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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549  
**FORM 10-Q**

(Mark one)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended March 31, 2013

OR

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

Commission file number: 1-8606

**Verizon Communications Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction  
of incorporation or organization)

**23-2259884**

(I.R.S. Employer Identification No.)

**140 West Street**

**New York, New York**

(Address of principal executive offices)

**10007**

(Zip Code)

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

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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

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

At March 28, 2013, 2,861,117,414 shares of the registrant's common stock were outstanding, after deducting 106,492,705 shares held in treasury.

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## Table of Contents

	<u>Page</u>
<b><u>PART I - FINANCIAL INFORMATION</u></b>	
<b>Item 1. <u>Financial Statements (Unaudited)</u></b>	
<b><u>Condensed Consolidated Statements of Income</u></b>	2
<i>Three months ended March 31, 2013 and 2012</i>	
<b><u>Condensed Consolidated Statements of Comprehensive Income</u></b>	3
<i>Three months ended March 31, 2013 and 2012</i>	
<b><u>Condensed Consolidated Balance Sheets</u></b>	4
<i>At March 31, 2013 and December 31, 2012</i>	
<b><u>Condensed Consolidated Statements of Cash Flows</u></b>	5
<i>Three months ended March 31, 2013 and 2012</i>	
<b><u>Notes to Condensed Consolidated Financial Statements</u></b>	6
<b>Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u></b>	17
<b>Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u></b>	36
<b>Item 4. <u>Controls and Procedures</u></b>	36
<b><u>PART II - OTHER INFORMATION</u></b>	
<b>Item 1. <u>Legal Proceedings</u></b>	36
<b>Item 1A. <u>Risk Factors</u></b>	36
<b>Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u></b>	37
<b>Item 6. <u>Exhibits</u></b>	38
<b><u>Signature</u></b>	39
<b><u>Certifications</u></b>	

**Part I - Financial Information**

**Item 1. Financial Statements**

**Condensed Consolidated Statements of Income**  
Verizon Communications Inc. and Subsidiaries

	<b>Three Months Ended March 31,</b>	
	<b>2013</b>	<b>2012</b>
(dollars in millions, except per share amounts) (unaudited)		
<b>Operating Revenues</b>	\$ 29,420	\$ 28,242
<b>Operating Expenses</b>		
Cost of services and sales (exclusive of items shown below)	10,932	11,319
Selling, general and administrative expense	8,148	7,700
Depreciation and amortization expense	4,118	4,028
<b>Total Operating Expenses</b>	<u>23,198</u>	<u>23,047</u>
<b>Operating Income</b>	6,222	5,195
Equity in earnings of unconsolidated businesses	(5)	103
Other income and (expense), net	39	19
Interest expense	(537)	(685)
<b>Income Before Provision For Income Taxes</b>	<u>5,719</u>	<u>4,632</u>
Provision for income taxes	(864)	(726)
<b>Net Income</b>	<u>\$ 4,855</u>	<u>\$ 3,906</u>
Net income attributable to noncontrolling interest	\$ 2,903	\$ 2,220
Net income attributable to Verizon	1,952	1,686
<b>Net Income</b>	<u>\$ 4,855</u>	<u>\$ 3,906</u>
<b>Basic Earnings Per Common Share</b>		
Net income attributable to Verizon	\$ .68	\$ .59
Weighted-average shares outstanding (in millions)	2,866	2,842
<b>Diluted Earnings Per Common Share</b>		
Net income attributable to Verizon	\$ .68	\$ .59
Weighted-average shares outstanding (in millions)	2,872	2,849
Dividends declared per common share	\$ 0.515	\$ 0.500

See Notes to Condensed Consolidated Financial Statements

**Condensed Consolidated Statements of Comprehensive Income**  
 Verizon Communications Inc. and Subsidiaries

	<b>Three Months Ended March 31, 2013</b>		<b>2012</b>	
(dollars in millions) (unaudited)				
<b>Net Income</b>	\$ 4,855		\$ 3,906	
<b>Other comprehensive income, net of taxes</b>				
Foreign currency translation adjustments	(148)		104	
Unrealized gain (loss) on cash flow hedges	(6)		8	
Unrealized gain on marketable securities	11		23	
Defined benefit pension and postretirement plans	(36)		(6)	
Other comprehensive income (loss) attributable to Verizon	(179)		129	
Other comprehensive income (loss) attributable to noncontrolling interest	(12)		3	
<b>Total Comprehensive Income</b>	<b>\$ 4,664</b>		<b>\$ 4,038</b>	
Comprehensive income attributable to noncontrolling interest	\$ 2,891		\$ 2,223	
Comprehensive income attributable to Verizon	1,773		1,815	
<b>Total Comprehensive Income</b>	<b>\$ 4,664</b>		<b>\$ 4,038</b>	

See Notes to Condensed Consolidated Financial Statements

**Condensed Consolidated Balance Sheets**  
 Verizon Communications Inc. and Subsidiaries

(dollars in millions, except per share amounts) (unaudited)	<b>At March 31, 2013</b>	<b>At December 31, 2012</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 5,475	\$ 3,093
Short-term investments	660	470
Accounts receivable, net of allowances of \$654 and \$641	11,814	12,576
Inventories	798	1,075
Prepaid expenses and other	6,511	4,021
Total current assets	<u>25,258</u>	<u>21,235</u>
Plant, property and equipment	212,082	209,575
Less accumulated depreciation	<u>123,901</u>	<u>120,933</u>
	<u>88,181</u>	<u>88,642</u>
Investments in unconsolidated businesses	3,321	3,401
Wireless licenses	75,645	77,744
Goodwill	24,132	24,139
Other intangible assets, net	5,827	5,933
Other assets	3,822	4,128
Total assets	<u>\$ 226,186</u>	<u>\$ 225,222</u>
<b>Liabilities and Equity</b>		
Current liabilities		
Debt maturing within one year	\$ 10,888	\$ 4,369
Accounts payable and accrued liabilities	14,030	16,182
Other	<u>6,571</u>	<u>6,405</u>
Total current liabilities	<u>31,489</u>	<u>26,956</u>
Long-term debt	41,993	47,618
Employee benefit obligations	34,048	34,346
Deferred income taxes	24,993	24,677
Other liabilities	6,075	6,092
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	37,894	37,990
Accumulated deficit	(3,255)	(3,734)
Accumulated other comprehensive income	2,056	2,235
Common stock in treasury, at cost	(3,994)	(4,071)
Deferred compensation – employee stock ownership plans and other	312	440
Noncontrolling interest	<u>54,278</u>	<u>52,376</u>
Total equity	<u>87,588</u>	<u>85,533</u>
Total liabilities and equity	<u>\$ 226,186</u>	<u>\$ 225,222</u>

