offset by continued revenue growth in Global Enterprise strategic services, in part due to the inclusion of the revenues of Terremark, and in Mass Markets, primarily due to the expansion of FiOS services (Voice, Internet and Video), partially offset by the decline of local exchange revenues.

2010 Compared to 2009

The decrease in Consolidated revenues during 2010 compared to 2009 was primarily due to the impact 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.

The increase in Verizon 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 increased as a result of the increased penetration of data offerings, in particular for web and e-mail 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 FiOS services (Voice, Internet and Video), 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 as higher customer premise equipment and strategic networking revenues were offset by lower local services and traditional circuit-based revenues.

Consolidated Operating Expenses

				(dollars in millions)			
				Increase/(Decrease)			
Years Ended December 31,	**2011**	2010	2009	**2011 vs. 2010**		2010 vs. 2009	
Cost of services and sales	**$45,875**	$44,149	$44,579	**$1,726**	**3.9%**	$ (430)	(1.0)%
Selling, general and administrative expense	**35,624**	31,366	30,717	**4,258**	**13.6**	649	2.1
Depreciation and amortization expense	**16,496**	16,405	16,534	**91**	**0.6**	(129)	(0.8)
Consolidated Operating Expenses	**$97,995**	$91,920	$91,830	**$6,075**	**6.6**	$ 90	0.1

Consolidated operating expenses increased during 2011 and 2010 primarily due to higher severance, pension and benefit charges (see "Other Items") as well as increased operating expenses at Verizon Wireless. The changes in consolidated operating expenses during 2011 and 2010 were also favorably impacted by divested operations.

2011 Compared to 2010

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 increased during 2011 compared to 2010 primarily due to higher cost of equipment sales at our Verizon Wireless segment, as well as increased costs at our Wireline segment related to repair and maintenance expenses caused by storm-related events during 2011, higher content costs associated with continued FiOS subscriber growth and the acquisition of Terremark in the second quarter of 2011. Partially offsetting the increase were lower non-operational charges noted in the table below, a decrease in access costs resulting primarily from management actions to reduce exposure to unprofitable international wholesale routes and declines in overall wholesale long distance volumes.

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 2011 compared to 2010 primarily due to higher severance, pension and benefit charges and costs caused by storm-related events as well as higher sales commission expense at our Verizon Wireless segment. Partially offsetting the increase was the absence of merger integration and acquisition related charges and access line spin-off charges during 2011 and a decrease in compensation expense at our Wireline segment.

Depreciation and Amortization Expense

Depreciation and amortization expense increased during 2011 compared to 2010 as a result of growth in depreciable assets at our Wireless segment and the acquisition of Terremark in the second quarter of 2011, partially offset by lower non-operational charges noted in the table below and amortization expense as a result of a reduction in capitalized non-network software at our Wireline segment. The change in depreciation and amortization expense was also partially attributable to the impact of divested operations.

2010 Compared to 2009

Cost of Services and Sales

Cost of services and sales decreased during 2010 compared to 2009 primarily due to the impact of divested operations, lower headcount and productivity improvements at our Wireline and Verizon Wireless segments, partially offset by higher severance, pension and benefit charges 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 Video and Internet cost of acquisition per addition also decreased in 2010 compared to 2009. Wireless network costs 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 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. In addition, the increase in Selling, general and administrative expense reflected higher sales commission expense at our Verizon 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 activate data service, and contract renewals in connection with equipment upgrades. Partially offsetting the increase was the impact of 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 impact of 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.

Non-operational Charges

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

		(dollars in millions)	
Years Ended December 31,	**2011**	2010	2009
Severance, Pension and Benefit Charges			
Cost of services and sales	**$ –**	$1,723	$1,443
Selling, general and administrative expense	**5,954**	1,331	(3)
	5,954	3,054	1,440
Merger Integration and Acquisition Related Charges			
Cost of services and sales	**–**	376	195
Selling, general and administrative expense	**–**	389	442
Depreciation and amortization expense	**–**	102	317
	–	867	954
Access Line Spin-off Related Charges			
Cost of services and sales	**–**	42	38
Selling, general and administrative expense	**–**	365	415
	–	407	453
Total non-operating charges included in operating expenses	**$5,954**	$4,328	$2,847

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

Consolidated Operating Income and EBITDA

Consolidated earnings before interest, taxes, depreciation and amortization expenses (Consolidated EBITDA) and Consolidated Adjusted EBITDA, which are presented below, are non-GAAP measures and do not purport to be alternatives to operating income as a measure of operating performance. Management believes that these measures are useful to investors and other users of our financial information in evaluating operating profitability on a more variable cost basis as they exclude the depreciation and amortization expense related primarily to capital expenditures and acquisitions that occurred in prior years, as well as in evaluating operating performance in relation to our competitors. Consolidated EBITDA is calculated by adding back interest, taxes, depreciation and amortization expense, equity in earnings of unconsolidated businesses and other income and (expense), net to net income. Consolidated Adjusted EBITDA is calculated by excluding the effect of non-operational items and the impact of divested operations from the calculation of Consolidated EBITDA.

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.

		(dollars in millions)	
Years Ended December 31,	**2011**	2010	2009
Consolidated Operating Income	**$12,880**	$14,645	$15,978
Add Depreciation and amortization expense	**16,496**	16,405	16,534
Consolidated EBITDA	**29,376**	31,050	32,512
Add Non-operating charges included in operating expenses [(1)]	**5,954**	4,226	2,530
Add Deferred revenue adjustment	**–**	268	–
Less Impact of divested operations [(1)]	**–**	(1,168)	(2,653)
Consolidated Adjusted EBITDA	**$35,330**	$34,376	$32,389

[(1)] Excludes non-operating charges included in Depreciation and amortization expense.

Other Consolidated Results

Equity in Earnings of Unconsolidated Businesses

Equity in earnings of unconsolidated businesses decreased $64 million, or 12.6%, in 2011 compared to 2010 and $45 million, or 8.1%, in 2010 compared to 2009 primarily due to changes in earnings from operations at Vodafone Omnitel N.V. and the related foreign exchange gains and losses due to movements of the Euro against the U.S. dollar.

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,	**2011**	2010	2009	**2011 vs. 2010**		2010 vs. 2009	
Interest income	**$ 68**	$ 92	$ 75	**$ (24)**	**(26.1)%**	$ 17	22.7%
Foreign exchange gains (losses), net	**(9)**	5	–	**(14)**	**nm**	5	–
Other, net	**(73)**	(43)	16	**(30)**	**69.8**	(59)	nm
Total	**$ (14)**	$ 54	$ 91	**$ (68)**	**nm**	$ (37)	(40.7)

nm – not meaningful

Other income and (expense), net decreased during 2011 compared to 2010 primarily driven by higher fees related to the early extinguishment of debt (see "Other Items") and foreign exchange losses at our international wireline operations, partially offset by gains on sales of short-term investments.

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. Partially offsetting the decrease was higher distributions from investments and foreign exchange gains at our international wireline operations.

Interest Expense

(dollars in millions)

				Increase/(Decrease)			
Years Ended December 31,	**2011**	2010	2009	**2011 vs. 2010**		2010 vs. 2009	
Total interest costs on debt balances	**$ 3,269**	$ 3,487	$ 4,029	**$ (218)**	**(6.3)%**	$ (542)	(13.5)%
Less capitalized interest costs	**442**	964	927	**(522)**	**(54.1)**	37	4.0
Total	**$ 2,827**	$ 2,523	$ 3,102	**$ 304**	**12.0**	$ (579)	(18.7)
Average debt outstanding	**$55,629**	$57,278	$64,039				
Effective interest rate	**5.9%**	6.1%	6.3%				

Total interest costs on debt balances decreased during 2011 compared to 2010 primarily due to a $1.6 billion decrease in average debt (see "Consolidated Financial Condition") and a lower effective interest rate. Capitalized interest costs were lower in 2011 primarily due to our ongoing deployment of the 4G LTE network.

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

Provision for Income Taxes

				(dollars in millions) Increase/(Decrease)			
Years Ended December 31,	**2011**	2010	2009	**2011 vs. 2010**		2010 vs. 2009	
Provision for income taxes	**$285**	$2,467	$1,919	**$(2,182)**	**(88.4)%**	$ 548	28.6%
Effective income tax rate	**2.7%**	19.4%	14.2%				

The effective income tax rate is calculated by dividing the provision for income taxes by income before the provision for income taxes. Our effective income 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, which resulted in our effective income tax rate being 7.9, 29.8 and 14.0 percentage points lower during 2011, 2010 and 2009, respectively.

The effective income tax rate in 2011 decreased to 2.7% from 19.4% in 2010. This decrease was primarily driven by lower income before provision for income taxes as a result of higher pension and benefit charges recorded in 2011 as well as tax benefits from state valuation allowance reversals in 2011. The decrease was also due to a one-time, non-cash income tax charge of $1.0 billion recorded during the three months ended March 31, 2010 as 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 are already reflected in Verizon's financial statements, this change in law 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 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 for the Health Care Act described above. The increase was partially offset primarily by higher earnings attributable to Vodafone's noncontrolling interest in the Verizon Wireless Partnership.

A reconciliation of the statutory federal income tax rate to the effective income tax rate for each period is included in Note 12 to the consolidated financial statements.

Net Income Attributable to Noncontrolling Interest

				(dollars in millions) Increase/(Decrease)			
Years Ended December 31,	**2011**	2010	2009	**2011 vs. 2010**		2010 vs. 2009	
Net income attributable to noncontrolling interest	**$7,794**	$7,668	$6,707	**$ 126**	**1.6%**	$ 961	14.3%

The increases in Net income attributable to noncontrolling interest during 2011 compared to 2010, and 2010 compared to 2009 were due to higher earnings in our Verizon Wireless segment, which has a 45% noncontrolling partnership interest attributable to Vodafone.

Segment Results of Operations

We have two reportable segments, Verizon 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 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 expense related primarily to capital expenditures and acquisitions that occurred in prior years, as well as in evaluating operating performance in relation to our 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 primarily exclude 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. You can find additional information about our segments in Note 13 to the consolidated financial statements.

Verizon Wireless

Our Verizon Wireless segment, primarily comprised of Cellco Partnership doing business as 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%. Verizon Wireless provides wireless voice and data services across one of the most extensive wireless networks in the United States and has the largest 3G and 4G LTE networks of any U.S. wireless service provider.

We provide these services and equipment sales to consumer, business and government customers in the United States on a postpaid and prepaid basis. Postpaid customers represent individual lines of service for which a customer pays in advance a monthly access charge in return for a monthly voice and/or data service allowance, and use of any services beyond the allowances is billed monthly in arrears. Our prepaid service enables individuals to obtain wireless data and voice services without a long-term contract or credit verification by paying in advance.

All financial results included in the tables below reflect the consolidated results of Verizon Wireless.

Operating Revenue and Selected Operating Statistics

(dollars in millions, except ARPU)

				Increase/(Decrease)			
Years Ended December 31,	**2011**	2010	2009	**2011 vs. 2010**		2010 vs. 2009	
Retail service	**$ 56,660**	$ 53,308	$50,760	**$3,352**	**6.3%**	$ 2,548	5.0%
Other service	**2,497**	2,321	1,286	**176**	**7.6**	1,035	80.5
Service revenue	**59,157**	55,629	52,046	**3,528**	**6.3**	3,583	6.9
Equipment and other	**10,997**	7,778	8,279	**3,219**	**41.4**	(501)	(6.1)
Total Operating Revenue	**$ 70,154**	$ 63,407	$60,325	**$6,747**	**10.6**	$ 3,082	5.1
Connections ('000): (1)							
Total connections (2)	**107,798**	102,246	96,495	**5,552**	**5.4**	5,751	6.0
Retail customers	**92,167**	87,535	85,445	**4,632**	**5.3**	2,090	2.4
Retail postpaid customers	**87,382**	83,125	80,495	**4,257**	**5.1**	2,630	3.3
Net additions in period ('000): (3)							
Total connections (2)	**5,419**	5,517	4,935	**(98)**	**(1.8)**	582	11.8
Retail customers	**4,624**	1,977	4,369	**2,647**	**133.9**	(2,392)	(54.7)
Retail postpaid customers	**4,252**	2,529	3,987	**1,723**	**68.1**	(1,458)	(36.6)
Churn Rate:							
Retail customers	**1.26%**	1.38%	1.41%				
Retail postpaid customers	**0.95%**	1.02%	1.07%				
ARPU:							
Retail service	**$ 52.69**	$ 51.51	$ 50.85	**$ 1.18**	**2.3**	$ 0.66	1.3
Retail postpaid	**54.34**	53.14	52.29	**1.20**	**2.3**	0.85	1.6
Retail postpaid data	**21.70**	18.78	15.75	**2.92**	**15.5**	3.03	19.2

(1) As of end of period.
(2) The number of Total connections for 2011 reflects a reduction of 869,000 Wholesale and Other Connections from previously reported numbers.
(3) Excluding acquisitions and adjustments.

2011 Compared to 2010

The increase in Verizon Wireless' total operating revenue during 2011 compared to 2010 was primarily due to growth in service and equipment revenue.

Connections

Total connections increased during 2011 compared to 2010 primarily due to an increase in retail postpaid customer gross additions as well as ongoing improvements in our retail customer churn rate, both of which we believe were primarily the result of the strength of the devices in our product portfolio, including the Apple iPhone 4 and 4S and our line-up of 3G and 4G Android and other 4G LTE capable devices, as well as the reliability of our network, partially offset by a year-over-year decline in net additions from wholesale and other connections.

Total connections represent the total of our retail customers and wholesale and other connections. Wholesale and other connections include customers from our reseller channel as well as connections from non-traditional wireless-enabled devices, such as those used to support vehicle tracking, telematics services and machine-to-machine connections.

Retail (non-wholesale) customers are customers directly served and managed by Verizon Wireless that use its branded services. Retail postpaid customers represent individual lines of service for which a customer pays in advance a monthly access charge in return for a monthly voice and/or data service allowance, and use of any services beyond the allowances is billed in arrears. Churn is the rate at which customers disconnect individual lines of service. We expect to continue to experience retail customer growth based on the strength of our product offerings and network service quality.

Service revenue

Service revenue increased during 2011 compared to 2010 primarily due to the above-mentioned increase in total connections during the year, as well as continued growth in data revenue, partially offset by a decline in voice revenue.

Total data revenue was $23.6 billion and accounted for 40.0% of service revenue during 2011 compared to $19.6 billion and 35.1% during 2010. Total data revenue continues to increase as a result of the increased penetration of our data offerings, in particular for higher-tier data service plans which provide our customers with access to web and e-mail via their wireless device. We have also experienced growth in data revenues from the use of internet data devices such as tablets, USB modems and Jetpacks. Voice revenue decreased as a result of continued declines in retail postpaid voice ARPU, as discussed below, partially offset by an increase in the number of customers. We expect that total service revenue and total data revenue will continue to grow as we grow our customer base and increase the penetration of our data offerings as a larger proportion of our customers use smartphones and other data-capable devices.