See Notes to Condensed Consolidated Financial Statements

**Condensed Consolidated Statements of Cash Flows**  
 Verizon Communications Inc. and Subsidiaries

	<b>Three Months Ended March 31,</b>	
	<b>2013</b>	<b>2012</b>
(dollars in millions) (unaudited)		
<b>Cash Flows from Operating Activities</b>		
Net Income	\$ 4,855	\$ 3,906
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	4,118	4,028
Employee retirement benefits	295	375
Deferred income taxes	878	656
Provision for uncollectible accounts	260	278
Equity in earnings of unconsolidated businesses, net of dividends received	14	(89)
Changes in current assets and liabilities, net of		
effects from acquisition/disposition of businesses	(1,491)	(1,580)
Other, net	(1,398)	(1,617)
Net cash provided by operating activities	7,531	5,957
<b>Cash Flows from Investing Activities</b>		
Capital expenditures (including capitalized software)	(3,602)	(3,565)
Acquisitions of investments and businesses, net of cash acquired	(21)	(140)
Acquisitions of wireless licenses, net	(117)	(25)
Net change in short-term investments	18	16
Other, net	123	41
Net cash used in investing activities	(3,599)	(3,673)
<b>Cash Flows from Financing Activities</b>		
Proceeds from long-term borrowings	500	–
Repayments of long-term borrowings and capital lease obligations	(73)	(1,828)
Increase (decrease) in short-term obligations, excluding current maturities	581	(1,734)
Dividends paid	(1,472)	(1,291)
Proceeds from sale of common stock	56	69
Purchase of common stock for treasury	(153)	–
Special distribution to noncontrolling interest	–	(4,500)
Other, net	(989)	(453)
Net cash used in financing activities	(1,550)	(9,737)
 Increase (decrease) in cash and cash equivalents	2,382	(7,453)
Cash and cash equivalents, beginning of period	3,093	13,362
Cash and cash equivalents, end of period	\$ 5,475	\$ 5,909

See Notes to Condensed Consolidated Financial Statements

**Notes to Condensed Consolidated Financial Statements**  
Verizon Communications Inc. and Subsidiaries  
(Unaudited)

## **1. Basis of Presentation**

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The accompanying unaudited condensed consolidated financial statements have been prepared based upon Securities and Exchange Commission rules that permit reduced disclosure for interim periods. For a more complete discussion of significant accounting policies and certain other information, you should refer to the financial statements included in the Verizon Communications Inc. (Verizon or the Company) Annual Report on Form 10-K for the year ended December 31, 2012. These financial statements reflect all adjustments that are necessary for a fair presentation of results of operations and financial condition for the interim periods shown including normal recurring accruals and other items. The results for the interim periods are not necessarily indicative of results for the full year.

We have reclassified prior year amounts to conform to the current year presentation.

### **Recently Adopted Accounting Standards**

During the first quarter of 2013, we adopted the accounting standard update regarding testing of intangible assets for impairment. This standard update allows companies the option to perform a qualitative assessment to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired. An entity is not required to calculate the fair value of an indefinite-lived intangible asset and perform the quantitative impairment test unless the entity determines that it is more likely than not the asset is impaired. The adoption of this standard update did not have an impact on our condensed consolidated financial statements.

During the first quarter of 2013, we adopted the accounting standard update regarding reclassifications out of accumulated other comprehensive income. This standard update requires companies to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in our condensed consolidated statements of income if the amount being reclassified is required to be reclassified in its entirety to net income. For other amounts that are not required to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference to other required disclosures that provide additional detail about those amounts. See Note 7 ("Equity and Accumulated Other Comprehensive Income") for additional details.

### **Leasing Arrangements**

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.

### **Earnings Per Common Share**

There were a total of approximately 6 million and 7 million outstanding dilutive securities, primarily consisting of restricted stock units, included in the computation of diluted earnings per common share for the three months ended March 31, 2013 and 2012, respectively. 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, were not significant for the three months ended March 31, 2013 and 2012, respectively.

## 2. Wireless Licenses, Goodwill and Other Intangible Assets

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### Wireless Licenses

Changes in the carrying amount of Wireless licenses are as follows:

(dollars in millions)

Balance at January 1, 2013	\$ 77,744
Capitalized interest on wireless licenses	133
Reclassifications, adjustments and other	(2,232)
<b>Balance at March 31, 2013</b>	<b>\$ 75,645</b>

Reclassifications, adjustments, and other includes \$2.3 billion of Wireless licenses that are classified as held for sale and included in Prepaid expenses and other current assets on our condensed consolidated balance sheet at March 31, 2013 as well as the exchange of wireless licenses completed during the three months ended March 31, 2013. See below for additional details.

During the first quarter of 2013, we completed license exchange agreements with T-Mobile USA Inc. (T-Mobile) and Cricket License Company, LLC, a subsidiary of Leap Wireless, to exchange certain Advanced Wireless Services (AWS) licenses. These non-cash exchanges include a number of intra-market swaps that will enable Verizon Wireless to make more efficient use of the AWS band. As a result of these exchanges, we received an aggregate \$0.5 billion of AWS licenses at fair value and recorded an immaterial gain.

On April 18, 2012, we announced plans to initiate an open sale process for all of our 700 MHz lower A and B block spectrum licenses, subject to the receipt of acceptable bids. We acquired these licenses as part of Federal Communications Commission (FCC) Auction 73 in 2008. On January 25, 2013, Verizon Wireless agreed to sell 39 lower 700 MHz B block spectrum licenses to AT&T Inc. (AT&T) in exchange for a payment of \$1.9 billion and the transfer by AT&T to Verizon Wireless of AWS (10 MHz) licenses in certain markets in the western United States. Verizon Wireless also agreed to sell certain lower 700 MHz B block spectrum licenses to an investment firm for a payment of \$0.2 billion. These transactions are subject to approval by the FCC. As a result of these agreements, \$2.3 billion of Wireless licenses are classified as held for sale and included in Prepaid expenses and other current assets on our condensed consolidated balance sheet at March 31, 2013. When finalized, the sales will result in the completion of the open sale process. We expect to deploy the remaining licenses as necessary to meet our own spectrum needs.

At March 31, 2013, approximately \$7.7 billion of Wireless licenses were under development for commercial service for which we were capitalizing interest costs.

### Goodwill

Changes in the carrying amount of Goodwill are as follows:

(dollars in millions)

	Wireless	Wireline	Total
Balance at January 1, 2013	\$ 18,172	\$ 5,967	\$ 24,139
Reclassifications, adjustments and other	–	(7)	(7)
<b>Balance at March 31, 2013</b>	<b>\$ 18,172</b>	<b>\$ 5,960</b>	<b>\$ 24,132</b>

## Other Intangible Assets

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

(dollars in millions)	At March 31, 2013			At December 31, 2012		
	Gross Amount	Accumulated Amortization	Net Amount	Gross Amount	Accumulated Amortization	Net Amount
Customer lists (6 to 13 years)	\$ 3,552	\$ (2,419)	\$ 1,133	\$ 3,556	\$ (2,338)	\$ 1,218
Non-network internal-use software (3 to 7 years)	10,682	(6,462)	4,220	10,415	(6,210)	4,205
Other (2 to 25 years)	773	(299)	474	802	(292)	510
<b>Total</b>	<b>\$ 15,007</b>	<b>\$ (9,180)</b>	<b>\$ 5,827</b>	<b>\$ 14,773</b>	<b>\$ (8,840)</b>	<b>\$ 5,933</b>

The amortization expense for Other intangible assets was as follows:

(dollars in millions)	Three Months Ended March 31,	
	2013	2012
2013	\$ 386	386
2012	361	361

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

Years	(dollars in millions)
2013	\$ 1,657
2014	1,282
2015	1,071
2016	822
2017	615

## 3. Debt

Changes to debt during the three months ended March 31, 2013 are as follows:

(dollars in millions)	Debt Maturing within One Year	Long-term Debt	Total
	\$ 4,369	\$ 47,618	\$ 51,987
Balance at January 1, 2013	\$ 4,369	\$ 47,618	\$ 51,987
Proceeds from long-term borrowings	—	500	500
Repayments of long-term borrowings and capital leases obligations	(73)	—	(73)
Increase in short-term obligations, excluding current maturities	581	—	581
Reclassifications of long-term debt	6,008	(6,008)	—
Other	3	(117)	(114)
<b>Balance at March 31, 2013</b>	<b>\$ 10,888</b>	<b>\$ 41,993</b>	<b>\$ 52,881</b>

During March 2013, we issued \$0.5 billion aggregate principal amount of floating rate notes due 2015 in a private placement resulting in cash proceeds of approximately \$0.5 billion, net of discounts and issuance costs. The proceeds were used for the repayment of commercial paper.

During April 2013, \$1.25 billion of 5.25% Verizon Communications Notes matured and were repaid.

#### *Guarantees*

We guarantee the debentures and first mortgage bonds of our operating telephone company subsidiaries. As of March 31, 2013, \$4.3 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 March 31, 2013, \$1.7 billion principal amount of these obligations remain outstanding.

#### *Debt Covenants*

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

#### *Credit Facility*

As of March 31, 2013, the unused borrowing capacity under a \$6.2 billion four-year credit facility, maturing on August 12, 2016, with a group of major financial institutions was approximately \$6.1 billion.

## **4. Fair Value Measurements**

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The following table presents the balances of assets and liabilities measured at fair value on a recurring basis as of March 31, 2013:

(dollars in millions)	<b>Level 1<sup>(1)</sup></b>	<b>Level 2<sup>(2)</sup></b>	<b>Level 3<sup>(3)</sup></b>	<b>Total</b>
<b>Assets:</b>				
Short-term investments:				
Equity securities	\$ 338	\$ –	\$ –	\$ 338
Fixed income securities	–	322	–	322
Other assets:				
Fixed income securities	–	841	–	841
Cross currency swaps and other	–	66	–	66
<b>Total</b>	<b>\$ 338</b>	<b>\$ 1,229</b>	<b>\$ –</b>	<b>\$ 1,567</b>
<b>Liabilities:</b>				
Other liabilities:				
Cross currency swaps	\$ –	\$ 13	\$ –	\$ 13
<b>Total</b>	<b>\$ –</b>	<b>\$ 13</b>	<b>\$ –</b>	<b>\$ 13</b>

<sup>(1)</sup> quoted prices in active markets for identical assets or liabilities

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

<sup>(3)</sup> 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 municipal bonds that do not have quoted prices in active markets. For these securities, we use alternative matrix pricing 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. Our derivative instruments are recorded on a gross basis.

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 the three months ended March 31, 2013.

#### *Fair Value of Short-term and Long-term Debt*

The fair value of our debt is determined using various methods, including quoted prices for identical terms and maturities, which is a Level 1 measurement, as well as quoted prices for similar terms and maturities in inactive markets and future cash flows discounted at current rates, which are Level 2 measurements. The fair value of our short-term and long-term debt, excluding capital leases, was as follows:

	At March 31, 2013		At December 31, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
(dollars in millions)				
Short- and long-term debt, excluding capital leases	\$ 52,598	\$ 59,943	\$ 51,689	\$ 61,552

#### **Derivative Instruments**

We enter into derivative transactions to manage our exposure to fluctuations in foreign currency exchange rates, interest rates, and 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 swap agreements, commodity swap and forward 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 condensed consolidated balance sheets. 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.

#### *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 the London Interbank Offered Rate, 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 condensed consolidated balance sheets as assets and liabilities. The fair value of these contracts was not material at March 31, 2013 or December 31, 2012. As of March 31, 2013, the total notional amount of these interest rate swaps was \$1.3 billion. During April 2013, these interest rate swaps matured and the impact to our condensed consolidated financial statements was not material.

#### *Cross Currency Swaps*

Verizon Wireless previously entered into cross currency swaps designated as cash flow hedges to exchange approximately \$1.6 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 to mitigate the impact of foreign currency transaction gains or losses. A portion of the 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. The fair value of the outstanding swaps was not material at March 31, 2013 or December 31, 2012. During the three months ended March 31, 2013 and 2012, a pretax loss of \$0.1 billion and a pretax gain of \$0.1 billion were recognized in Other comprehensive income, respectively.

## 5. Stock-Based Compensation

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### *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 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. As defined by the Plan, the Human Resources Committee of the Board of Directors determines the number of PSUs a participant earns based on the extent to which the corresponding performance goals have 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 the Restricted Stock Unit and Performance Stock Unit activity:

(shares in thousands)	Restricted Stock Units	Performance Stock Units
Outstanding, beginning of year	18,669	39,463
Granted	4,275	6,675
Payments	(7,189)	(22,703)
Cancelled/Forfeited	(35)	(306)
<b>Outstanding, March 31, 2013</b>	<b>15,720</b>	<b>23,129</b>

As of March 31, 2013, unrecognized compensation expense related to the unvested portion of Verizon's RSUs and PSUs was approximately \$0.8 billion and is expected to be recognized over approximately two years.

The RSUs granted in 2013 have a weighted-average grant date fair value of \$47.96 per unit.

## 6. Employee Benefits

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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, operating expenses include pension and benefit related charges based on actuarial assumptions, including projected discount rates and an estimated return on plan assets. These estimates are updated in the fourth quarter to reflect actual return on plan assets and updated actuarial assumptions. The adjustment will be recognized in the income statement during the fourth quarter or upon a remeasurement event pursuant to our accounting policy for the recognition of actuarial gains and losses.

## Net Periodic Benefit 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	
<b>Three Months Ended March 31,</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Service cost	\$ 99	\$ 89	\$ 80	\$ 92
Amortization of prior service cost (credit)	1	(1)	(62)	(9)
Subtotal	100	88	18	83
Expected return on plan assets	(311)	(442)	(36)	(43)
Interest cost	250	362	274	327
Net periodic benefit cost	\$ 39	\$ 8	\$ 256	\$ 367

## Severance Payments

During the three months ended March 31, 2013, we paid severance benefits of \$0.1 billion. At March 31, 2013, we had a remaining severance liability of \$0.9 billion, a portion of which includes future contractual payments to employees separated as of March 31, 2013.

## Employer Contributions

During the three months ended March 31, 2013, we contributed \$0.4 billion to our other postretirement benefit plans. The contribution to our nonqualified pension plans was not material during the three months ended March 31, 2013. There have been no material changes to the estimated qualified and nonqualified pension contributions in 2013 as previously disclosed in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2012.