The increases in retail service ARPU (the average revenue per user per month from retail customers) and retail postpaid ARPU (the average revenue per user per month from retail postpaid customers) during 2011 compared to 2010 were due to a continued increase in our retail postpaid data ARPU, offset by a decline in our retail postpaid voice ARPU. Retail postpaid data ARPU increased as a result of continued growth in the proportion of our customer base using smartphones, which grew to 43.5% of our retail postpaid customers as of December 31, 2011 compared to 28.1% at December 31, 2010. However, both retail postpaid ARPU and retail postpaid data ARPU growth were adversely impacted by the growing proportion of our customers using internet data devices and customers optimizing the value of their data packages for these devices. Internet data devices represented 8.1% of our retail postpaid customer base as of December 31, 2011 compared to 7.0% at December 31, 2010. In addition, our retail postpaid voice ARPU was $32.64 during 2011, representing a decline of $1.72, or 5.0%, compared to 2010 primarily due to the ongoing impact of our retail customers seeking to optimize the value of our voice minute bundles.

Other service revenue includes revenue from wholesale and other connections as well as third party roaming revenue. Other service revenue increased during 2011 compared to 2010 as a result of year-to-date growth in wholesale and other connections, partially offset by a decrease in third party roaming revenue.

Equipment and Other Revenue

Equipment and other revenue increased during 2011 compared to 2010 due to an increase in the sales volume of smartphones to new and upgrading customers. Partially offsetting these increases was a decrease in the sales volume for basic phones in both periods.

2010 Compared to 2009

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

Connections

Total connections increased during 2010 compared to 2009 due to the increase during the year in customer net additions from our reseller channel as a result of the 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, as well as connections from non-traditional wireless-enabled devices, partially offset by the decline in retail customer net additions. 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 due to 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 in January 2009 (see "Acquisitions and Divestitures").

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 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 increased as a result of the increased penetration of our data offerings, in particular for web and e-mail 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.

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 retail postpaid data ARPU. Total retail postpaid voice ARPU declined $2.18, or 6.0%, due to the ongoing impact of customers seeking to optimize the value of our voice minute bundles. Total retail postpaid 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 smartphones 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.

Operating Expenses

							(dollars in millions)
				Increase/(Decrease)			
Years Ended December 31,	**2011**	2010	2009	**2011 vs. 2010**		2010 vs. 2009	
Cost of services and sales	**$24,086**	$19,245	$19,348	**$4,841**	**25.2%**	$ (103)	(0.5)%
Selling, general and administrative expense	**19,579**	18,082	17,309	**1,497**	**8.3**	773	4.5
Depreciation and amortization expense	**7,962**	7,356	7,030	**606**	**8.2**	326	4.6
Total Operating Expenses	**$51,627**	$44,683	$43,687	**$6,944**	**15.5**	$ 996	2.3

Cost of Services and Sales

Cost of services and sales increased during 2011 compared to 2010 primarily due to higher costs of equipment sales. Cost of equipment sales increased by $4.9 billion driven by increased sales of higher cost smartphones, including Apple's iPhone 4 and 4S and other data-capable devices. Partially offsetting these increases were decreases in the volume sold and average cost per unit of basic phones. In addition, cost of services increased during 2011 due to higher wireless network costs resulting from an increase in local interconnection costs related to additional Evolution-Data Optimized (EV-DO) capacity to meet expected data usage demands as well as an increase in Ethernet facilities costs that support the 4G LTE network. The increase in cost of services was also impacted by higher roaming costs incurred in markets divested during 2010 and increased data roaming. Partially offsetting these increases was a decrease in costs for long distance and data services and applications.

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 used to support the 4G 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 markets divested during 2010, 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.

Selling, General and Administrative Expense

Selling, general and administrative expense increased during 2011 compared to 2010 primarily due to higher sales commission expense in our indirect channel. Indirect sales commission expense increased $1.2 billion during 2011 compared to 2010 as a result of increases in the average commission per unit, as the mix of units continues to shift toward data devices and more customers activate data services, and increased contract renewals in connection with equipment upgrades.

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.

Depreciation and Amortization Expense

The changes in depreciation and amortization expense during 2011 and 2010 compared to the preceding year were primarily driven by growth in depreciable assets.

Segment Operating Income and EBITDA

				(dollars in millions)			
				Increase/(Decrease)			
Years Ended December 31,	**2011**	2010	2009	**2011 vs. 2010**		2010 vs. 2009	
Segment Operating Income	**$18,527**	$18,724	$16,638	**$ (197)**	**(1.1)%**	$ 2,086	12.5%
Add Depreciation and amortization expense	**7,962**	7,356	7,030	**606**	**8.2**	326	4.6
Segment EBITDA	**$26,489**	$26,080	$23,668	**$ 409**	**1.6**	$ 2,412	10.2
Segment operating income margin	**26.4%**	29.5%	27.6%				
Segment EBITDA service margin	**44.8%**	46.9%	45.5%				

The changes in the table above during the periods presented were primarily a result of the factors described in connection with operating revenues and operating expenses above.

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

		(dollars in millions)	
Years Ended December 31,	**2011**	2010	2009
Merger integration and acquisition related charges	**$ –**	$ 867	$ 954
Severance, pension and benefit charges	**76**	–	–
Impact of divested operations	**–**	(348)	(789)
Deferred revenue adjustment	**–**	235	(78)
	$ 76	$ 754	$ 87

Wireline

The Wireline segment provides customers with voice service including long distance, broadband video and data, IP network services, network access and other services. We provide these products and services to consumers and small businesses in the United States, as well as to businesses and government customers and carriers both in the United States and in over 150 other countries around the world.

Reclassifications have been made to reflect comparable operating results for the spin-off of the operations included in the Frontier transaction, which we owned through June 30, 2010 (see "Acquisitions and Divestitures").

Operating Revenues and Selected Operating Statistics

(dollars in millions)

				Increase/(Decrease)			
Years Ended December 31,	**2011**	2010	2009	**2011 vs. 2010**		2010 vs. 2009	
Consumer retail	**$13,606**	$13,419	$13,202	**$ 187**	**1.4%**	$ 217	1.6%
Small business	**2,731**	2,837	2,913	**(106)**	**(3.7)**	(76)	(2.6)
Mass Markets	**16,337**	16,256	16,115	**81**	**0.5**	141	0.9
Strategic services	**7,607**	6,602	6,195	**1,005**	**15.2**	407	6.6
Other	**8,015**	8,714	9,094	**(699)**	**(8.0)**	(380)	(4.2)
Global Enterprise	**15,622**	15,316	15,289	**306**	**2.0**	27	0.2
Global Wholesale	**7,973**	8,746	9,533	**(773)**	**(8.8)**	(787)	(8.3)
Other	**750**	909	1,514	**(159)**	**(17.5)**	(605)	(40.0)
Total Operating Revenues	**$40,682**	$41,227	$42,451	**$ (545)**	**(1.3)**	$(1,224)	(2.9)
Connections ('000): [1]							
Total voice connections	**24,137**	26,001	28,323	**(1,864)**	**(7.2)**	(2,322)	(8.2)
Total Broadband connections	**8,670**	8,392	8,160	**278**	**3.3**	232	2.8
FiOS Internet subscribers	**4,817**	4,082	3,286	**735**	**18.0**	796	24.2
FiOS Video subscribers	**4,173**	3,472	2,750	**701**	**20.2**	722	26.3

[1] As of end of period.

Wireline's revenues decreased during 2011 compared to 2010 primarily driven by declines in Global Wholesale and Other Global Enterprise revenues, largely as a result of declines in voice connections and in traditional voice and data services provided to business customers, partially offset by increased revenues from our growth markets as well as the impact of the revenues of Terremark.

Mass Markets

Mass Markets operations provide local exchange (basic service and end-user access) and long distance (including regional toll) voice services, broadband services (including high-speed Internet, FiOS Internet and FiOS Video) to residential and small business subscribers.

2011 Compared to 2010

Mass Markets revenues increased slightly during 2011 compared to 2010 primarily due to the expansion of consumer and small business FiOS services (Voice, Internet, Video), partially offset by the continued decline of local exchange revenues.

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 pricing strategy allows us to provide competitive offerings to our customers and potential customers. As of December 31, 2011, we achieved penetration rates of 35.5% and 31.5% for FiOS Internet and FiOS Video, respectively, compared to penetration rates of 31.9% and 28.0% for FiOS Internet and FiOS Video, respectively, at December 31, 2010.

Mass Markets revenues were negatively impacted by the decline of local exchange revenues primarily due to a 7.2% decline in total voice connections resulting primarily from competition and technology substitution. Total voice connections include traditional switched access lines in service as well as FiOS digital voice connections. The majority of the decline in total voice connections was sustained in the residential retail market, which experienced a 7.3% voice connection loss primarily due to substituting traditional landline services with wireless, VoIP, broadband and cable services. There was also a 5.3% decline in small business retail voice connections, primarily reflecting challenging economic conditions, competition and a shift to both IP and high-speed circuits.

2010 Compared to 2009

The increase in Mass Markets revenue during 2010 compared to 2009 was primarily driven by the expansion of consumer and small business FiOS services (Voice, Internet and Video), 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 of December 31, 2010, we achieved penetration rates of 31.9% and 28.0% for FiOS Internet and FiOS Video, respectively, compared to penetration rates of 28.3% and 24.7% for FiOS Internet and FiOS Video, respectively, at December 31, 2009.

Global Enterprise

Global Enterprise offers strategic services including networking products and solutions, advanced communications services, and other core communications services to medium and large business customers, multinational corporations and state and federal government customers.

2011 Compared to 2010

Global Enterprise revenues increased during 2011 compared to 2010 primarily driven by higher strategic services revenues, in part due to the inclusion of the revenues of Terremark, partially offset by lower local services and traditional circuit-based revenues and decreased revenues from the sale of customer premise equipment. Strategic services revenue increased $1.0 billion, or 15.2%, during 2011 compared to 2010 primarily due to growth in advanced services, such as managed network, call center, IP communications and our cloud offerings. Strategic services continue 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 to migrate to next generation IP services. The decline in customer premise equipment revenues reflects our focus on improving margins by de-emphasizing sales of equipment that are not a part of an overall enterprise solutions bundle.

2010 Compared to 2009

Global Enterprise revenues were essentially unchanged during 2010 compared to 2009. Higher customer premise equipment and strategic networking revenues were offset by lower local services and traditional circuit-based revenues. Long distance revenues declined due to the 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 continue to be Global Enterprise's fastest growing suite of offerings. Traditional circuit-based services such as frame relay, private line and ATM services declined in 2010 compared to 2009 as our customer base continued its migration to next generation IP services.

Global Wholesale

Global Wholesale provides communications services including data, voice and local dial tone and broadband services primarily to local, long distance and other carriers that use our facilities to provide services to their customers.

2011 Compared to 2010

The decrease in Global Wholesale revenues during 2011 compared to 2010 was primarily due to a $0.4 billion decline in international voice revenues as a result of decreased MOUs in traditional voice products as a result of 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 connection losses. Domestic wholesale connections declined by 8.3% as of December 31, 2011 compared to December 31, 2010 due to the continued impact of competitors deemphasizing their local market initiatives coupled with the impact of technology substitution. Voice and local loop services declined during 2011 compared to 2010. Partially offsetting the overall decrease in wholesale revenue was a continuing demand for high-speed digital data services primarily due to fiber-to-the-cell customers upgrading their core data circuits to Ethernet facilities. As a result of the upgrading customers, the number of DS1/DS3 circuits experienced a 9.5% decline as compared to the similar period in 2010.

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, primarily as a result of 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 connection losses. Domestic wholesale connections 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.

Other

Other revenues include such services as local exchange and long distance services from former MCI mass market customers, operator services, card services and supply sales. The decrease in revenues from other services during 2011 and 2010 was primarily due to reduced business volumes, including former MCI mass market customer losses.

Operating Expenses

							(dollars in millions)
						Increase/(Decrease)	
Years Ended December 31,	**2011**	2010	2009	**2011 vs. 2010**		2010 vs. 2009	
Cost of services and sales	**$22,158**	$22,618	$22,693	**$ (460)**	**(2.0)%**	$ (75)	(0.3)%
Selling, general and administrative expense	**9,107**	9,372	9,947	**(265)**	**(2.8)**	(575)	(5.8)
Depreciation and amortization expense	**8,458**	8,469	8,238	**(11)**	**(0.1)**	231	2.8
Total Operating Expenses	**$39,723**	$40,459	$40,878	**$ (736)**	**(1.8)**	$ (419)	(1.0)

Cost of Services and Sales

Cost of services and sales decreased during 2011 compared to 2010 due to a decrease in access costs resulting primarily from management actions to reduce exposure to unprofitable international wholesale routes and declines in overall wholesale long distance volumes, as well as lower pension and other postretirement benefit expenses. The decrease was partially offset by higher costs related to repair and maintenance expenses caused by storm-related events during the third quarter of 2011, content costs associated with continued FiOS subscriber growth and the acquisition of Terremark in the second quarter of 2011.

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 Video 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.

Selling, General and Administrative Expense

Selling, general and administrative expense decreased during 2011 compared to 2010 primarily due to lower pension and other postretirement benefits and compensation expense, partially offset by higher costs caused by storm-related events in the third quarter of 2011, as well as the acquisition of Terremark in the second quarter of 2011.

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.

Depreciation and Amortization Expense

Depreciation and amortization expense was effectively flat during 2011 compared to 2010 primarily due to a decrease in amortization expense as a result of a reduction in capitalized non-network software, partially offset by an increase in depreciation expense primarily due to the acquisition of Terremark in the second quarter of 2011.

Depreciation and amortization expense increased during 2010 compared to 2009 due to growth in depreciable assets.

Segment Operating Income and EBITDA

(dollars in millions)

Years Ended December 31,	**2011**	2010	2009	**Increase/(Decrease)** **2011 vs. 2010**		2010 vs. 2009	
Segment Operating Income	**$ 959**	$ 768	$1,573	**$ 191**	**24.9%**	$(805)	(51.2)%
Add Depreciation and amortization expense	**8,458**	8,469	8,238	**(11)**	**(0.1)**	231	2.8
Segment EBITDA	**$9,417**	$9,237	$9,811	**$ 180**	**1.9**	$(574)	(5.9)
Segment operating income margin	**2.4%**	1.9%	3.7%				
Segment EBITDA margin	**23.1%**	22.4%	23.1%				

The changes in Wireline's Operating income, Segment EBITDA and Segment EBITDA margin during the periods presented were primarily a result of the factors described in connection with operating revenues 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,	**2011**	2010	2009
Severance, pension and other benefit charges	**$ –**	$2,237	$2,253
Access line spin-off related charges	**–**	79	51
Impact of divested operations	**–**	(408)	(980)
	$ –	$1,908	$1,324

Other Items

Severance, Pension and Benefit Charges

During 2011, we recorded net pre-tax severance, pension and benefits charges of approximately $6.0 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. The charges were primarily driven by a decrease in our discount rate assumption used to determine the current year liabilities from 5.75% at December 31, 2010 to 5% at December 31, 2011 ($5.0 billion); the difference between our estimated return on assets of 8% and our actual return on assets of 5% ($0.9 billion); and revisions to the life expectancy of participants and other adjustments to assumptions.