## 7. Equity and Accumulated Other Comprehensive Income

### Equity

Changes in the components of Total equity were as follows:

(dollars in millions)	Attributable to Verizon	Noncontrolling Interest	Total Equity
Balance at January 1, 2013	\$ 33,157	\$ 52,376	\$ 85,533
Net income	1,952	2,903	4,855
Other comprehensive loss	(179)	(12)	(191)
Comprehensive income	1,773	2,891	4,664
Contributed capital	(96)	–	(96)
Dividends declared	(1,474)	–	(1,474)
Common stock in treasury	77	–	77
Distributions and other	(127)	(989)	(1,116)
<b>Balance at March 31, 2013</b>	<b>\$ 33,310</b>	<b>\$ 54,278</b>	<b>\$ 87,588</b>

Noncontrolling interests included in our condensed consolidated financial statements primarily consist of Vodafone Group Plc's (Vodafone) 45% ownership interest in Verizon Wireless.

### Common Stock

During the three months ended March 31, 2013, Verizon purchased approximately 3.5 million shares under our authorized share buyback program for approximately \$0.2 billion. At March 31, 2013, the maximum number of shares that could be purchased by or on behalf of Verizon under our share buyback program was 96.5 million.

## Accumulated Other Comprehensive Income

The changes in the balances of Accumulated other comprehensive income by component are as follows:

(dollars in millions)	Foreign currency translation adjustments	Unrealized loss on cash flow hedges	Unrealized gain on marketable securities	Defined benefit pension and postretirement plans	Total
Balance at January 1, 2013	\$ 793	\$ 88	\$ 101	\$ 1,253	\$ 2,235
Other comprehensive income (loss)	(148)	(31)	14	—	(165)
Amounts reclassified to net income	—	25	(3)	(36)	(14)
Net other comprehensive income (loss)	(148)	(6)	11	(36)	(179)
<b>Balance at March 31, 2013</b>	<b>\$ 645</b>	<b>\$ 82</b>	<b>\$ 112</b>	<b>\$ 1,217</b>	<b>\$ 2,056</b>

The amounts presented above in net other comprehensive income are net of taxes and noncontrolling interest, which are not significant. For the three months ended March 31, 2013, the amounts reclassified to net income related to defined benefit pension and postretirement plans in the table above are included in Cost of services and sales and Selling, general and administrative expense on our condensed consolidated statement of income. For the three months ended March 31, 2013, all other amounts reclassified to net income in the table above are included in Other income and (expense), net on our condensed consolidated statement of income.

## 8. 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 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.

Our segments and their principal activities consist of the following:

Segment	Description
Wireless	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 voice, data and video communications products and enhanced services include local and long distance voice, broadband Internet access and video, corporate networking solutions, data center and cloud services and security and managed network 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:

	<b>Three Months Ended March 31,</b>	
	<b>2013</b>	<b>2012</b>
(dollars in millions)		
<b>External Operating Revenues</b>		
Wireless		
Retail service	\$ 16,155	\$ 14,872
Other service	557	524
Service revenue	<u>16,712</u>	<u>15,396</u>
Equipment	1,809	1,835
Other	975	1,019
Total Wireless	<u>19,496</u>	<u>18,250</u>
Wireline		
Consumer retail	3,590	3,441
Small business	648	659
Mass Markets	<u>4,238</u>	<u>4,100</u>
Strategic services	2,087	1,969
Core	1,660	1,882
Global Enterprise	<u>3,747</u>	<u>3,851</u>
Global Wholesale	1,471	1,592
Other	103	123
Total Wireline	<u>9,559</u>	<u>9,666</u>
Total segments	<u>29,055</u>	<u>27,916</u>
Corporate, eliminations and other	365	326
Total consolidated – reported	<u><u>\$ 29,420</u></u>	<u><u>\$ 28,242</u></u>
<b>Intersegment Revenues</b>		
Wireless	\$ 27	\$ 23
Wireline	<u>271</u>	<u>279</u>
Total segments	<u>298</u>	<u>302</u>
Corporate, eliminations and other	(298)	(302)
Total consolidated – reported	<u>\$ –</u>	<u>\$ –</u>
<b>Total Operating Revenues</b>		
Wireless	\$ 19,523	\$ 18,273
Wireline	<u>9,830</u>	<u>9,945</u>
Total segments	<u>29,353</u>	<u>28,218</u>
Corporate, eliminations and other	67	24
Total consolidated – reported	<u><u>\$ 29,420</u></u>	<u><u>\$ 28,242</u></u>
<b>Operating Income</b>		
Wireless	\$ 6,418	\$ 5,217
Wireline	13	157
Total segments	<u>6,431</u>	<u>5,374</u>
Reconciling items	(209)	(179)
Total consolidated – reported	<u><u>\$ 6,222</u></u>	<u><u>\$ 5,195</u></u>

(dollars in millions)	At March 31, 2013	At December 31, 2012
<b>Assets</b>		
Wireless	\$ 145,242	\$ 142,485
Wireline	85,746	84,815
Total segments	230,988	227,300
Reconciling items	(4,802)	(2,078)
Total consolidated – reported	<u>\$ 226,186</u>	<u>\$ 225,222</u>

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

(dollars in millions)	Three Months Ended March 31,	
	2013	2012
<b>Total segment operating income</b>	\$ 6,431	\$ 5,374
Corporate, eliminations and other	(209)	(179)
Total consolidated operating income	<u>6,222</u>	<u>5,195</u>
Equity in earnings of unconsolidated businesses	(5)	103
Other income and (expense), net	39	19
Interest expense	(537)	(685)
<b>Income Before Provision For Income Taxes</b>	<u>\$ 5,719</u>	<u>\$ 4,632</u>

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 three months ended March 31, 2013 and 2012.

## 9. 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 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 matter described below, will have a material effect on our financial condition, but it could have a material effect on our results of operations for a given reporting period.

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

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 have sold products and seek injunctive relief as well. These cases have progressed to various stages and a small number may go to trial in the coming 12 months if they are not otherwise resolved.

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.

## Item 2. 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, 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 Internet Protocol (IP) networks. We have a highly skilled, diverse and dedicated workforce of approximately 181,900 employees as of March 31, 2013.

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 primarily 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, during the three months ended March 31, 2013 compared to the similar period in 2012, strong revenue growth of 6.8% was driven by connection growth and strong demand for smartphones and Internet data devices. At March 31, 2013, we experienced a 5.9% increase in retail postpaid connections as compared to March 31, 2012, with smartphones representing 61.4% of our retail postpaid phone base at March 31, 2013.

As of April 18, 2013, our fourth-generation (4G) Long-Term Evolution (LTE) network has been deployed in 491 markets. As of the end of the first quarter of 2013, our 4G LTE network covered more than 287 million people throughout the country, representing more than 95% of our third-generation (3G) coverage. We expect to continue to deploy our 4G LTE network during 2013 and by the end of the second quarter we expect our 4G LTE network footprint to effectively match our existing 3G network footprint. Our 4G LTE network provides higher data throughput performance for data services at lower cost compared to those offered by 3G technologies.

In Wireline, during the three months ended March 31, 2013 compared to the similar period in 2012, revenues were positively impacted by higher revenues in Consumer retail driven by FiOS services. FiOS represented approximately 69% of Consumer retail revenue during the three months ended March 31, 2013 compared to approximately 63% during the similar period in 2012. As the FiOS products mature, we continue to seek ways to increase incremental revenue and further realize operating and capital efficiencies as well as maximize profitability. 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 and utilities management.

Also positively impacting Wireline's revenues during the three months ended March 31, 2013 was a 6.0% increase in Strategic services revenue, which represented 56% of total Global Enterprise revenues. However, total Global Enterprise and Global Wholesale revenues declined as customers continue to be adversely affected by the economy, resulting in delayed discretionary spending and delayed purchasing decisions. To compensate for the shrinking market for traditional voice service, we continue to build our Wireline segment around data, video and advanced business services – areas where demand for reliable high-speed connections is growing.

During the first quarter of 2013, we completed license exchange agreements with T-Mobile USA Inc. (T-Mobile) and Cricket License Company, LLC, a subsidiary of Leap Wireless, to exchange certain Advanced Wireless Services (AWS) licenses. These non-cash exchanges include a number of intra-market swaps that will enable Verizon Wireless to make more efficient use of the AWS band. As a result of these exchanges, we received an aggregate \$0.5 billion of AWS licenses at fair value and recorded an immaterial gain.

On April 18, 2012, we announced plans to initiate an open sale process for all of our 700 MHz lower A and B block spectrum licenses, subject to the receipt of acceptable bids. We acquired these licenses as part of Federal Communications Commission (FCC) Auction 73 in 2008. On January 25, 2013, Verizon Wireless agreed to sell 39 lower 700 MHz B block spectrum licenses

to AT&T Inc. (AT&T) in exchange for a payment of \$1.9 billion and the transfer by AT&T to Verizon Wireless of AWS (10 MHz) licenses in certain markets in the western United States. Verizon Wireless also agreed to sell certain lower 700 MHz B block spectrum licenses to an investment firm for a payment of \$0.2 billion. These transactions are subject to approval by the FCC. As a result of these agreements, \$2.3 billion of Wireless licenses are classified as held for sale and included in Prepaid expenses and other current assets on our condensed consolidated balance sheet at March 31, 2013. When finalized, the sales will result in the completion of the open sale process. We expect to deploy the remaining licenses as necessary to meet our own spectrum needs.

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 an efficient, 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.

#### *Trends*

There have been no significant changes to the information related to trends affecting our business that was disclosed in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2012 except to the extent described above.

## 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, Wireless and Wireline, which we operate and manage as strategic business units and organize by products and services. 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 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.

### Consolidated Revenues

(dollars in millions)	Three Months Ended March 31,			Increase/(Decrease)
	2013	2012		
<b>Wireless</b>				
Service revenue	\$ 16,728	\$ 15,410	\$ 1,318	8.6%
Equipment and other	2,795	2,863	(68)	(2.4)
Total	19,523	18,273	1,250	6.8
<b>Wireline</b>				
Mass Markets	4,240	4,103	137	3.3
Global Enterprise	3,753	3,852	(99)	(2.6)
Global Wholesale	1,727	1,861	(134)	(7.2)
Other	110	129	(19)	(14.7)
Total	9,830	9,945	(115)	(1.2)
Corporate, eliminations and other	67	24	43	nm
<b>Consolidated Revenues</b>	<b>\$ 29,420</b>	<b>\$ 28,242</b>	<b>\$ 1,178</b>	<b>4.2</b>

nm – not meaningful

The increase in consolidated revenue during the three months ended March 31, 2013 compared to the similar period in 2012 was primarily due to higher revenues at Wireless, as well as higher Mass Markets revenues driven by FiOS services and increased Strategic services revenues within Global Enterprise at our Wireline segment. Partially offsetting these increases were lower Global Enterprise Core and Global Wholesale revenues at our Wireline segment.

Wireless’ revenues increased during the three months ended March 31, 2013 compared to the similar period in 2012 due to growth in service revenue. Service revenue increased during the three months ended March 31, 2013 compared to the similar period in 2012 primarily driven by higher retail postpaid service revenue, which increased largely as a result of an increase in retail postpaid connections of 5.2 million, as well as the continued increase in penetration of smartphones. Retail postpaid connections per account increased during the three months ended March 31, 2013 compared to the similar period in 2012, primarily due to the increased use of tablets and other Internet devices. During the three months ended March 31, 2013, retail postpaid connection net additions increased compared to the similar period in 2012 primarily due to an increase in retail postpaid connection gross additions, partially offset by an increase in our retail postpaid connection churn rate.

Wireline’s revenues decreased during the three months ended March 31, 2013 compared to the similar period in 2012 primarily driven by declines in Global Enterprise Core and Global Wholesale, partially offset by higher Mass Markets revenues driven by FiOS services and increased Strategic services revenues within Global Enterprise.

Mass Markets revenues increased during the three months ended March 31, 2013 compared to the similar period in 2012 primarily due to the expansion of FiOS services (Voice, Internet and Video) as well as changes in our pricing strategies adopted in the third quarter of 2012, partially offset by the continued decline of local exchange revenues.

Global Enterprise revenues decreased during the three months ended March 31, 2013 compared to the similar period in 2012 primarily due to a decline in Core customer premise equipment revenues and lower local services and traditional circuit-based revenues. This decrease was partially offset by higher Strategic services revenues, primarily due to growth in advanced services, such as IP communications, contact center solutions and our cloud and data center offerings.

Global Wholesale revenues decreased during the three months ended March 31, 2013 compared to the similar period in 2012 primarily due to a decline in traditional voice revenues as a result of decreased minutes of use (MOUs) and a decline in domestic wholesale connections, partially offset by continuing demand for high-speed digital data services from fiber-to-the-cell customers upgrading their core data circuits to Ethernet facilities as well as Ethernet migrations from other core customers.

Other revenues decreased during the three months ended March 31, 2013 compared to the similar period in 2012 primarily due to reduced volumes outside of our network footprint.

### **Consolidated Operating Expenses**

(dollars in millions)	Three Months Ended March 31,			Increase/(Decrease)	(3.4)%
	2013	2012			
Cost of services and sales	\$ 10,932	\$ 11,319	\$ (387)	(387)	(3.4)%
Selling, general and administrative expense	8,148	7,700	448	448	5.8
Depreciation and amortization expense	4,118	4,028	90	90	2.2
<b>Consolidated Operating Expenses</b>	<b>\$ 23,198</b>	<b>\$ 23,047</b>	<b>\$ 151</b>	<b>0.7</b>	

#### *Cost of Services and Sales*

Cost of services and sales decreased during the three months ended March 31, 2013 compared to the similar period in 2012 primarily due to decreases in cost of equipment sales, network connection costs and costs for data services at our Wireless segment, as well as decreases in costs related to customer premise equipment, a favorable change in the Universal Service Fund rate and a decline in access costs at our Wireline segment. Partially offsetting these decreases were increases in costs of network services and data roaming at our Wireless segment and increased content costs associated with continued FiOS subscriber growth and vendor rate increases at our Wireline segment.