During 2010, we recorded net pre-tax severance, pension and benefits charges of $3.1 billion. The charges during 2010 included 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. Additionally, in 2010, we reached an agreement 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, we recorded severance, pension and benefits charges associated with approximately 11,900 union-represented employees who volunteered for the incentive offer. These charges included $1.2 billion for severance for the 2010 separation 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 due to the workforce reductions.

During 2009, we recorded net pre-tax severance, pension and benefits charges of $1.4 billion. These charges were primarily comprised of pension and postretirement curtailment losses and special termination benefits of $1.9 billion; $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; and 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.

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 were primarily due 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 related 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.

Dispositions

Access Line-Spin-off Related 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; professional advisory and legal fees in connection with this transaction; and fees related to the early extinguishment of debt from the use of proceeds from the transaction. During 2009, we also recorded pre-tax charges of $0.2 billion for costs incurred related to our Wireline cost reduction initiatives (see “Acquisitions and Divestitures”).

Alltel Divestiture Markets

During the second quarter of 2010, we recorded a tax charge of approximately $0.2 billion for the taxable gain associated with the Alltel Divestiture Markets (see “Acquisitions and Divestitures”).

Medicare Part D Subsidy Charges

Under 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), 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 are already reflected in Verizon’s financial statements, this change in law 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.

Other

Debt Redemption Costs

During November 2011, we recorded debt redemption costs of $0.1 billion in connection with the early redemption of $1.0 billion of 7.375% Verizon Communications Notes due September 2012, $0.6 billion of 6.875% Verizon Communications Notes due June 2012, $0.4 billion of 6.125% Verizon Florida Inc. Debentures due January 2013, $0.5 billion of 6.125% Verizon Maryland Inc. Debentures due March 2012 and $1.0 billion of 6.875% Verizon New York Inc. Debentures due April 2012.

Deferred Revenue

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

Consolidated Financial Condition

Years Ended December 31,	**2011**	2010	(dollars in millions) 2009
Cash Flows Provided By (Used In)			
Operating activities	**$ 29,780**	$ 33,363	$ 31,390
Investing activities	**(17,250)**	(15,054)	(23,156)
Financing activities	**(5,836)**	(13,650)	(16,007)
Increase (Decrease) In Cash and Cash Equivalents	**$ 6,694**	$ 4,659	$ (7,773)

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 an appropriate capital structure to ensure our financial flexibility. Our cash and cash equivalents are primarily held domestically in diversified accounts and are invested to maintain principal and liquidity. Accordingly, we do not have significant exposure to foreign currency fluctuations.

The volatility in world debt and equity markets has not had a significant impact on our ability to access external financing. 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. As of December 31, 2011, we had a shelf registration available for the issuance of debt or equity securities with an aggregate offering price of up to $3.15 billion.

On February 7, 2012, we filed a new shelf registration statement for the issuance of debt or equity securities with an aggregate offering price of up to $10 billion. In connection with this filing, the previous shelf registration statement was terminated. 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 Provided By Operating Activities

Our primary source of funds continues to be cash generated from operations, primarily of Verizon Wireless. Net cash provided by operating activities during 2011 decreased by $3.6 billion compared to 2010 primarily due to purchases for wireless devices, cash flows from divested operations (see “Acquisitions and Divestitures”) and higher pension plan contributions. Net cash provided by operating activities during 2011 and 2010 included net distributions received from Vodafone Omnitel of $0.4 billion in each year.

Net cash provided by operating activities during 2010 increased by $2.0 billion compared to 2009 primarily due to higher operating cash flows at Verizon 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.

Cash Flows Used In 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:

Years Ended December 31,	**2011**	2010	(dollars in millions) 2009
Verizon Wireless	**$ 8,973**	$ 8,438	$ 7,152
Wireline	**6,399**	7,269	8,892
Other	**872**	751	828
	$ 16,244	$ 16,458	$ 16,872
Total as a percentage of revenue	**14.7%**	15.4%	15.7%

The increase in capital expenditures at Verizon Wireless during 2011 and 2010 was primarily due to the increased investment in the capacity of our wireless EV-DO network, as well as the build-out of our 4G LTE network. The decrease in capital expenditures at Wireline during 2011 and 2010 was primarily due to capital expenditures in 2010 related to the local exchange business and related activities that were spun off to Frontier, as well as lower capital expenditures related to the build-out of FiOS.

Acquisitions

During 2011, 2010 and 2009, we invested $2.0 billion, $1.4 billion and $6.0 billion, respectively, in acquisitions of licenses, investments and businesses.

- During April 2011, we paid approximately $1.4 billion for the equity of Terremark, which was partially offset by $0.1 billion of cash acquired (see "Acquisitions and Divestitures"). See "Cash Flows From Financing Activities" below regarding the debt obligations of Terremark that were repaid during May 2011. In addition, during 2011, we acquired various wireless licenses and markets as well as a provider of cloud software technology for cash consideration that was not significant.
- 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. See "Cash Flows From Financing Activities" below regarding the debt obligations assumed in connection with the acquisition of Alltel.

Dispositions

During 2010, we received cash proceeds of $2.6 billion in connection with the sale of the Alltel Divestiture Markets (see "Acquisitions and Divestitures").

Other, net

During 2011, Other, net primarily included proceeds related to the sales of long-term investments, which were not significant to our consolidated statements of income.

Cash Flows From Financing Activities

We seek to maintain 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. During 2011, 2010 and 2009, net cash used in financing activities was $5.8 billion, $13.7 billion and $16.0 billion, respectively.

2011

During 2011, proceeds from long-term borrowings totaled $11.1 billion, which was primarily used to repay outstanding debt, redeem higher interest bearing debt maturing in the near term and for other general corporate purposes.

During 2011, $0.5 billion of 5.35% Verizon Communications Notes matured and were repaid, and we utilized $0.3 billion under fixed rate vendor financing facilities.

During March 2011, we issued $6.25 billion aggregate principal amount of fixed and floating rate notes at varying maturities resulting in cash proceeds of approximately $6.19 billion, net of discounts and issuance costs. The net proceeds were used for the repayment of commercial paper and other general corporate purposes, as well as to redeem $2.0 billion aggregate principal amount of telephone subsidiary debt during April 2011.

The debt obligations of Terremark that were outstanding at the time of its acquisition by Verizon were repaid during the second quarter of 2011.

During November 2011, we issued $4.6 billion aggregate principal amount of fixed notes at varying maturities resulting in cash proceeds of approximately $4.55 billion, net of discounts and issuance costs. During November 2011, the net proceeds were used to redeem $1.6 billion aggregate principal amount of Verizon Communications notes and $1.9 billion aggregate principal amount of telephone subsidiary debt. The remaining net proceeds were used for the repayment of commercial paper and other general corporate purposes. See "Other Items" regarding the debt redemption costs incurred in connection with the aforementioned redemptions.

During December 2011, we repaid $0.9 billion upon maturity for the €0.7 billion of 7.625% Verizon Wireless Notes and the related cross currency swap was settled. During May 2011, $4.0 billion Verizon Wireless two-year fixed and floating rate notes matured and were repaid.

During January 2012, $1.0 billion of 5.875% Verizon New Jersey Inc. Debentures matured and were repaid. During February 2012, $0.8 billion of 5.25% Verizon Wireless Notes matured and were repaid.

2010

During 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.

In 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). As there were no borrowings outstanding under this facility, it was cancelled.

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, $0.5 billion of 7.51% GTE Corporation Debentures matured and were repaid. In addition, during 2009, $0.5 billion floating rate Notes due 2009 and $0.1 billion of 8.23% Verizon Notes matured and were repaid.

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.

Other, net

The change in Other, net financing activities during 2011 compared to the prior year was primarily driven by lower distributions to Vodafone, which owns a 45% noncontrolling interest in Verizon Wireless. The change in Other, net financing activities during 2010 compared to 2009 was primarily driven by higher distributions to Vodafone.

In July 2011, the Board of Representatives of Verizon Wireless declared a distribution to its owners, payable on January 31, 2012 in proportion to their partnership interests on that date, in the aggregate amount of $10 billion. As a result, during January 2012, Vodafone Group Plc received a cash payment of $4.5 billion and the remainder of the distribution was received by Verizon.

Dividends

During 2011, we paid \$5.6 billion in dividends compared to \$5.4 billion in 2010 and \$5.3 billion in 2009. 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 2011, the Board increased our quarterly dividend payment 2.6% to \$.50 per share from \$.4875 per share in the same period of 2010. This is the fifth consecutive year that Verizon's Board of Directors has approved a quarterly dividend increase. 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, the Board increased our dividend payments 3.3%.

Credit Facility

As of December 31, 2011, the unused borrowing capacity under a \$6.2 billion three-year credit facility with a group of major financial institutions was approximately \$6.1 billion. On April 15, 2011, we amended this facility primarily to reduce fees and borrowing costs and extend the maturity date to October 15, 2014. 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.

Verizon's ratio of net debt to Consolidated Adjusted EBITDA was 1.2x at December 31, 2011 and 1.3x at December 31, 2010. Consolidated Adjusted EBITDA excludes the effects of non-operational items (see "Other Items").

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 2011, 2010 or 2009.

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, 2011 totaled $13.4 billion, a $6.7 billion increase compared to Cash and cash equivalents at December 31, 2010 for the reasons discussed above. 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.

As of December 31, 2011, Verizon Wireless cash and cash equivalents and debt outstanding totaled $12.3 billion and $11.6 billion, respectively.

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,	**2011**	2010	2009
Net cash provided by operating activities	**$29,780**	$33,363	$31,390
Less Capital expenditures (including capitalized software)	**16,244**	16,458	16,872
Free cash flow	**$13,536**	$16,905	$14,518

The changes in free cash flow during 2011, 2010 and 2009 were a result of the factors described in connection with net cash provided by operating activities and capital expenditures above.

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 2011 and 2009, we contributed $0.4 billion and $0.2 billion, respectively, to our qualified pension plans. During 2010, contributions to our qualified pension plans were not significant. We also contributed $0.1 billion to our nonqualified pension plans in 2011, 2010 and 2009, respectively.

In an effort to reduce the risk of our portfolio strategy and better align assets with liabilities, we are shifting our strategy to one that is more liability driven, where cash flows from investments better match projected benefit payments but result in lower asset returns. We intend to reduce the likelihood that assets will decline at a time when liabilities increase (referred to as liability hedging), with the goal to reduce the risk of underfunding to the plan and its participants and beneficiaries. Based on the revised strategy and the funded status of the plans at December 31, 2011, we expect to make a minimum required qualified pension plan contribution of $1.3 billion in 2012. Nonqualified pension contributions are estimated to be approximately $0.2 billion in 2012.

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 $1.4 billion, $1.2 billion and $1.6 billion to our other postretirement benefit plans in 2011, 2010 and 2009, respectively. Contributions to our other postretirement benefit plans are estimated to be approximately $1.5 billion in 2012.

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 our leasing portfolio along with telecommunications equipment, real estate property and other equipment. These leases have remaining terms of up to 39 years as of December 31, 2011. 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 is secured by 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.

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, 2011. 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]	$ 52,866	$ 2,848	$ 12,320	$ 5,252	$ 32,446
Capital lease obligations [2]	352	67	117	75	93
Total long-term debt, including current maturities	53,218	2,915	12,437	5,327	32,539
Interest on long-term debt [1]	36,353	2,993	5,327	4,667	23,366
Operating leases [2]	12,389	2,004	3,337	2,302	4,746
Purchase obligations [3]	51,120	22,829	24,560	3,124	607
Income tax audit settlements [4]	163	163	–	–	–
Other long-term liabilities [5]	3,219	3,219	–	–	–
Total contractual obligations	$ 156,462	$ 34,123	$ 45,661	$ 15,420	$ 61,258

(1) Items included in long-term debt with variable coupon rates are described in Note 8 to the consolidated financial statements.

(2) See Note 7 to the consolidated financial statements.

(3) The purchase obligations reflected above are primarily commitments to purchase handsets and peripherals, 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 16 to the consolidated financial statements).

(4) 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 $3.0 billion and related interest and penalties will be settled with the respective taxing authorities until issues or examinations are further developed (see Note 12 to the consolidated financial statements).

(5) Other long-term liabilities include estimated postretirement benefit and qualified pension plan contributions (see Note 11 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 (see Note 16 to the consolidated financial statements).

During 2011, we guaranteed the debentures and first mortgage bonds of our operating telephone company subsidiaries. As of December 31, 2011, $6.4 billion principal amount of these obligations remain outstanding. Each guarantee will remain in place for the life of the obligation unless terminated pursuant to its terms, including the operating telephone company no longer being a wholly-owned subsidiary of Verizon. We also guarantee the debt obligations of GTE Corporation that were issued and outstanding prior to July 1, 2003. As of December 31, 2011, $1.7 billion principal amount of these obligations remain outstanding (see Note 8 to the consolidated financial statements).

As of December 31, 2011 letters of credit totaling approximately $0.1 billion, which were executed in the normal course of business and support several financing arrangements and payment obligations to third parties, were outstanding (see Note 16 to the consolidated financial statements).

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, 2011, 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, 2011 and 2010. 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, 2011	Fair Value	Fair Value assuming + 100 basis point shift	Fair Value assuming -100 basis point shift
Long-term debt and related derivatives	**$ 61,870**	**$ 58,117**	**$ 66,326**
At December 31, 2010			
Long-term debt and related derivatives	$ 58,591	$ 55,427	$ 62,247

Interest Rate Swaps

We have entered into domestic interest rate swaps to achieve a targeted mix of fixed and variable rate debt. We principally receive fixed rates and pay variable rates based on LIBOR, resulting in a net increase or decrease to Interest expense. 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 due to changes in interest rates are recorded to Interest expense, which are offset by changes in the fair value of the debt. The fair value of these contracts was $0.6 billion at December 31, 2011 and $0.3 billion at December 31, 2010 and is primarily included in Other assets and Long-term debt. As of December 31, 2011, the total notional amount of these interest rate swaps was $7.0 billion.

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 is 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, 2011, our primary translation exposure was to the British Pound Sterling, the Euro and the Australian Dollar.

Cross Currency Swaps

During 2008, Verizon Wireless entered into cross currency swaps designated as cash flow hedges to exchange approximately $2.4 billion of 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. During December 2011, we repaid $0.9 billion upon maturity for the €0.7 billion of 7.625% Verizon Wireless Notes. The settlement of the related cross currency swap did not have a material impact on our financial statements. The fair value of the outstanding swaps, primarily included in Other assets, was approximately $0.1 billion at December 31, 2011 and December 31, 2010, respectively. During 2011, the pretax loss recognized in Other comprehensive income was not significant. During 2010, a pre-tax loss of $0.2 billion was recognized in Other comprehensive income. A portion of these gains and losses recognized in Other comprehensive income was reclassified to Other income and (expense), net to offset the related pretax foreign currency transaction gain or loss 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 $73.3 billion as of December 31, 2011. 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 2011, 2010 and 2009 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, 2011, the balance of our goodwill was approximately $23.4 billion, of which $18.0 billion was in our Wireless segment and $5.4 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, Verizon Wireless and Wireline, are deemed to be our reporting units for purposes of goodwill impairment testing. The fair value of Verizon Wireless and Wireline exceeded their carrying value. Accordingly, our annual impairment tests for 2011, 2010 and 2009 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.

- We maintain benefit plans for most of our employees, including, for certain employees, pension and other postretirement benefit plans. At December 31, 2011, 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 on the funded status due to an increase or a decrease in the actual versus expected return on plan assets as of December 31, 2011 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, 2011***
Pension plans discount rate	+0.50	$ (1,525)
	-0.50	1,682
Rate of return on pension plan assets	+1.00	(247)
	-1.00	247
Postretirement plans discount rate	+0.50	(1,654)
	-0.50	1,855
Rate of return on postretirement plan assets	+1.00	(27)
	-1.00	27
Health care trend rates	+1.00	3,422
	-1.00	(2,768)

* In determining its pension and other postretirement obligation, the Company used a 5.0% discount rate. The rate was selected to approximate the composite interest rates available on a selection of high-quality bonds available in the market at December 31, 2011. 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 $0.3 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, 2011. 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 2011 depreciation expense of $1.2 billion and that a one-year decrease would result in an increase of approximately $1.6 billion in our 2011 depreciation expense.

Recent Accounting Standards

During May 2011, an accounting standard update regarding fair value measurement was issued to provide a consistent definition of fair value and ensure that the fair value measurement and disclosure requirements are similar between U.S. GAAP and International Financial Reporting Standards. This standard update also changes certain fair value measurement principles and enhances the disclosure requirements particularly for Level 3 fair value measurements. We will adopt this standard update during the first quarter of 2012. The adoption of this standard update is not expected to have a significant impact on our consolidated financial statements.

In June 2011, an accounting standard update regarding the presentation of comprehensive income was issued to increase the prominence of items reported in other comprehensive income. The update requires that all nonowner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate, but consecutive statements. This standard update is effective during the first quarter of 2012. The adoption of this standard is not expected to have a significant impact on our consolidated financial statements.

In September 2011, an accounting standard update regarding testing of goodwill for impairment was issued. This standard update gives companies the option to perform a qualitative assessment to first assess whether the fair value of a reporting unit is less than its carrying amount. If an entity determines it is not more likely than not that the fair value of the reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. This standard update is effective during the first quarter of 2012. The adoption of this standard is not expected to have a significant impact on our consolidated financial statements.

Acquisitions and Divestitures

Terremark Worldwide, Inc.

During April 2011, we acquired Terremark for $19 per share in cash. Closing and other direct acquisition-related costs totaled approximately $13 million after-tax. The acquisition was completed via a "short-form" merger under Delaware law through which Terremark became a wholly owned subsidiary of Verizon. The acquisition enhanced Verizon's offerings to business and government customers globally.

Telephone Access Line Spin-off

On July 1, 2010, after receiving regulatory approval, we completed the spin-off of the shares of a newly formed subsidiary of Verizon (Spinco) to Verizon stockholders and the merger of Spinco with Frontier. Spinco held defined assets and liabilities that were used in Verizon's local exchange businesses and related activities in 14 states. The total value of the transaction to Verizon and its stockholders was approximately $8.6 billion.

Alltel Divestiture Markets

As a condition of the regulatory approvals to complete the acquisition of Alltel Corporation in January 2009, Verizon Wireless was required to divest overlapping properties in 105 operating markets in 24 states (Alltel Divestiture Markets). During the second quarter of 2010, AT&T Mobility acquired 79 of the 105 Alltel Divestiture Markets, including licenses and network assets, for approximately $2.4 billion in cash, and Atlantic Tele-Network, Inc. acquired the remaining 26 Alltel Divestiture Markets, including licenses and network assets, for $0.2 billion in cash.

See Note 2 to the consolidated financial statements for additional information relating to the above acquisitions and divestitures.

Other Factors That May Affect Future Results

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. These new rules, which took effect in November 2011 and are subject to a pending appeal, 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.

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

In 2011, the FCC issued a broad order changing the framework for the interstate and intrastate switched access per-minute rates that carriers charge each other for the exchange of voice traffic. The new rules will gradually reduce to zero the rates that Verizon pays to other carriers and the rates that

Verizon charges other carriers. This order also established a per-minute intercarrier compensation rate applicable to the exchange of Voice over IP traffic regardless of whether such traffic is intrastate or interstate. This order is subject to certain pending reconsideration petitions and appeals.

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. Under the broad order issued by the FCC in 2011, the focus of the USF will be gradually shifted from support of voice services to support of broadband services. The FCC is also currently considering other changes to the rules governing contributions to 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 licenses in the 700 MHz band. 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 matters. Our competitive local exchange carrier and long distance operations are lightly regulated the same as other similarly situated carriers. Our incumbent local exchange 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:

- adverse conditions in the U.S. and international economies;
- competition in our markets;
- material adverse changes in labor matters, including labor negotiations or additional organizing activity, and any resulting financial and/or operational impact;
- 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;
- breaches of network or information technology security, natural disasters or terrorist attacks 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, 2011. Based on this assessment, we believe that the internal control over financial reporting of the company is effective as of December 31, 2011. 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/ Lowell C. McAdam

Lowell C. McAdam
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, 2011, 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, 2011, 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, 2011 and 2010, 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, 2011 of Verizon and our report dated February 24, 2012 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Ernst & Young LLP
New York, New York

February 24, 2012

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, 2011 and 2010, 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, 2011. 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, 2011 and 2010, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2011, in conformity with U.S. generally accepted accounting principles.

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, 2011, 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 24, 2012 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Ernst & Young LLP
New York, New York

February 24, 2012

Consolidated Statements of Income Verizon Communications Inc. and Subsidiaries

(dollars in millions, except per share amounts)

Years Ended December 31,	2011	2010	2009
Operating Revenues	**$ 110,875**	$ 106,565	$ 107,808
Operating Expenses			
Cost of services and sales (exclusive of items shown below)	**45,875**	44,149	44,579
Selling, general and administrative expense	**35,624**	31,366	30,717
Depreciation and amortization expense	**16,496**	16,405	16,534
Total Operating Expenses	**97,995**	91,920	91,830
Operating Income	**12,880**	14,645	15,978
Equity in earnings of unconsolidated businesses	**444**	508	553
Other income and (expense), net	**(14)**	54	91
Interest expense	**(2,827)**	(2,523)	(3,102)
Income Before Provision For Income Taxes	**10,483**	12,684	13,520
Provision for income taxes	**(285)**	(2,467)	(1,919)
Net Income	**$ 10,198**	$ 10,217	$ 11,601
Net income attributable to noncontrolling interest	**$ 7,794**	$ 7,668	$ 6,707
Net income attributable to Verizon	**2,404**	2,549	4,894
Net Income	**$ 10,198**	$ 10,217	$ 11,601
Basic Earnings Per Common Share			
Net income attributable to Verizon	**$ .85**	$ .90	$ 1.72
Weighted-average shares outstanding (in millions)	**2,833**	2,830	2,841
Diluted Earnings Per Common Share			
Net income attributable to Verizon	**$ .85**	$ .90	$ 1.72
Weighted-average shares outstanding (in millions)	**2,839**	2,833	2,841

See Notes to Consolidated Financial Statements

Consolidated Balance Sheets Verizon Communications Inc. and Subsidiaries

(dollars in millions, except per share amounts)

At December 31,	2011	2010
Assets		
Current assets		
Cash and cash equivalents	$ **13,362**	$ 6,668
Short-term investments	**592**	545
Accounts receivable, net of allowances of $802 and $876	**11,776**	11,781
Inventories	**940**	1,131
Prepaid expenses and other	**4,269**	2,223
Total current assets	**30,939**	22,348
Plant, property and equipment	**215,626**	211,655
Less accumulated depreciation	**127,192**	123,944
	88,434	87,711
Investments in unconsolidated businesses	**3,448**	3,497
Wireless licenses	**73,250**	72,996
Goodwill	**23,357**	21,988
Other intangible assets, net	**5,878**	5,830
Other assets	**5,155**	5,635
Total assets	$ **230,461**	$ 220,005
Liabilities and Equity		
Current liabilities		
Debt maturing within one year	$ **4,849**	$ 7,542
Accounts payable and accrued liabilities	**14,689**	15,702
Other	**11,223**	7,353
Total current liabilities	**30,761**	30,597
Long-term debt	**50,303**	45,252
Employee benefit obligations	**32,957**	28,164
Deferred income taxes	**25,060**	22,818
Other liabilities	**5,472**	6,262
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	**37,919**	37,922
Reinvested earnings	**1,179**	4,368
Accumulated other comprehensive income	**1,269**	1,049
Common stock in treasury, at cost	**(5,002)**	(5,267)
Deferred compensation – employee stock ownership plans and other	**308**	200
Noncontrolling interest	**49,938**	48,343
Total equity	**85,908**	86,912
Total liabilities and equity	$ **230,461**	$ 220,005

See Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows Verizon Communications Inc. and Subsidiaries

			(dollars in millions)
Years Ended December 31,	**2011**	2010	2009
Cash Flows from Operating Activities			
Net Income	**$ 10,198**	$ 10,217	$ 11,601
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense	**16,496**	16,405	16,534
Employee retirement benefits	**7,426**	3,988	2,964
Deferred income taxes	**(223)**	3,233	2,093
Provision for uncollectible accounts	**1,026**	1,246	1,306
Equity in earnings of unconsolidated businesses, net of dividends received	**36**	2	389
Changes in current assets and liabilities, net of effects from acquisition/disposition of businesses			
Accounts receivable	**(966)**	(859)	(1,393)
Inventories	**208**	299	235
Other assets	**86**	(313)	(102)
Accounts payable and accrued liabilities	**(1,607)**	1,075	(1,251)
Other, net	**(2,900)**	(1,930)	(986)
Net cash provided by operating activities	**29,780**	33,363	31,390
Cash Flows from Investing Activities			
Capital expenditures (including capitalized software)	**(16,244)**	(16,458)	(16,872)
Acquisitions of licenses, investments and businesses, net of cash acquired	**(2,018)**	(1,438)	(5,958)
Proceeds from dispositions	**–**	2,594	–
Net change in short-term investments	**35**	(3)	84
Other, net	**977**	251	(410)
Net cash used in investing activities	**(17,250)**	(15,054)	(23,156)
Cash Flows from Financing Activities			
Proceeds from long-term borrowings	**11,060**	–	12,040
Repayments of long-term borrowings and capital lease obligations	**(11,805)**	(8,136)	(19,260)
Increase (decrease) in short-term obligations, excluding current maturities	**1,928**	(1,097)	(1,652)
Dividends paid	**(5,555)**	(5,412)	(5,271)
Proceeds from sale of common stock	**241**	–	–
Proceeds from access line spin-off	**–**	3,083	–
Other, net	**(1,705)**	(2,088)	(1,864)
Net cash used in financing activities	**(5,836)**	(13,650)	(16,007)
Increase (decrease) in cash and cash equivalents	**6,694**	4,659	(7,773)
Cash and cash equivalents, beginning of period	**6,668**	2,009	9,782
Cash and cash equivalents, end of period	**$ 13,362**	$ 6,668	$ 2,009

See Notes to Consolidated Financial Statements

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

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

Years Ended December 31,	2011		2010		2009	
	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		**37,922**		40,108		40,291
Access line spin-off		**–**		(2,184)		–
Other		**(3)**		(2)		(183)
Balance at end of year		**37,919**		37,922		40,108
Reinvested Earnings						
Balance at beginning of year		**4,368**		7,260		7,676
Net income attributable to Verizon		**2,404**		2,549		4,894
Dividends declared ($1.975, $1.925, $1.87) per share		**(5,593)**		(5,441)		(5,310)
Balance at end of year		**1,179**		4,368		7,260
Accumulated Other Comprehensive Income (Loss)						
Balance at beginning of year attributable to Verizon		**1,049**		(1,372)		(1,912)
Spin-off of local exchange businesses and related landline activities (Note 2)		**–**		23		–
Adjusted balance at beginning of year		**1,049**		(1,349)		(1,912)
Foreign currency translation adjustments		**(119)**		(171)		78
Unrealized gains on cash flow hedges		**30**		89		87
Unrealized gains (losses) on marketable securities		**(7)**		29		87
Defined benefit pension and postretirement plans		**316**		2,451		288
Other comprehensive income		**220**		2,398		540
Balance at end of year attributable to Verizon		**1,269**		1,049		(1,372)
Treasury Stock						
Balance at beginning of year	**(140,587)**	**(5,267)**	(131,942)	(5,000)	(127,090)	(4,839)
Other (Note 10)	**–**	**–**	(9,000)	(280)	(5,000)	(166)
Employee plans	**6,982**	**265**	347	13	142	5
Shareowner plans	**11**	**–**	8	–	6	–
Balance at end of year	**(133,594)**	**(5,002)**	(140,587)	(5,267)	(131,942)	(5,000)
Deferred Compensation-ESOPs and Other						
Balance at beginning of year		**200**		89		79
Restricted stock equity grant		**146**		97		–
Amortization		**(38)**		14		10
Balance at end of year		**308**		200		89
Noncontrolling Interest						
Balance at beginning of year		**48,343**		42,761		37,199
Net income attributable to noncontrolling interest		**7,794**		7,668		6,707
Other comprehensive income (loss)		**1**		(35)		103
Total comprehensive income		**7,795**		7,633		6,810
Distributions and other		**(6,200)**		(2,051)		(1,248)
Balance at end of year		**49,938**		48,343		42,761
Total Equity		**$ 85,908**		$86,912		$84,143

Comprehensive Income

Net income	**$ 10,198**	$10,217	$11,601
Other comprehensive income	**221**	2,363	643
Total Comprehensive Income	**$ 10,419**	$12,580	$12,244
Comprehensive income attributable to noncontrolling interest	**$ 7,795**	$ 7,633	$ 6,810
Comprehensive income attributable to Verizon	**2,624**	4,947	5,434
Total Comprehensive Income	**$ 10,419**	$12,580	$12,244

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 a holding company, which acting through its subsidiaries is one of the world's leading providers of communications, information and entertainment products and services to consumers, businesses and governmental agencies with a presence in over 150 countries around the world. We have two reportable segments, Verizon Wireless and Wireline. For further information concerning our business segments, see Note 13.

Verizon Wireless provides wireless voice and data services across one of the most extensive wireless networks in the United States (U.S.) and has the largest third-generation (3G) and fourth-generation (4G) Long-Term Evolution technology (LTE) networks of any U.S. wireless service provider.

The Wireline segment provides customers with voice services, including long distance, broadband video and data, IP network services, network access and other services. We provide these products and services to consumers and small businesses in the U.S., as well as to businesses, government customers and carriers both in the U.S. and in over 150 other countries around the world.

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.

Corporate, eliminations and other during the periods presented include a non-cash adjustment of $0.2 billion and ($0.1 billion) in 2010 and 2009, respectively, primarily to adjust wireless data revenues. This adjustment was recorded to properly defer previously recognized wireless data revenues that were earned and recognized in future periods. The adjustment was recorded during 2010, which reduced Net income attributable to Verizon by approximately $0.1 billion. Consolidated revenues in 2009 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

Multiple Deliverable Arrangements

In both our Verizon Wireless and Wireline segments, we offer products and services to our customers through bundled arrangements. These arrangements involve multiple deliverables which may include products, services, or a combination of products and services.