#### *Selling, General and Administrative Expense*

Selling, general and administrative expense increased during the three months ended March 31, 2013 compared to the similar period in 2012 primarily due to higher sales commission expense at our Wireless segment as well as higher transaction and property tax expenses at our Wireline segment.

#### *Depreciation and Amortization Expense*

Depreciation and amortization expense increased during the three months ended March 31, 2013 compared to the similar period in 2012, primarily due to an increase in net depreciable assets at our Wireless segment and higher amortization expense related to patents and non-network software at our Wireline segment. These increases were partially offset by a decline in net depreciable assets at our Wireline segment.

#### *Consolidated Operating Income and EBITDA*

Consolidated earnings before interest, taxes, depreciation and amortization expenses (Consolidated 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. 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.

Operating expenses include pension and benefit related charges based on actuarial assumptions, including projected discount rates and an estimated return on plan assets. These estimates will be updated in the fourth quarter to reflect actual return on plan assets and updated actuarial assumptions. The adjustment will be recognized in the income statement during the fourth quarter or upon a remeasurement event pursuant to our accounting policy for the recognition of actuarial gains/losses.

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)	Three Months Ended March 31,	
	2013	2012
<b>Consolidated Operating Income</b>	\$ 6,222	\$ 5,195
Add Depreciation and amortization expense	4,118	4,028
<b>Consolidated EBITDA</b>	\$ 10,340	\$ 9,223

The changes in the table above during the three months ended March 31, 2013 compared to the similar period in 2012 were a result of the factors described in connection with operating revenues and operating expenses above.

## Other Consolidated Results

### *Equity in Earnings of Unconsolidated Businesses*

Equity in earnings of unconsolidated businesses decreased \$108 million during the three months ended March 31, 2013 compared to the similar period in 2012. The decrease during the period was primarily due to lower earnings from operations at Vodafone Omnitel N.V. and the purchase of previously unconsolidated wireless partnerships.

### *Other Income and (Expense), Net*

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

(dollars in millions)	Three Months Ended March 31,		Increase/(Decrease)
	2013	2012	
Interest income	\$ 13	\$ 15	\$ (2)
Foreign exchange gains (losses), net	17	(2)	19
Other, net	9	6	3
<b>Total</b>	<b>\$ 39</b>	<b>\$ 19</b>	<b>\$ 20</b>
nm – not meaningful			nm

### *Interest Expense*

(dollars in millions)	Three Months Ended March 31,		Increase/(Decrease)
	2013	2012	
Total interest costs on debt balances	\$ 714	\$ 753	\$ (39)
Less capitalized interest costs	177	68	109
<b>Total</b>	<b>\$ 537</b>	<b>\$ 685</b>	<b>\$ (148)</b>
Average debt outstanding	\$ 52,623	\$ 52,641	
Effective interest rate	5.4%	5.7%	

nm – not meaningful

Total interest costs on debt balances decreased during the three months ended March 31, 2013 compared to the similar period in 2012 primarily due to a lower effective interest rate (see “Consolidated Financial Condition”). Capitalized interest costs were higher in 2013 primarily due to increases in wireless licenses that are currently under development.

*Provision for Income Taxes*

(dollars in millions)	Three Months Ended		Increase/(Decrease)
	March 31, 2013	2012	
<b>Provision for income taxes</b>	\$ 864	\$ 726	\$ 138
<b>Effective income tax rate</b>	15.1%	15.7%	19.0%

The effective income tax rate is calculated by dividing the provision for income taxes by income before the provision for income taxes. Our annual effective income tax rate is significantly lower than the statutory federal income tax rate 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 15.6 and 14.4 percentage points lower during the three months ended March 31, 2013 and 2012, respectively.

The increase in the Provision for income taxes during the three months ended March 31, 2013 compared to the similar period in 2012 is primarily due to higher income before income taxes as well as lower tax benefits related to income tax examinations in the current period. The effective income tax rate for the three months ended March 31, 2013 compared to the similar period in 2012 decreased primarily due to higher earnings attributable to Vodafone's noncontrolling interest in the Verizon Wireless Partnership in the current period, partially offset by higher tax benefits related to income tax examinations in the prior period.

Unrecognized Tax Benefits

Unrecognized tax benefits were \$2.8 billion at March 31, 2013 and \$2.9 billion at December 31, 2012. Interest and penalties related to unrecognized tax benefits were \$0.4 billion (after-tax) at March 31, 2013 and December 31, 2012. The decrease in unrecognized tax benefits was primarily due to the favorable resolution of tax litigation in Canada partially offset by an increase in unrecognized tax benefits related to Italian withholding tax.

As a large taxpayer, we are under audit by the Internal Revenue Service (IRS) and multiple state and foreign jurisdictions for various open tax years. The IRS is currently examining the Company's U.S. income tax returns for tax years 2007-2009. Significant tax examinations are ongoing in Italy and New York City for tax years as early as 2000. It is reasonably possible that the amount of the liability for unrecognized tax benefits could change by a significant amount in the next twelve months. An estimate of the range of the possible change cannot be made until these tax matters are further developed or resolved.

*Net Income Attributable to Noncontrolling Interest*

(dollars in millions)	Three Months Ended		Increase/(Decrease)
	March 31, 2013	2012	
<b>Net income attributable to noncontrolling interest</b>	\$ 2,903	\$ 2,220	\$ 683
			30.8%

The increase in Net income attributable to noncontrolling interest during the three months ended March 31, 2013 compared to the similar period in 2012 was due to higher earnings in our Wireless segment, which has a 45% noncontrolling partnership interest attributable to Vodafone.

## **Segment Results of Operations**

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

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

Wireless Segment EBITDA service margin, also presented below, is calculated by dividing Wireless Segment EBITDA by Wireless service revenues. 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. Wireline EBITDA margin is calculated by dividing Wireline EBITDA by total Wireline revenues.

## Wireless

Our Wireless segment is primarily comprised of Cellco Partnership doing business as Verizon Wireless. Cellco Partnership 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 communications services across one of the most extensive wireless networks in the United States.

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

### Operating Revenues and Selected Operating Statistics

(dollars in millions, except ARPA)	Three Months Ended March 31,		Increase/(Decrease)	8.6%
	2013	2012		
Retail service	\$ 16,169	\$ 14,886	\$ 1,283	8.6%
Other service	559	524	35	6.7
Service revenue	16,728	15,410	1,318	8.6
Equipment and other	2,795	2,863	(68)	(2.4)
<b>Total Operating Revenues</b>	<b>\$ 19,523</b>	<b>\$ 18,273</b>	<b>\$ 1,250</b>	<b>6.8</b>
Connections ('000): <sup>(1)</sup>				
Retail connections	98,930	92,988	5,942	6.4
Retail postpaid connections	93,186	87,963	5,223	5.9
Net additions in period ('000): <sup>(2)</sup>				
Retail connections	720	734	(14)	(1.9)
Retail postpaid connections	677	501	176	35.1
Churn Rate:				
Retail connections	1.30%	1.24%		
Retail postpaid connections	1.01%	0.96%		
Account Statistics:				
Retail postpaid ARPA	\$ 150.27	\$ 140.58	\$ 9.69	6.9
Retail postpaid accounts ('000) <sup>(1)</sup>	34,943	34,569	374	1.1
Retail postpaid connections per account <sup>(1)</sup>	2.67	2.54	0.13	5.1

<sup>(1)</sup> As of end of period

<sup>(2)</sup> Excluding acquisitions and adjustments

The increase in Wireless' total operating revenues during the three months ended March 31, 2013 compared to the similar period in 2012 was the result of growth in service revenue.