On January 1, 2011, we prospectively adopted the accounting standard updates regarding revenue recognition for multiple deliverable arrangements, and arrangements that include software elements. These updates require a vendor to allocate revenue in an arrangement using its best estimate of selling price if neither vendor specific objective evidence (VSOE) nor third party evidence (TPE) of selling price exists. The residual method of revenue allocation is no longer permissible. These accounting standard updates do not change our units of accounting for bundled arrangements, nor do they materially change how we allocate arrangement consideration to our various products and services. Accordingly, the adoption of these standard updates did not have a significant impact on our consolidated financial statements. Additionally, we do not currently foresee any changes to our products, services or pricing practices that will have a significant effect on our consolidated financial statements in periods after the initial adoption, although this could change.

Verizon Wireless

Our Verizon Wireless segment earns revenue primarily by providing access to and usage of its network. 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 providing 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.

Wireless bundled service plans primarily consist of wireless voice and data services. The bundling of a voice plan with a text messaging plan (“Talk & Text”), for example, creates a multiple deliverable arrangement consisting of a voice component and a data component in the form of text messaging. For these arrangements, revenue is allocated to each deliverable using a relative selling price method. Under this method, arrangement consideration is allocated to each separate deliverable based on our standalone selling price for each product or service, up to the amount that is not contingent upon providing additional services. For equipment sales, we currently subsidize the cost of wireless devices. The amount of this subsidy is generally contingent on the arrangement and terms selected by the customer. The equipment revenue is recognized up to the amount collected when the wireless device is sold.

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 service is rendered.

We sell each of the services offered in bundled arrangements (i.e., voice, video and data), as well as separately; therefore each product or service has a standalone selling price. For these arrangements revenue is allocated to each deliverable using a relative selling price method. Under this method, arrangement consideration is allocated to each separate deliverable based on our standalone selling price for each product or service. These services include FiOS services, individually or in bundles, and High Speed Internet.

When we bundle 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 for network installation 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 15).

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 6 million and 3 million stock options and restricted stock units outstanding to purchase shares included in the computation of diluted earnings per common share for the years ended December 31, 2011 and December 31, 2010, respectively. Dilutive stock options outstanding to purchase shares included in the computation of diluted earnings per common share for the year ended December 31, 2009 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, included approximately 19 million, 73 million and 112 million weighted-average shares for the years ended December 31, 2011, 2010 and 2009, 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, and 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.

Leasehold improvements are amortized over the shorter of the estimated life of the improvement or the remaining term of the lease in which the asset is located, calculated from the time the asset was placed in service.

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 2011 and 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. These changes to average useful lives 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 $0.4 billion in 2011, and $0.3 billion in 2010 and 2009, respectively. 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 that 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 3 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 3 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 discontinued or 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 3.

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 10 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, 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. 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 11).

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.

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 and recognized in earnings when the hedged item is recognized in earnings.

Recent Accounting Standards

During May 2011, an accounting standard update regarding fair value measurement was issued to provide a consistent definition of fair value and ensure that the fair value measurement and disclosure requirements are similar between U.S. GAAP and International Financial Reporting Standards. This standard update also changes certain fair value measurement principles and enhances the disclosure requirements particularly for Level 3 fair value measurements. We will adopt this standard update during the first quarter of 2012. The adoption of this standard update is not expected to have a significant impact on our consolidated financial statements.

In June 2011, an accounting standard update regarding the presentation of comprehensive income was issued to increase the prominence of items reported in other comprehensive income. The update requires that all nonowner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate, but consecutive statements. This standard update is effective during the first quarter of 2012. The adoption of this standard is not expected to have a significant impact on our consolidated financial statements.

In September 2011, an accounting standard update regarding testing of goodwill for impairment was issued. This standard update gives companies the option to perform a qualitative assessment to first assess whether the fair value of a reporting unit is less than its carrying amount. If an entity determines it is not more likely than not that the fair value of the reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. This standard update is effective during the first quarter of 2012. The adoption of this standard is not expected to have a significant impact on our consolidated financial statements.

Note 2

Acquisitions and Divestitures

Terremark Worldwide, Inc.

During April 2011, we acquired Terremark Worldwide, Inc. (Terremark), a global provider of information technology infrastructure and cloud services, for $19 per share in cash. Closing and other direct acquisition-related costs totaled approximately $13 million after-tax. The acquisition was completed via a "short-form" merger under Delaware law through which Terremark became a wholly owned subsidiary of Verizon. The acquisition enhanced Verizon's offerings to business and government customers globally.

The consolidated financial statements include the results of Terremark's operations from the date the acquisition closed. Had this acquisition been consummated on January 1, 2011 or 2010, the results of Terremark's acquired operations would not have had a significant impact on the consolidated net income attributable to Verizon. The debt obligations of Terremark that were outstanding at the time of its acquisition by Verizon were repaid during May 2011.

The acquisition of Terremark was accounted for as a business combination under the acquisition method. The cost of the acquisition was allocated to the assets and liabilities acquired based on their fair values as of the close of the acquisition, with the excess amount being recorded as goodwill. The fair values of the assets and liabilities acquired were determined using the income and cost approaches. The income approach was primarily used to value the intangible assets, consisting primarily of customer relationships. The cost approach was used, as appropriate, for plant, property and equipment. The fair value of the majority of the long-term debt acquired was primarily valued based on redemption prices. The final purchase price allocation presented below includes insignificant adjustments from the initial purchase price to the values of certain assets and liabilities acquired.

The following table summarizes the allocation of the acquisition cost to the assets acquired, including cash acquired of $0.1 billion, and liabilities acquired as of the acquisition date:

(dollars in millions)	Final Purchase Price Allocation
Assets	
Current assets	$ 221
Plant, property and equipment	521
Goodwill	1,211
Intangible assets subject to amortization	410
Other assets	12
Total assets	2,375
Liabilities	
Current liabilities	158
Debt maturing within one year	748
Deferred income taxes and other liabilities	75
Total liabilities	981
Net assets acquired	$ 1,394

Intangible assets subject to amortization include customer lists which are being amortized on a straight-line basis over 13 years, and other intangibles which are being amortized on a straight-line basis over a period of 5 years.

Telephone Access Line Spin-off

On July 1, 2010, after receiving regulatory approval, we completed the spin-off of the shares of a newly formed subsidiary of Verizon (Spinco) to Verizon stockholders and the merger of Spinco with Frontier Communications Corporation (Frontier). Spinco held defined assets and liabilities that were used in Verizon's local exchange businesses and related activities in 14 states. The total value of the transaction to Verizon and its stockholders was approximately $8.6 billion. The accompanying consolidated financial statements for the year ended December 31, 2010 include these operations prior to the completion of the spin-off.

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; professional advisory and legal fees in connection with this transaction; and fees related to the early extinguishment of debt from the use of proceeds from the transaction. During 2009, we also recorded pre-tax charges of $0.2 billion for costs incurred related to our Wireline cost reduction initiatives.

Alltel Divestiture Markets

As a condition of the regulatory approvals to complete the acquisition of Alltel Corporation (Alltel) in January 2009, Verizon Wireless was required to divest overlapping properties in 105 operating markets in 24 states (Alltel Divestiture Markets). During the second quarter of 2010, AT&T Mobility acquired 79 of the 105 Alltel Divestiture Markets, including licenses and network assets, for approximately $2.4 billion in cash and Atlantic Tele-Network, Inc. acquired the remaining 26 Alltel Divestiture Markets, including licenses and network assets, for $0.2 billion in cash.

During the second quarter of 2010, we recorded a tax charge of approximately $0.2 billion for the taxable gain associated with these transactions.

Other

In December 2011, we entered into agreements to acquire Advanced Wireless Services (AWS) spectrum licenses held by SpectrumCo, LLC and Cox TMI Wireless, respectively. The aggregate value of these transactions is approximately $3.9 billion. The consummation of each of these transactions is subject to various conditions, including approval by the FCC and review by the Department of Justice (DOJ). These spectrum acquisitions are expected to close in 2012.

In December 2011, we entered into commercial agreements with affiliates of Comcast Corporation, Time Warner Cable, Bright House Networks and Cox Communications Inc. (the cable companies). Through these agreements, the cable companies and Verizon Wireless became agents to sell one another's products and services and, over time, the cable companies will have the option, subject to the terms and conditions of the agreements, of selling Verizon Wireless service on a wholesale basis. In addition, the cable companies (other than Cox Communications Inc.) and Verizon Wireless have formed a technology innovation joint venture for the development of technology and intellectual property to better integrate wireline and wireless products and services. These commercial agreements and the formation of the joint venture are currently under review by the DOJ.

In February 2012, a new joint venture between Verizon and Coinstar, Inc. was announced. At the outset, Verizon will hold a 65% majority ownership share and Redbox Automated Retail, LLC, a subsidiary of Coinstar, Inc. will hold a 35% ownership share. The joint venture will be consolidated by Verizon for reporting purposes. The joint venture will offer access to physical media rentals through Redbox kiosks and online and mobile content streaming from Verizon to consumers across the country. The joint venture plans to introduce its product portfolio, which will include subscription services, in mid-2012. The initial funding related to the formation of the joint venture is not significant to Verizon.

During 2011, we also entered into agreements with a subsidiary of Leap Wireless, and with Savary Island Wireless, which is majority-owned by Leap Wireless, for the purchase of certain of their AWS and PCS licenses in exchange for cash and our 700 MHz A block license in Chicago. The consummation of each of these transactions is subject to customary closing conditions, including approval by the FCC.

During 2011, we acquired other various wireless licenses and markets and a provider of cloud software technology for cash consideration that was not significant.

During 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. The purchase price allocation resulted in $0.1 billion of wireless licenses and $0.1 billion in goodwill.

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 were primarily due 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 related 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.

Note 3

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 January 1, 2010	$ 72,067
Acquisitions (Note 2)	178
Capitalized interest on wireless licenses	748
Reclassifications, adjustments and other	3
Balance at December 31, 2010	$ 72,996
Acquisitions (Note 2)	**58**
Capitalized interest on wireless licenses	**196**
Balance at December 31, 2011	**$ 73,250**

During the years ended December 31, 2011 and 2010, approximately $2.2 billion and $12.2 billion, respectively, of wireless licenses were under development for commercial service for which we were capitalizing interest costs. In December 2010, a substantial portion of these licenses were placed in service in connection with our deployment of fourth-generation Long-Term Evolution technology services. See Note 2 regarding the December 2011 agreement to acquire spectrum licenses.

The average remaining renewal period of our wireless license portfolio was 6.4 years as of December 31, 2011 (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)

	Verizon Wireless	Wireline	Total
Balance at January 1, 2010	$ 17,738	$ 4,734	$ 22,472
Acquisitions (Note 2)	131	–	13
Dispositions (Note 2)	–	(614)	(614)
Reclassifications, adjustments and other	–	(1)	(1)
Balance at December 31, 2010	$ 17,869	$ 4,119	$ 21,988
Acquisitions (Note 2)	**94**	**1,275**	**1,369**
Balance at December 31, 2011	**$ 17,963**	**$ 5,394**	**$ 23,357**

Other Intangible Assets

The following table displays the composition of Other intangible assets, net:

(dollars in millions)

At December 31,	**2011** Gross Amount	Accumulated Amortization	Net Amount	2010 Gross Amount	Accumulated Amortization	Net Amount
Customer lists (6 to 13 years)	**$ 3,529**	**$ (2,052)**	**$ 1,477**	$ 3,150	$ (1,551)	$ 1,599
Non-network internal-use software (3 to 7 years)	**9,536**	**(5,487)**	**4,049**	8,446	(4,614)	3,832
Other (2 to 25 years)	**561**	**(209)**	**352**	885	(486)	399
Total	**$ 13,626**	**$ (7,748)**	**$ 5,878**	$ 12,481	$ (6,651)	$ 5,830

Customer lists and Other at December 31, 2011 include $0.4 billion related to the Terremark acquisition (see Note 2).

The amortization expense for Other intangible assets was as follows:

Years	(dollars in millions)
2011	**$ 1,505**
2010	1,812
2009	1,970

Estimated annual amortization expense for Other intangible assets is as follows:

Years	(dollars in millions)
2012	$ 1,363
2013	1,193
2014	884
2015	695
2016	491

Note 4

Plant, Property and Equipment

The following table displays the details of Plant, property and equipment, which is stated at cost:

(dollars in millions)

At December 31,	**Lives (years)**	**2011**	2010
Land	**–**	**$ 862**	$ 865
Buildings and equipment	**15-45**	**21,969**	21,064
Central office and other network equipment	**3-15**	**107,322**	102,547
Cable, poles and conduit	**11-50**	**67,190**	67,539
Leasehold improvements	**5-20**	**5,030**	4,816
Work in progress	**–**	**3,417**	4,375
Furniture, vehicles and other	**3-12**	**9,836**	10,449
		215,626	211,655
Less accumulated depreciation		**127,192**	123,944
Total		**$ 88,434**	$ 87,711

Note 5

Investments in Unconsolidated Businesses

Our investments in unconsolidated businesses are comprised of the following:

		(dollars in millions)	
At December 31,	**Ownership**	**2011**	2010
Equity Investees			
Vodafone Omnitel	**23.1%**	**$ 2,083**	$ 2,002
Other	**Various**	**1,320**	1,471
Total equity investees		**3,403**	3,473
Cost Investees	**Various**	**45**	24
Total investments in unconsolidated businesses		**$ 3,448**	$ 3,497

Dividends and repatriations of foreign earnings received from these investees amounted to $0.5 billion in 2011, $0.5 billion in 2010 and $0.9 billion in 2009. See Note 12 regarding undistributed earnings of our foreign subsidiaries.

Equity Method Investments

Vodafone Omnitel

Vodafone Omnitel N.V. (Vodafone Omnitel) is one of the largest wireless communications companies in Italy. At December 31, 2011 and 2010, our investment in Vodafone Omnitel included goodwill of $1.0 billion and $1.1 billion, respectively.

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, 2011 and 2010, we had equity investments in these partnerships of $1.1 billion and $1.2 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.

Summarized Financial Information

Summarized financial information for our equity investees is as follows:

Balance Sheet

At December 31,	(dollars in millions) **2011**	2010
Current Assets	**$ 3,720**	$ 3,620
Noncurrent Assets	**8,469**	7,568
Total Assets	**$ 12,189**	$ 11,188
Current liabilities	**$ 6,123**	$ 5,509
Noncurrent liabilities	**8**	8
Equity	**6,058**	5,671
Total liabilities and equity	**$ 12,189**	$ 11,188

Income Statement

Years Ended December 31,	**2011**	(dollars in millions) 2010	2009
Net revenue	**$12,668**	$12,356	$12,903
Operating income	**4,021**	4,156	4,313
Net income	**2,451**	2,563	2,717

Note 6

Noncontrolling Interest

Noncontrolling interests in equity of subsidiaries were as follows:

At December 31,	(dollars in millions) **2011**	2010
Noncontrolling interests in consolidated subsidiaries:		
Verizon Wireless	**$ 49,165**	$ 47,557
Wireless partnerships	**773**	786
	$ 49,938	$ 48,343

Wireless Joint Venture

Our Verizon 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%.

In July 2011, the Board of Representatives of Verizon Wireless declared a distribution to its owners, payable on January 31, 2012 in proportion to their partnership interests on that date, in the aggregate amount of $10 billion. As a result, during January 2012, Vodafone Group Plc received a cash payment of $4.5 billion and the remainder of the distribution was received by Verizon.

Note 7

Leasing Arrangements

As Lessor

We are the lessor in leveraged and direct financing lease agreements for commercial aircraft and power generating facilities, which comprise the majority of our leasing portfolio along with telecommunications equipment, real estate property and other equipment. These leases have remaining terms of up to 39 years as of December 31, 2011. 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 is secured by 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, and industry and general economic conditions. The credit quality of our lessees primarily varies from AAA to CCC-. 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. All significant accounts, individually or in the aggregate, are current and none are classified as impaired.

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,			**2011**			2010
	Leveraged Leases	**Direct Finance Leases**	**Total**	Leveraged Leases	Direct Finance Leases	Total
Minimum lease payments receivable	**$ 1,610**	**$ 119**	**$1,729**	$ 2,360	$ 155	$ 2,515
Estimated residual value	**1,202**	**9**	**1,211**	1,305	7	1,312
Unearned income	**(874)**	**(19)**	**(893)**	(1,140)	(20)	(1,160)
Total	**$ 1,938**	**$ 109**	**$2,047**	$ 2,525	$ 142	$ 2,667
Allowance for doubtful accounts			**(137)**			(152)
Finance lease receivables, net			**$1,910**			$ 2,515
Prepaid expenses and other			**$ 46**			$ 59
Other assets			**1,864**			2,456
			$1,910			$ 2,515

Accumulated deferred taxes arising from leveraged leases, which are included in Deferred income taxes, amounted to $1.6 billion at December 31, 2011 and $2.0 billion at December 31, 2010.

The following table is a summary of the components of income from leveraged leases:

(dollars in millions)

Years Ended December 31,	**2011**	2010	2009
Pretax income	**$ 61**	$ 74	$ 83
Income tax expense	**24**	32	34

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 expected receipts relating to operating leases for the periods shown at December 31, 2011, are as follows:

(dollars in millions)

Years	Capital Leases	Operating Leases
2012	$ 130	$ 171
2013	115	157
2014	94	140
2015	67	119
2016	148	95
Thereafter	1,175	102
Total	**$ 1,729**	**$ 784**

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 2011, 2010 and 2009, respectively.

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,	**2011**	2010
Capital leases	**$ 362**	$ 321
Less accumulated amortization	**132**	130
Total	**$ 230**	$ 191

The aggregate minimum rental commitments under noncancelable leases for the periods shown at December 31, 2011, are as follows:

(dollars in millions)

Years	Capital Leases	Operating Leases
2012	$ 92	$ 2,004
2013	88	1,779
2014	66	1,558
2015	53	1,298
2016	47	1,004
Thereafter	130	4,746
Total minimum rental commitments	476	$ 12,389
Less interest and executory costs	124	
Present value of minimum lease payments	352	
Less current installments	66	
Long-term obligation at December 31, 2011	**$ 286**	

Note 8

Debt

Changes to debt during 2011 are as follows:

(dollars in millions)

	Debt Maturing within One Year	**Long-term Debt**	**Total**
Balance at January 1, 2011	**$ 7,542**	**$ 45,252**	**$ 52,794**
Proceeds from long-term borrowings	**–**	**11,060**	**11,060**
Repayments of long-term borrowings and capital leases obligations	**(11,805)**	**–**	**(11,805)**
Increase in short-term obligations, excluding current maturities	**1,928**	**–**	**1,928**
Reclassifications of long-term debt	**6,100**	**(6,100)**	**–**
Debt acquired (Note 2)	**748**	**–**	**748**
Other	**336**	**91**	**427**
Balance at December 31, 2011	**$ 4,849**	**$ 50,303**	**$ 55,152**

Debt maturing within one year is as follows:

(dollars in millions)

At December 31,	**2011**	2010
Long-term debt maturing within one year	**$ 2,915**	$ 7,542
Commercial paper	**1,934**	–
Total debt maturing within one year	**$ 4,849**	$ 7,542

The weighted average interest rate for our commercial paper outstanding at December 31, 2011 was 0.40%.

Credit Facility

As of December 31, 2011, the unused borrowing capacity under a $6.2 billion three-year credit facility with a group of major financial institutions was approximately $6.1 billion. On April 15, 2011, we amended this facility primarily to reduce fees and borrowing costs and extend the maturity date to October 15, 2014.

Long-Term Debt

Outstanding long-term debt obligations are as follows:

			(dollars in millions)	
At December 31,	**Interest Rates %**	**Maturities**	**2011**	2010
Verizon Communications - notes payable and other	**1.25 – 3.50**	**2013 – 2021**	**$ 6,900**	$ –
	4.35 – 5.50	**2013 – 2041**	**7,832**	6,062
	5.55 – 6.90	**2016 – 2041**	**11,043**	10,441
	7.35 – 8.95	**2018 – 2039**	**6,642**	7,677
	Floating	**2014**	**1,000**	–
Verizon Wireless - notes payable and other	**5.25 – 5.55**	**2012 – 2014**	**4,250**	7,000
	7.38 – 8.88	**2013 – 2018**	**5,081**	5,975
	Floating	**–**	**–**	1,250
Verizon Wireless - Alltel assumed notes	**6.50 – 7.88**	**2012 – 2032**	**2,315**	2,315
Telephone subsidiaries - debentures	**4.63 – 7.00**	**2012 – 2033**	**4,045**	7,937
	7.15 – 7.88	**2012 – 2032**	**1,449**	1,449
	8.00 – 8.75	**2019 – 2031**	**880**	**880**
Other subsidiaries - debentures and other	**6.84 – 8.75**	**2018 – 2028**	**1,700**	**1,700**
Capital lease obligations (average rates of 6.3% and 6.8%, respectively)			**352**	332
Unamortized discount, net of premium			**(271)**	(224)
Total long-term debt, including current maturities			**53,218**	52,794
Less long-term debt maturing within one year			**2,915**	7,542
Total long-term debt			**$ 50,303**	$ 45,252

Verizon Communications - Notes Payable and Other

2011

During March 2011, we issued $6.25 billion aggregate principal amount of fixed and floating rate notes resulting in cash proceeds of approximately $6.19 billion, net of discounts and issuance costs. The issuances consisted of the following: $1.0 billion of Notes due 2014 that bear interest at a rate equal to three-month London Interbank Offered Rate (LIBOR) plus 0.61%, $1.5 billion of 1.95% Notes due 2014, $1.25 billion of 3.00% Notes due 2016, $1.5 billion of 4.60% Notes due 2021 and $1.0 billion of 6.00% Notes due 2041. The net proceeds were used for the repayment of commercial paper and other general corporate purposes, as well as for the redemption of certain telephone subsidiary debt during April 2011 (see “Telephone and Other Subsidiary Debt” below).

During November 2011, we issued $4.6 billion aggregate principal amount of fixed notes resulting in cash proceeds of approximately $4.55 billion, net of discounts and issuance costs. The issuances consisted of the following: $0.8 billion of 1.25% Notes due 2014, $1.3 billion of 2.00% Notes due 2016, $1.9 billion of 3.50% Notes due 2021 and $0.8 billion of 4.75% Notes due 2041. During November 2011, the net proceeds were used to redeem $1.0 billion of 7.375% Verizon Communications Notes due September 2012 at a redemption price of 105.2% of principal amount of the notes, $0.6 billion of 6.875% Verizon Communications Notes due June 2012 at a redemption price of 103.5% of principal amount of the notes and certain telephone subsidiary debt (see “Telephone and Other Subsidiary Debt” below), as well as for the repayment of commercial paper and other general corporate purposes. Any accrued and unpaid interest was paid through the date of redemption. In addition, we terminated the interest rate swap with a notional value totaling $1.0 billion related to the $1.0 billion of 7.375% Verizon Communications Notes due September 2012.

During 2011, $0.5 billion of 5.35% Verizon Communications Notes matured and were repaid and we utilized $0.3 billion under fixed rate vendor financing facilities.

The debt obligations of Terremark that were outstanding at the time of its acquisition by Verizon were repaid during the second quarter of 2011.

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 2). 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.

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.

2011

During May 2011, $4.0 billion aggregate principal amount of Verizon Wireless two-year fixed and floating rate notes matured and were repaid. During December 2011, we repaid $0.9 billion upon maturity for the €0.7 billion of 7.625% Verizon Wireless Notes and the related cross currency swap was settled (see Note 9).

During February 2012, $0.8 billion of 5.25% Verizon Wireless Notes matured and were repaid.

2010

In 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). As there were no borrowings outstanding under this facility, it was cancelled.

Telephone and Other Subsidiary Debt

2011

During April 2011, we redeemed the $1.0 billion of 5.65% Verizon Pennsylvania Inc. Debentures due November 15, 2011 at a redemption price of 102.9% of the principal amount of the debentures; and the $1.0 billion of 6.50% Verizon New England Inc. Debentures due September 15, 2011 at a redemption price of 102.3% of the principal amount of the debentures. Any accrued and unpaid interest was paid through the date of redemption.

During November 2011, we redeemed the following debentures: $0.4 billion of 6.125% Verizon Florida Inc. Debentures due January 2013 at a redemption price of 106.3% of the principal amount of the debentures; $0.5 billion of 6.125% Verizon Maryland Inc. Debentures due March 2012 at a redemption price of 101.5% of the principal amount of the debentures; and $1.0 billion of 6.875% Verizon New York Inc. Debentures due April 2012 at a redemption price of 102.2% of the principal amount of the debentures. Any accrued and unpaid interest was paid through the date of redemption.

During January 2012, $1.0 billion of 5.875% Verizon New Jersey Inc. Debentures matured and were repaid.

2010

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.

Debt Redemption Costs

During November 2011, we recorded debt redemption costs of $0.1 billion in connection with the early redemption of $1.0 billion of 7.375% Verizon Communications Notes due September 2012, $0.6 billion of 6.875% Verizon Communications Notes due June 2012, $0.4 billion of 6.125% Verizon Florida Inc. Debentures due January 2013, $0.5 billion of 6.125% Verizon Maryland Inc. Debentures due March 2012 and $1.0 billion of 6.875% Verizon New York Inc. Debentures due April 2012.

Guarantees

On June 24, 2011, we guaranteed the debentures and first mortgage bonds of our operating telephone company subsidiaries. As of December 31, 2011, $6.4 billion principal amount of these obligations remain outstanding. Each guarantee will remain in place for the life of the obligation unless terminated pursuant to its terms, including the operating telephone company no longer being a wholly-owned subsidiary of Verizon.

We also guarantee the debt obligations of GTE Corporation that were issued and outstanding prior to July 1, 2003. As of December 31, 2011, $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, 2011 are as follows:

Years		(dollars in millions)
2012	$	2,915
2013		5,637
2014		6,800
2015		1,186
2016		4,141
Thereafter		32,539

Note 9

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, 2011:

(dollars in millions)

	Level 1[1]	Level 2[2]	Level 3[3]	Total
Assets:				
Short-term investments:				
Equity securities	$ 259	$ –	$ –	$ 259
Fixed income securities	2	331	–	333
Other Current Assets:				
Forward contracts	–	1	–	1
Other Assets:				
Fixed income securities	220	763	–	983
Interest rate swaps	–	625	–	625
Cross currency swaps	–	77	–	77
Total	$ 481	$ 1,797	$ –	$ 2,278

(1) quoted prices in active markets for identical assets or liabilities

(2) observable inputs other than quoted prices in active markets for identical assets and liabilities

(3) no observable pricing inputs in the market

Equity securities consist of investments in common stock of domestic and international corporations measured using quoted prices in active markets.

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 2011.

Fair Value of Short-term and Long-term Debt

The fair value of our short-term and long-term debt, excluding capital leases, which is determined based on market quotes for similar terms and maturities or future cash flows discounted at current rates, was as follows:

(dollars in millions)

At December 31,	**2011**		2010	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Short- and long-term debt, excluding capital leases	**$ 54,800**	**$ 64,485**	$ 52,462	$ 59,020

Derivatives

Interest Rate Swaps

We have entered into domestic interest rate swaps to achieve a targeted mix of fixed and variable rate debt. We principally receive fixed rates and pay variable rates based on LIBOR, resulting in a net increase or decrease to Interest expense. 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 due to changes in interest rates are recorded to Interest expense, which are offset by changes in the fair value of the debt. The fair value of these contracts was $0.6 billion at December 31, 2011 and $0.3 billion at December 31, 2010 and is primarily included in Other assets and Long-term debt. As of December 31, 2011, the total notional amount of these interest rate swaps was $7.0 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 designated these contracts as cash flow hedges. The fair value of these contracts was $0.1 billion at December 31, 2010 and the contracts were included in Other assets. In 2011, we terminated these forward interest rate swaps.

Cross Currency Swaps

During 2008, Verizon Wireless entered into cross currency swaps designated as cash flow hedges to exchange approximately $2.4 billion of 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. During December 2011, we repaid $0.9 billion upon maturity for the €0.7 billion of 7.625% Verizon Wireless Notes. The settlement of the related cross currency swap did not have a material impact on our financial statements. The fair value of the outstanding swaps, primarily included in Other assets, was approximately $0.1 billion at December 31, 2011 and December 31, 2010, respectively. During 2011, the pretax loss recognized in Other comprehensive income was not significant. During 2010, a pre-tax loss of $0.2 billion was recognized in Other comprehensive income. A portion of these gains and losses recognized in Other comprehensive income was reclassified to Other income and (expense), net to offset the related pretax foreign currency transaction gain or loss 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.

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 10

Stock-Based Compensation

Verizon Communications Long-Term Incentive Plan

The 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 the 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. 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. 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, 2009	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
Granted	**6,667**	**10,348**
Payments	**(7,600)**	**(12,137)**
Cancelled/Forfeited	**(154)**	**(2,977)**
Outstanding December 31, 2011	**19,836**	**27,614**

As of December 31, 2011, unrecognized compensation expense related to the unvested portion of Verizon's RSUs and PSUs was approximately $0.4 billion and is expected to be recognized over approximately two years.

The RSUs granted in 2011 and 2010, and classified as equity awards, have weighted average grant date fair values of $36.38 and $28.63 per unit, respectively. During 2011, 2010 and 2009, we paid $0.7 billion, $0.7 billion and $0.9 billion, respectively, to settle RSUs and PSUs classified as liability awards.

Verizon Wireless' Long-Term Incentive Plan

The Verizon Wireless Long-Term Incentive Plan (the Wireless Plan) provides compensation opportunities to eligible employees of Verizon Wireless (the Partnership). Under the Wireless Plan, Value Appreciation Rights (VARs) were granted to eligible employees. As of December 31, 2011, 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. All outstanding VARs are fully exercisable and have 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 2011:

	Ranges
Risk-free rate	0.05% - 0.57%
Expected term (in years)	0.02 - 1.50
Expected volatility	29.47% - 48.30%

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, 2009	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
Exercised	**(3,303)**		**14.87**
Cancelled/Forfeited	**(52)**		**14.74**
Outstanding rights, December 31, 2011	**8,214**		**12.39**

During 2011, 2010 and 2009, we paid $0.1 billion, $0.1 billion and $0.2 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 $0.5 billion for 2011, 2010 and 2009, respectively.