### Accounts and Connections

Retail (non-wholesale) postpaid accounts represent retail customers under contract with Verizon Wireless that are directly served and managed by Verizon Wireless and use its branded services. Accounts include single connection plans, family plans, Share Everything plans and corporate accounts. A single account may receive monthly wireless services for a variety of connected devices. Retail connections represent our retail customer device connections. Churn is the rate at which service to a connection is terminated.

Retail connections under an account may include: smartphones, basic phones, Home Phone Connect, Home Fusion, tablets, and other Internet devices. We expect to continue to experience retail connection growth based on the strength of our product offerings and network service quality. Retail postpaid connection net additions increased during the three months ended March 31, 2013 compared to the similar period in 2012, primarily due to an increase in retail postpaid connection gross additions, partially offset by an increase in our retail postpaid connection churn rate. Higher retail postpaid connection gross additions were driven by gross additions of smartphones as well as tablets and other Internet devices which reflect the launch of our Share Everything plans in the middle of 2012 coupled with new device introductions.

#### *Retail Postpaid Connections per Account*

Retail postpaid connections per account is calculated by dividing the total number of retail postpaid connections by the average number of retail postpaid accounts in the period. Retail postpaid connections per account increased during the three months ended March 31, 2013 compared to the similar period in 2012 primarily due to the increased use of tablets and other Internet devices.

#### *Service Revenue*

Service revenue increased during the three months ended March 31, 2013 compared to the similar period in 2012 primarily driven by higher retail postpaid service revenue, which increased largely as a result of an increase in retail postpaid connections of 5.2 million, as well as the continued increase in penetration of smartphones. The penetration of smartphones was positively impacted by an increasing percentage of smartphones activated by new customers as well as existing customers migrating from basic phones to smartphones. Increased smartphone penetration also contributed to the increase in our retail postpaid ARPA (the average revenue per account from retail postpaid accounts).

The increase in retail postpaid ARPA during the three months ended March 31, 2013 compared to the similar period in 2012 was primarily driven by increases in smartphone penetration and retail postpaid connections per account. During the three months ended March 31, 2013 we experienced a 5.1% increase in retail postpaid connections per account compared to the similar period in 2012, with smartphones representing 61.4% of our retail postpaid phone base as of March 31, 2013 compared to 46.8% as of March 31, 2012. The increased penetration in retail postpaid connections per account is primarily due to increases in Internet data devices, which represented 9.6% of our retail postpaid connection base as of March 31, 2013 compared to 8.3% as of March 31, 2012, primarily due to activations of tablets and Jetpacks™.

Other service revenue increased during the three months ended March 31, 2013 compared to the similar period in 2012 due to growth in wholesale connections, partially offset by a decrease in revenue related to third party roaming.

#### *Equipment and Other Revenue*

Equipment and other revenue decreased during the three months ended March 31, 2013 compared to the similar period in 2012 primarily due to a decline in equipment sales and regulatory fees, partially offset by revenue related to upgrade fees.

### **Operating Expenses**

(dollars in millions)	Three Months Ended			
	2013	2012	Increase/(Decrease)	
Cost of services and sales	\$ 5,651	\$ 5,910	\$ (259)	(4.4)%
Selling, general and administrative expense	5,448	5,228	220	4.2
Depreciation and amortization expense	2,006	1,918	88	4.6
<b>Total Operating Expenses</b>	<b>\$ 13,105</b>	<b>\$ 13,056</b>	<b>\$ 49</b>	<b>0.4</b>

#### *Cost of Services and Sales*

Cost of services and sales decreased during the three months ended March 31, 2013 compared to the similar period in 2012 primarily due to a \$0.2 billion decrease in cost of equipment sales, a decrease in network connection costs due to the ongoing deployment of Ethernet backhaul facilities primarily targeted at sites upgrading to 4G LTE, and a decrease in cost for data services. This decrease was partially offset by the increased cost of network services and increased data roaming.

#### *Selling, General and Administrative Expense*

Selling, general and administrative expense increased during the three months ended March 31, 2013 compared to the similar period in 2012 primarily due to higher sales commission expense in our indirect channel, partially offset by lower costs associated with regulatory fees. Indirect sales commission expense increased \$0.3 billion during the three months ended March 31, 2013 compared to the similar period in 2012 primarily as a result of an increase in the average commission per unit, as the mix of units continues to shift toward higher-priced smartphones and more customers activate data services.

*Depreciation and Amortization Expense*

Depreciation and amortization expense increased during the three months ended March 31, 2013 compared to the similar period in 2012, primarily driven by an increase in net depreciable assets.

**Segment Operating Income and EBITDA**

(dollars in millions)	Three Months Ended March 31,		<b>Increase/(Decrease)</b>	<b>23.0%</b>
	<b>2013</b>	<b>2012</b>		
<b>Segment Operating Income</b>	\$ 6,418	\$ 5,217	\$ 1,201	23.0%
Add Depreciation and amortization expense	2,006	1,918	88	4.6
<b>Segment EBITDA</b>	<b>\$ 8,424</b>	<b>\$ 7,135</b>	<b>\$ 1,289</b>	<b>18.1</b>
<b>Segment operating income margin</b>	32.9%	28.6%		
<b>Segment EBITDA service margin</b>	50.4%	46.3%		

The changes in the table above during the three months ended March 31, 2013 compared to the similar period in 2012 were primarily a result of the factors described in connection with operating revenues and operating expenses above.

## Wireline

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

### Operating Revenues and Selected Operating Statistics

(dollars in millions)	Three Months Ended March 31,			Increase/(Decrease)
	2013	2012		
Consumer retail	\$ 3,589	\$ 3,441	\$ 148	4.3%
Small business	651	662	(11)	(1.7)
<b>Mass Markets</b>	<b>4,240</b>	<b>4,103</b>	<b>137</b>	<b>3.3</b>
Strategic services	2,087	1,969	118	6.0
Core	1,666	1,883	(217)	(11.5)
Global Enterprise	3,753	3,852	(99)	(2.6)
Global Wholesale	1,727	1,861	(134)	(7.2)
Other	110	129	(19)	(14.7)
<b>Total Operating Revenues</b>	<b>\$ 9,830</b>	<b>\$ 9,945</b>	<b>\$ (115)</b>	<b>(1.2)</b>
Connections ('000): <sup>(1)</sup>				
Total voice connections	22,191	23,700	(1,509)	(6.4)
Total Broadband connections	8,894	8,774	120	1.4
FiOS Internet subscribers	5,612	5,010	602	12.0
FiOS Video subscribers	4,895	4,353	542	12.5

<sup>(1)</sup> As of end of period

Wireline's revenues decreased during the three months ended March 31, 2013 compared to the similar period in 2012 primarily driven by declines in Global Enterprise Core, Global Wholesale and Other revenues, partially offset by higher Consumer retail revenues driven by FiOS services and increased Strategic services revenues within Global Enterprise.