Stock Options

The Plan provides for grants of stock options to participants at an option price per share of no less than 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, 2009	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
Exercised	**(7,104)**	**35.00**
Cancelled/Forfeited	**(21,921)**	**51.06**
Outstanding, December 31, 2011	**27,819**	**41.24**

All stock options outstanding at December 31, 2011, 2010 and 2009 were exercisable.

The following table summarizes information about Verizon's stock options outstanding as of December 31, 2011:

Range of Exercise Prices	**Stock Options (in thousands)**	**Weighted-Average Remaining Life (years)**	**Weighted-Average Exercise Price**
$ 20.00-29.99	24	0.7	$ 27.66
30.00-39.99	10,791	1.6	35.02
40.00-49.99	17,004	0.1	45.21
Total	**27,819**	**0.7**	**41.24**

The total intrinsic value was approximately $0.1 billion for stock options outstanding as of December 31, 2011. The total intrinsic value of stock options exercised and the associated tax benefits were not significant in 2011, 2010 and 2009. The amount of cash received from the exercise of stock options was $0.2 billion in 2011 and not significant in 2010 and 2009. There was no stock option expense for 2011, 2010 and 2009.

Note 11

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 our share of the cost for certain recent and future retirees. In accordance with our accounting policy for pension and other postretirement benefits, 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.

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,	**2011**	2010	**2011**	2010
Change in Benefit Obligations				
Beginning of year	**$ 29,217**	$ 31,818	**$ 25,718**	$ 27,337
Service cost	**307**	353	**299**	305
Interest cost	**1,590**	1,797	**1,421**	1,639
Plan amendments	**(485)**	(212)	**–**	(2,580)
Actuarial loss, net	**3,360**	748	**1,687**	826
Benefits paid	**(2,564)**	(1,996)	**(1,756)**	(1,675)
Termination benefits	**–**	687	**–**	–
Curtailment loss, net	**–**	61	**–**	132
Acquisitions and divestitures, net	**–**	(581)	**–**	(266)
Settlements paid	**(843)**	(3,458)	**–**	–
End of Year	**$ 30,582**	$ 29,217	**$ 27,369**	$ 25,718
Change in Plan Assets				
Beginning of year	**$ 25,814**	$ 28,592	**$ 2,945**	$ 3,091
Actual return on plan assets	**1,191**	3,089	**63**	319
Company contributions	**512**	138	**1,376**	1,210
Benefits paid	**(2,564)**	(1,996)	**(1,756)**	(1,675)
Settlements paid	**(843)**	(3,458)	**–**	–
Acquisitions and divestitures, net	**–**	(551)	**–**	–
End of year	**$ 24,110**	$ 25,814	**$ 2,628**	$ 2,945
Funded Status				
End of year	**$ (6,472)**	$ (3,403)	**$ (24,741)**	$ (22,773)

At December 31,	Pension 2011	Pension 2010	Health Care and Life 2011	Health Care and Life 2010
				(dollars in millions)
Amounts recognized on the balance sheet				
Noncurrent assets	**$ 289**	$ 398	**$ –**	$ –
Current liabilities	**(195)**	(146)	**(735)**	(581)
Noncurrent liabilities	**(6,566)**	(3,655)	**(24,006)**	(22,192)
Total	**$(6,472)**	$ (3,403)	**$ (24,741)**	$ (22,773)
Amounts recognized in Accumulated Other Comprehensive Income (Pretax)				
Prior Service Cost	**$ (3)**	$ 554	**$ (510)**	$ (567)
Total	**$ (3)**	$ 554	**$ (510)**	$ (567)

Under 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), 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 are already reflected in Verizon's financial statements, this change in law 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.

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 $30.3 billion and $28.5 billion at December 31, 2011 and 2010, respectively.

Information for pension plans with an accumulated benefit obligation in excess of plan assets follows:

	(dollars in millions)	
At December 31,	**2011**	2010
Projected benefit obligation	**$ 29,643**	$28,329
Accumulated benefit obligation	**29,436**	27,752
Fair value of plan assets	**22,916**	24,529

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,	**2011**	2010	2009	**2011**	2010	2009
Service cost	**$ 307**	$ 353	$ 384	**$ 299**	$ 305	$ 311
Amortization of prior service cost (credit)	**72**	109	112	**(57)**	375	401
Subtotal	**379**	462	496	**242**	680	712
Expected return on plan assets	**(1,976)**	(2,176)	(2,216)	**(163)**	(252)	(205)
Interest cost	**1,590**	1,797	1,924	**1,421**	1,639	1,766
Subtotal	**(7)**	83	204	**1,500**	2,067	2,273
Remeasurement (gain) loss, net	**4,146**	(166)	(515)	**1,787**	758	(901)
Net periodic benefit (income) cost	**4,139**	(83)	(311)	**3,287**	2,825	1,372
Curtailment and termination benefits	**–**	860	1,371	**–**	386	532
Total	**$ 4,139**	$ 777	$ 1,060	**$3,287**	$3,211	$1,904

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,	**2011**	2010	**2011**	2010
Prior service cost	**$(485)**	$ (336)	**$ –**	$ (2,859)
Reversal of amortization items				
Prior service cost	**(72)**	(109)	**57**	(375)
Total recognized in other comprehensive (income) loss (pretax)	**$(557)**	$ (445)	**$ 57**	$ (3,234)

The estimated prior service cost for the defined benefit pension plans and 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 not significant.

Assumptions

The weighted-average assumptions used in determining benefit obligations follow:

	Pension		Health Care and Life	
At December 31,	**2011**	2010	**2011**	2010
Discount Rate	**5.00%**	5.75%	**5.00%**	5.75%
Rate of compensation increases	**3.00**	3.00	**N/A**	N/A

The weighted-average assumptions used in determining net periodic cost follow:

	Pension			Health Care and Life		
At December 31,	**2011**	2010	2009	**2011**	2010	2009
Discount Rate	**5.75%**	6.25%	6.75%	**5.75%**	6.25%	6.75%
Expected return on plan assets	**8.00**	8.50	8.50	**6.00**	8.25	8.25
Rate of compensation increases	**3.00**	4.00	4.00	**N/A**	N/A	N/A

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,	**2011**	2010	2009
Healthcare cost trend rate assumed for next year	**7.50%**	7.75%	8.00%
Rate to which cost trend rate gradually declines	**5.00**	5.00	5.00
Year the rate reaches the level it is assumed to remain thereafter	**2016**	2016	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 2011 service and interest cost	$ 199	$ (163)
Effect on postretirement benefit obligation as of December 31, 2011	3,422	(2,768)

Plan Assets

Historically, our portfolio strategy emphasized a long-term equity orientation, significant global diversification, and the use of both public and private investments. In an effort to reduce the risk of our portfolio strategy and better align assets with liabilities, we are shifting our strategy to one that is more liability driven, where cash flows from investments better match projected benefit payments but result in lower asset returns. We intend to reduce the likelihood that assets will decline at a time when liabilities increase (referred to as liability hedging), with the goal to reduce the risk of underfunding to the plan and its participants and beneficiaries. Both active and passive management approaches are used depending on perceived market efficiencies and various other factors. Our diversification and risk control processes serve to minimize the concentration of risk.

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 initial target allocation for plan assets is designed so that 70% of the assets have the objective of achieving a return in excess of the growth in liabilities (comprised of public equities, private equities, real estate, hedge funds and emerging debt) and 30% of the assets are invested as liability hedging assets (typically longer duration fixed income). This allocation will shift as funded status improves to a higher allocation to liability hedging assets. Target policies will be 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 do not include significant amounts of Verizon common stock.

Pension Plans

The fair values for the pension plans by asset category at December 31, 2011 are as follows:

				(dollars in millions)
Asset Category	**Total**	**Level 1**	**Level 2**	**Level 3**
Cash and cash equivalents	**$ 1,215**	**$ 1,184**	**$ 31**	**$ –**
Equity securities	**6,829**	**5,704**	**1,125**	**–**
Fixed income securities				
U.S. Treasuries and agencies	**1,796**	**1,239**	**557**	**–**
Corporate bonds	**2,140**	**65**	**1,886**	**189**
International bonds	**1,163**	**158**	**1,005**	**–**
Other	**359**	**–**	**359**	**–**
Real estate	**2,158**	**–**	**–**	**2,158**
Other				
Private equity	**6,109**	**–**	**54**	**6,055**
Hedge funds	**2,341**	**–**	**1,679**	**662**
Total	**$24,110**	**$ 8,350**	**$ 6,696**	**$ 9,064**

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 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 January 1, 2010	$ 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	3	(17)	–	583	569
Balance at December 31, 2010	$ 180	$ 1,769	$5,849	$ 716	$8,514
Actual gain (loss) on plan assets	**(4)**	**258**	**477**	**(4)**	**727**
Purchases and sales	**48**	**43**	**(203)**	**(50)**	**(162)**
Transfers in and/or out	**(35)**	**88**	**(68)**	**–**	**(15)**
Balance at December 31, 2011	**$ 189**	**$ 2,158**	**$6,055**	**$ 662**	**$9,064**

Health Care and Life Plans

The fair values for the other postretirement benefit plans by asset category at December 31, 2011 are as follows:

(dollars in millions)

Asset Category	**Total**	**Level 1**	**Level 2**	**Level 3**
Cash and cash equivalents	**$ 281**	**$ 22**	**$ 259**	**$ –**
Equity securities	**1,695**	**951**	**744**	**–**
Fixed income securities				
U.S. Treasuries and agencies	**85**	**58**	**27**	**–**
Corporate bonds	**119**	**26**	**93**	**–**
International bonds	**192**	**67**	**125**	**–**
Other	**210**	**–**	**210**	**–**
Other	**46**	**–**	**46**	**–**
Total	**$2,628**	**$ 1,124**	**$ 1,504**	**$ –**

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 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 domestic and foreign corporations. Fixed income also includes investments in collateralized mortgage obligations, mortgage backed securities and interest rate swaps. The fair value of fixed income securities is 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 is 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 a 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 2011, we contributed $0.4 billion to our qualified pension plans, $0.1 billion to our nonqualified pension plans and $1.4 billion to our other postretirement benefit plans. During January 2012, we contributed approximately $0.1 billion to our qualified pension plans. We expect to make additional qualified pension plan contributions of $1.2 billion during the remainder of 2012. We anticipate approximately $0.2 billion in contributions to our non-qualified pension plans and $1.5 billion to our other postretirement benefit plans in 2012.

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	Medicare Prescription Drug Subsidy
2012	**$ 2,514**	**$ 1,944**	**$ 104**
2013	**2,308**	**1,805**	**–**
2014	**2,256**	**1,792**	**–**
2015	**2,233**	**1,743**	**–**
2016	**2,208**	**1,702**	**–**
2017-2021	**10,537**	**7,747**	**–**

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, 2011, the number of unallocated and allocated shares of common stock in this ESOP was 1 million and 65 million, respectively. All leveraged ESOP shares are included in earnings per share computations.

Total savings plan costs were $0.7 billion in 2011, 2010 and 2009.

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:

(dollars in millions)

Year	Beginning of Year	Charged to Expense	Payments	Other	End of Year
2009	$ 1,104	$ 950	$ (522)	$ 106	$ 1,638
2010	1,638	1,217	(1,307)	21	1,569
2011	**1,569**	**32**	**(474)**	**(14)**	**1,113**

Severance, Pension and Benefit Charges

During 2011, we recorded net pre-tax severance, pension and benefits charges of approximately $6.0 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. The charges were primarily driven by a decrease in our discount rate assumption used to determine the current year liabilities from 5.75% at December 31, 2010 to 5% at December 31, 2011 ($5.0 billion); the difference between our estimated return on assets of 8% and our actual return on assets of 5% ($0.9 billion); and revisions to the life expectancy of participants and other adjustments to assumptions.

During 2010, we recorded net pre-tax severance, pension and benefits charges of $3.1 billion. The charges during 2010 included 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. Additionally, in 2010, we reached an agreement 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, we recorded severance, pension and benefits charges associated with approximately 11,900 union-represented employees who volunteered for the incentive offer. These charges included $1.2 billion for severance for the 2010 separation 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 due to the workforce reductions.

During 2009, we recorded net pre-tax severance, pension and benefits charges of $1.4 billion. These charges were primarily comprised of pension and postretirement curtailment losses and special termination benefits of $1.9 billion; $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; and 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.

Note 12

Taxes

The components of income before provision for income taxes are as follows:

(dollars in millions)			
Years Ended December 31,	**2011**	2010	2009
Domestic	**$ 9,724**	$ 11,921	$ 12,625
Foreign	**759**	763	895
Total	**$ 10,483**	$ 12,684	$ 13,520

The components of the provision for income taxes are as follows:

(dollars in millions)			
Years Ended December 31,	**2011**	2010	2009
Current			
Federal	**$ 193**	$ (705)	$ (611)
Foreign	**25**	(19)	73
State and Local	**290**	(42)	364
Total	**508**	(766)	(174)
Deferred			
Federal	**276**	2,945	1,616
Foreign	**(38)**	(24)	(35)
State and Local	**(455)**	316	518
Total	**(217)**	3,237	2,099
Investment tax credits	**(6)**	(4)	(6)
Total income tax provision	**$ 285**	$2,467	$1,919

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,	**2011**	2010	2009
Statutory federal income tax rate	**35.0%**	35.0%	35.0%
State and local income tax rate, net of federal tax benefits	**(1.0)**	1.4	1.5
Affordable housing credit	**(1.8)**	(1.3)	(1.0)
Employee benefits including ESOP dividend	**(1.4)**	(1.2)	(1.6)
Medicare Part D subsidy charge	**–**	6.9	–
Equity in earnings from unconsolidated businesses	**(1.9)**	(1.6)	(1.6)
Noncontrolling interest	**(23.0)**	(19.5)	(16.0)
Other, net	**(3.2)**	(0.3)	(2.1)
Effective income tax rate	**2.7%**	19.4%	14.2%

The effective income tax rate in 2011 decreased to 2.7% from 19.4% in 2010. This decrease was primarily driven by lower income before provision for income taxes as a result of higher pension and benefit charges recorded in 2011 as well as tax benefits from state valuation allowance reversals in 2011. The decrease was also due to a one-time, non-cash income tax charge of $1.0 billion recorded during the three months ended March 31, 2010 as 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 are already reflected in Verizon's financial statements, this change in law 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 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 for the Health Care Act described above. The increase was partially offset primarily by higher earnings attributable to Vodafone's noncontrolling interest in the Verizon Wireless Partnership.

The amounts of cash taxes paid are as follows:

	(dollars in millions)		
Years Ended December 31,	**2011**	2010	2009
Income taxes, net of amounts refunded	**$ 762**	$ 430	$ 158
Employment taxes	**1,231**	1,296	1,349
Property and other taxes	**1,883**	1,963	2,065
Total	**$3,876**	$3,689	$3,572

Deferred taxes arise because of differences in the book and tax bases of certain assets and liabilities. Significant components of deferred tax assets and liabilities are as follows:

	(dollars in millions)	
At December 31,	**2011**	2010
Employee benefits	**$13,119**	$11,499
Tax loss and credit carry forwards	**5,170**	3,907
Uncollectible accounts receivable	**224**	248
Other - assets	**952**	951
	19,465	16,605
Valuation allowances	**(2,376)**	(3,421)
Deferred tax assets	**17,089**	13,184
Former MCI intercompany accounts receivable basis difference	**1,435**	1,489
Depreciation	**13,743**	11,758
Leasing activity	**1,569**	1,980
Wireless joint venture including wireless licenses	**21,778**	19,514
Other - liabilities	**1,233**	1,152
Deferred tax liabilities	**39,758**	35,893
Net deferred tax liability	**$22,669**	$22,709

At December 31, 2011, undistributed earnings of our foreign subsidiaries indefinitely invested outside of the United States amounted to approximately $1.5 billion. The majority of Verizon's cash flow is generated from domestic operations and we are not dependent on foreign cash or earnings to meet our funding requirements. Furthermore, a portion of these undistributed earnings represent amounts that legally must be kept in reserve and are unavailable for distribution. As a result, we have not provided deferred taxes on these undistributed 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, 2011, we had net after tax loss and credit carry forwards for income tax purposes of approximately $5.1 billion. Of these net after tax loss and credit carry forwards, approximately $4.4 billion will expire between 2012 and 2031 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 $0.1 billion and $0.6 billion at December 31, 2011 and 2010, respectively, due to federal and state tax law limitations on utilization of net operating losses.

During 2011, the valuation allowance decreased approximately $1.0 billion. The balance of the valuation allowance at December 31, 2011 and the 2011 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:

(dollars in millions)	**2011**	2010	2009
Balance at January 1,	**$3,242**	$3,400	$2,622
Additions based on tax positions related to the current year	**111**	231	288
Additions for tax positions of prior years	**456**	476	1,128
Reductions for tax positions of prior years	**(644)**	(569)	(477)
Settlements	**(56)**	(256)	(27)
Lapses of statutes of limitations	**(31)**	(40)	(134)
Balance at December 31,	**$3,078**	$3,242	$3,400

Included in the total unrecognized tax benefits at December 31, 2011, 2010 and 2009 is $2.2 billion, $2.1 billion and $2.1 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)
2011	**$ 60**
2010	29
2009	14

The after-tax accruals for the payment of interest and penalties in the consolidated balance sheets are as follows:

At December 31,	(dollars in millions)
2011	**$ 470**
2010	527

Verizon and/or its subsidiaries file income tax returns in the U.S. federal jurisdiction, and various state, local and foreign jurisdictions. As a large taxpayer, we are under audit by the Internal Revenue Service (IRS) and multiple state and foreign jurisdictions on numerous open tax positions. The IRS completed its examination of the Company's U.S. income tax returns for tax years 2004 through 2006 in the third quarter of 2011 and we filed a protest with respect to certain tax adjustments proposed by the IRS. In 2011, we also settled income tax audits in Italy and Massachusetts. Significant tax examinations and litigation are also ongoing in New York, Canada, and Australia 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 13

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 or non-operational nature.

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 activities in 14 states were spun off (see Note 2). Accordingly, the historical Verizon 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
Verizon Wireless	Verizon 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 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 both in the United States and in over 150 other countries around the world.

The following table provides operating financial information for our two reportable segments:

2011	Verizon Wireless	Wireline	(dollars in millions) Total Segments
External Operating Revenues			
Retail service	$ 56,601	$ –	$ 56,601
Other service	2,497	–	2,497
Service revenue	59,098	–	59,098
Equipment	7,446	–	7,446
Other	3,517	–	3,517
Consumer retail	–	13,605	13,605
Small business	–	2,720	2,720
Mass Markets	–	16,325	16,325
Strategic services	–	7,607	7,607
Other	–	8,014	8,014
Global Enterprise	–	15,621	15,621
Global Wholesale	–	6,795	6,795
Other	–	704	704
Intersegment revenues	93	1,237	1,330
Total operating revenues	70,154	40,682	110,836
Cost of services and sales	24,086	22,158	46,244
Selling, general and administrative expense	19,579	9,107	28,686
Depreciation and amortization expense	7,962	8,458	16,420
Total operating expenses	51,627	39,723	91,350
Operating income	$ 18,527	$ 959	$ 19,486
Assets	$ 147,378	$ 86,185	$ 233,563
Plant, property and equipment, net	33,451	54,149	87,600
Capital expenditures	8,973	6,399	15,372

(dollars in millions)

2010	Verizon Wireless	Wireline	Total Segments
External Operating Revenues			
Retail service	$ 53,267	$ –	$ 53,267
Other service	2,321	–	2,321
Service revenue	55,588	–	55,588
Equipment	4,412	–	4,412
Other	3,341	–	3,341
Consumer retail	–	13,419	13,419
Small business	–	2,828	2,828
Mass Markets	–	16,247	16,247
Strategic services	–	6,602	6,602
Other	–	8,712	8,712
Global Enterprise	–	15,314	15,314
Global Wholesale	–	7,526	7,526
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

(dollars in millions)

2009	Verizon Wireless	Wireline	Total Segments
External Operating Revenues			
Retail service	$ 50,688	$ –	$ 50,688
Other service	1,287	–	1,287
Service revenue	51,975	–	51,975
Equipment	4,837	–	4,837
Other	3,413	–	3,413
Consumer retail	–	13,205	13,205
Small business	–	2,904	2,904
Mass Markets	–	16,109	16,109
Strategic services	–	6,191	6,191
Other	–	9,097	9,097
Global Enterprise	–	15,288	15,288
Global Wholesale	–	8,336	8,336
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

Reconciliation to Consolidated Financial Information

A reconciliation of the segment operating revenues to consolidated operating revenues is as follows:

Years Ended December 31,	**2011**	2010	(dollars in millions) 2009
Operating Revenues			
Total reportable segments	**$110,836**	$104,634	$102,776
Reconciling items:			
Deferred revenue adjustment (see Note 1)	**–**	(235)	78
Impact of divested operations	**–**	2,407	5,297
Corporate, eliminations and other	**39**	(241)	(343)
Consolidated operating revenues	**$110,875**	$106,565	$107,808

A reconciliation of the total of the reportable segments' operating income to consolidated Income before provision for income taxes is as follows:

Years Ended December 31,	**2011**	2010	(dollars in millions) 2009
Operating Income			
Total segment operating income	**$19,486**	$19,492	$18,211
Merger integration and acquisition related charges (see Note 2)	**–**	(867)	(954)
Access line spin-off related charges (see Note 2)	**–**	(407)	(453)
Severance, pension and benefit charges (see Note 11)	**(5,954)**	(3,054)	(1,440)
Deferred revenue adjustment (see Note 1)	**–**	(235)	78
Impact of divested operations (see Note 2)	**–**	755	1,769
Corporate, eliminations and other	**(652)**	(1,039)	(1,233)
Consolidated operating income	**12,880**	14,645	15,978
Equity in earnings of unconsolidated businesses	**444**	508	553
Other income and (expense), net	**(14)**	54	91
Interest expense	**(2,827)**	(2,523)	(3,102)
Income Before Provision for Income Taxes	**$10,483**	$12,684	$13,520

A reconciliation of the total of the reportable segments' assets to consolidated assets is as follows:

At December 31,	**2011**	(dollars in millions) 2010
Assets		
Total reportable segments	**$233,563**	$222,712
Corporate, eliminations and other	**(3,102)**	(2,707)
Total consolidated	**$230,461**	$220,005

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, 2011, 2010 and 2009. International operating revenues and long-lived assets are not significant.

Note 14

Comprehensive Income

Comprehensive income consists of net income and other gains and losses affecting equity that, under GAAP, are excluded from net income. Significant changes in the components of Other comprehensive income, net of provision for income taxes are described below.

Foreign Currency Translation Adjustments

The change in Foreign currency translation adjustments during 2011, 2010 and 2009 was primarily related to our investment in Vodafone Omnitel and was driven by the movements of the U.S. dollar against various other currencies, primarily the Euro, in which we have operations.

Net Unrealized Gains on Cash Flow Hedges

During 2011, 2010 and 2009, Unrealized gains on cash flow hedges included in Other comprehensive income attributable to noncontrolling interest, primarily reflect activity related to a cross currency swap (see Note 9). Reclassification adjustments for gains (losses) realized in net income were not significant.

Net Unrealized Gains (Losses) on Marketable Securities

During 2011, 2010 and 2009, reclassification adjustments on marketable securities for gains (losses) realized in net income were not significant.

Defined Benefit Pension and Postretirement Plans

The change in Defined benefit pension and postretirement plans of $0.3 billion, net of taxes of $0.2 billion at December 31, 2011 was attributable to the change in prior service cost.

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 11).

Accumulated Other Comprehensive Income

The components of Accumulated other comprehensive income were as follows:

		(dollars in millions)
At December 31,	**2011**	2010
Foreign currency translation adjustments	**$ 724**	$ 843
Net unrealized gain on cash flow hedges	**156**	126
Unrealized gain on marketable securities	**72**	79
Defined benefit pension and postretirement plans	**317**	1
Accumulated Other Comprehensive Income	**$ 1,269**	$ 1,049

Note 15

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,	**2011**	2010	2009
Depreciation expense	**$14,991**	$14,593	$14,564
Interest costs on debt balances	**3,269**	3,487	4,029
Capitalized interest costs	**(442)**	(964)	(927)
Advertising expense	**2,523**	2,451	3,020

Balance Sheet Information

(dollars in millions)		
At December 31,	**2011**	2010
Accounts Payable and Accrued Liabilities		
Accounts payable	**$ 4,194**	$ 3,936
Accrued expenses	**3,786**	4,110
Accrued vacation, salaries and wages	**4,857**	5,686
Interest payable	**774**	813
Taxes payable	**1,078**	1,157
	$ 14,689	$ 15,702
Other Current Liabilities		
Advance billings and customer deposits	**$ 3,290**	$ 3,091
Dividends payable	**5,940**	1,402
Other	**1,993**	2,860
	$ 11,223	$ 7,353

Cash Flow Information

(dollars in millions)			
Years Ended December 31,	**2011**	2010	2009
Cash Paid			
Interest, net of amounts capitalized	**$2,629**	$2,433	$2,573

Note 16

Commitments and Contingencies

In the ordinary course of business Verizon is involved in various commercial litigation and regulatory proceedings at the state and federal level. Where it is determined, in consultation with counsel based on litigation and settlement risks, that a loss is probable and estimable in a given matter, the Company establishes an accrual. In none of the currently pending matters, including the Hicksville and ActiveVideo Networks Inc. (ActiveVideo) matters described below, is the amount of accrual material. An estimate of the reasonably possible loss or range of loss in excess of the amounts already accrued cannot be made at this time due to various factors typical in contested proceedings, including (1) uncertain damage theories and demands; (2) a less than complete factual record; (3) uncertainty concerning legal theories and their resolution by courts or regulators; and (4) the unpredictable nature of the opposing party and its demands. We continuously monitor these proceedings as they develop and adjust any accrual or disclosure as needed. We do not expect that the ultimate resolution of any pending regulatory or legal matter in future periods, including the Hicksville and ActiveVideo matters, 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.

Verizon is currently involved in approximately 50 federal district court actions alleging that Verizon is infringing various patents. Most of these cases are brought by non-practicing entities and effectively seek only monetary damages; a small number are brought by companies that sell products and seek injunctive relief as well. These cases have progressed to various degrees and a small number may go to trial in the coming 12 months if they are not otherwise resolved. In August 2011, a jury found that Verizon is infringing four ActiveVideo patents related to Verizon's FiOS TV video-on-demand service (VOD), and entered a verdict for ActiveVideo for $115 million, which the court subsequently increased by $24 million. The jury, however, rejected ActiveVideo's claim that Verizon had willfully infringed its patents and the court stayed execution of the payments to ActiveVideo. Verizon was also later enjoined from continuing to use two of these allegedly infringed ActiveVideo patents and ordered to pay ActiveVideo approximately $11 million per month from August 2011 to May 2012. The court deferred the onset of the injunction until May 2012, and the orders to make payments to ActiveVideo were stayed. Verizon has filed appeals addressing these rulings and is working with its vendors, Cisco and Ericsson, to redesign its VOD system.

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, 2011, letters of credit totaling approximately $0.1 billion, which were executed in the normal course of business and support several financing arrangements and payment obligations to third parties, were outstanding.

We have several commitments primarily to purchase handsets and peripherals, 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 $51.1 billion. Of this total amount, we expect to purchase $22.8 billion in 2012, $24.6 billion in 2013 through 2014, $3.1 billion in 2015 through 2016 and $0.6 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. Purchases against our commitments for 2011 totaled approximately $13 billion. 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, 2011, 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 17

Quarterly Financial Information (Unaudited)

(dollars in millions, except per share amounts)

		Operating	Net Income (Loss) attributable to Verizon[1]			
Quarter Ended	Operating Revenues	Income (Loss)	Amount	Per Share-Basic	Per Share-Diluted	Net Income (Loss)
2011						
March 31	**$ 26,990**	**$ 4,453**	**$ 1,439**	**$ .51**	**$ .51**	**$ 3,264**
June 30	**27,536**	**4,892**	**1,609**	**.57**	**.57**	**3,604**
September 30	**27,913**	**4,647**	**1,379**	**.49**	**.49**	**3,542**
December 31	**28,436**	**(1,112)**	**(2,023)**	**(.71)**	**(.71)**	**(212)**
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

- Results of operations for the third quarter of 2011 include after-tax charges attributable to Verizon of $0.2 billion related to severance, pension and benefit charges.
- Results of operations for the fourth quarter of 2011 include after-tax charges attributable to Verizon of $3.5 billion related to severance, pension and benefit charges and costs related to the early redemption of debt.
- 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.

[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 21

Verizon Communications Inc. and Subsidiaries
Principal Subsidiaries of Registrant at December 31, 2011

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
Bell Atlantic Mobile Systems LLC.	Delaware
Cellco Partnership (d/b/a Verizon Wireless)	Delaware
GTE Corporation	New York
GTE Wireless Incorporated	Delaware
MCI Communications Corporation	Delaware
Verizon Business Global LLC.	Delaware
Cranberry Properties 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 24, 2012, with respect to the consolidated financial statements of Verizon and the effectiveness of internal control over financial reporting of Verizon, included in the 2011 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 24, 2012, 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 24, 2012, 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, 2011: Form S-4, No. 333-11573; Form S-8, No. 333-41593; Form S-8, No. 333-50146; 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-3, No. 333-162833; Form S-8, No. 333-169267; Form S-8, No. 333-172501; Form S-8, No. 333-172999; and Form S-3, No. 333-179402.

/s/ Ernst & Young LLP

Ernst & Young LLP
New York, New York

February 24, 2012

EXHIBIT 31.1

I, Lowell C. McAdam, 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 24, 2012

/s/ Lowell C. McAdam
Lowell C. McAdam
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 24, 2012

/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, Lowell C. McAdam, 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, 2011 (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 24, 2012

/s/ Lowell C. McAdam
Lowell C. McAdam
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, 2011 (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 24, 2012

/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.