### Mass Markets

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

Mass Markets revenues increased during the three months ended March 31, 2013 compared to the similar period in 2012 primarily due to the expansion of FiOS services (Voice, Internet and Video) as well as changes in our pricing strategies adopted in the third quarter of 2012, partially offset by the continued decline of local exchange revenues.

We have continued to grow our subscriber base and consistently improved penetration rates within our FiOS service areas during the three months ended March 31, 2013. As of March 31, 2013, we achieved penetration rates of 38.2% and 34.1% for FiOS Internet and FiOS Video, respectively, compared to penetration rates of 36.4% and 32.3% for FiOS Internet and FiOS Video, respectively, at March 31, 2012.

During the three months ended March 31, 2013, Mass Markets revenues were negatively impacted by the decline of local exchange revenues primarily due to a 5.6% decline in Consumer retail voice connections resulting primarily from competition and technology substitution with wireless, VoIP (voice over internet protocol), broadband and cable services. Total voice connections include traditional switched access lines in service as well as FiOS digital voice connections. There was also a decline in Small business retail voice connections, primarily reflecting competition and a shift to both IP and high-speed circuits.

### *Global Enterprise*

Global Enterprise offers Strategic services including network 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 revenues decreased during the three months ended March 31, 2013 compared to the similar period in 2012 primarily due to a decline in Core customer premise equipment revenues and lower local services and traditional circuit-based revenues. Core services, which consist of traditional circuit-based services such as frame relay, private line and Asynchronous Transfer Mode services, declined compared to the similar period last year as our customer base continued to migrate to next generation IP services. The decline in customer premise equipment revenues reflects our focus on improving margins by continuing to de-emphasize sales of equipment that are not part of an overall enterprise solutions bundle. This decrease was partially offset by higher Strategic services revenues. Strategic services revenues increased during the three months ended March 31, 2013 compared to the similar period in 2012 primarily due to growth in advanced services, such as IP communications, contact center solutions and our cloud and data center offerings.

### *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.

Global Wholesale revenues decreased during the three months ended March 31, 2013 compared to the similar period in 2012 primarily due to a decline in traditional voice revenues as a result of decreased MOUs and a 6.0% decline in domestic wholesale connections. The traditional voice product reductions are primarily due to the continued impact of competitors de-emphasizing their local market initiatives coupled with the impact of technology substitution. Also contributing to the decline in voice revenues is the continuing contraction of market rates due to competition. Partially offsetting the overall decrease in wholesale revenue was a continuing demand for high-speed digital data services from fiber-to-the-cell customers upgrading their core data circuits to Ethernet facilities as well as Ethernet migrations from other core customers. As a result of the customer upgrades, the number of core data circuits experienced a 7.5% decline as compared to the similar period in 2012.

### *Other*

Other revenues include such services as local exchange and long distance services outside of our network footprint and operator services which are no longer being marketed. The decrease in revenues from other services during the three months ended March 31, 2013 compared to the similar period in 2012 was primarily due to reduced volumes outside of our network footprint.

## **Operating Expenses**

(dollars in millions)	Three Months Ended March 31,			Increase/(Decrease)	%
	2013	2012			
Cost of services and sales	\$ 5,457	\$ 5,572	\$ (115)	(2.1)%	
Selling, general and administrative expense	2,265	2,126	139	6.5	
Depreciation and amortization expense	2,095	2,090	5	0.2	
<b>Total Operating Expenses</b>	<b>\$ 9,817</b>	<b>\$ 9,788</b>	<b>\$ 29</b>	<b>0.3</b>	

### *Cost of Services and Sales*

During the three months ended March 31, 2013, Cost of services and sales decreased compared to the similar period in 2012 primarily due to a decrease in costs related to customer premise equipment which reflects our focus on improving margins by de-emphasizing sales of equipment that are not part of an overall enterprise solutions bundle, a favorable change in the Universal Service Fund rate, a decline in access costs resulting primarily from declines in overall wholesale long distance volumes and the net impact of storm-related insurance recoveries. These decreases were partially offset by higher content costs associated with continued FiOS subscriber growth and vendor rate increases.

### *Selling, General and Administrative Expense*

During the three months ended March 31, 2013, Selling, general and administrative expense increased compared to the similar period in 2012 primarily due to higher transaction and property tax expenses.

#### *Depreciation and Amortization Expense*

During the three months ended March 31, 2013, Depreciation and amortization expense increased compared to the similar period in 2012 due to an increase in amortization expense related to patents and non-network software. This increase was partially offset by a decrease in net depreciable assets.

#### **Segment Operating Income and EBITDA**

(dollars in millions)	Three Months Ended March 31,		<b>Increase/(Decrease)</b>	<b>(91.7)%</b>
	<b>2013</b>	<b>2012</b>		
<b>Segment Operating Income</b>	\$ 13	\$ 157	\$ (144)	(91.7)%
Add Depreciation and amortization expense	2,095	2,090	5	0.2
<b>Segment EBITDA</b>	<b>\$ 2,108</b>	<b>\$ 2,247</b>	<b>\$ (139)</b>	<b>(6.2)</b>
<b>Segment operating income margin</b>	0.1%	1.6%		
<b>Segment EBITDA margin</b>	21.4%	22.6%		

The changes in the table above during the three months ended March 31, 2013 compared to the similar period in 2012 were primarily a result of the factors described in connection with operating revenues and operating expenses above.

## Consolidated Financial Condition

(dollars in millions)	Three Months Ended March 31,		
	2013	2012	Change
<b>Cash Flows Provided By (Used In)</b>			
Operating activities	\$ 7,531	\$ 5,957	\$ 1,574
Investing activities	(3,599)	(3,673)	74
Financing activities	(1,550)	(9,737)	8,187
<b>Increase (Decrease) In Cash and Cash Equivalents</b>	<b>\$ 2,382</b>	<b>\$ (7,453)</b>	<b>\$ 9,835</b>

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. 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 March 31, 2013, we had available for issuance under our current shelf registration statement unsecured debt or equity securities with an aggregate offering price of up to \$5.5 billion. 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. Net cash provided by operating activities during the three months ended March 31, 2013 increased by \$1.6 billion compared to the similar period in 2012 primarily due to higher consolidated earnings, and to a lesser extent, lower pension contributions.

### 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.

Capital expenditures, including capitalized software, were as follows:

(dollars in millions)	Three Months Ended March 31,	
	2013	2012
Wireless	\$ 1,992	\$ 1,885
Wireline	1,434	1,537
Other	176	143
	<b>\$ 3,602</b>	<b>\$ 3,565</b>
Total as a percentage of revenue	12.2%	12.6%

The increase in capital expenditures during the three months ended March 31, 2013 compared to the similar period in 2012 was primarily due to the continued build-out of our 4G LTE network, partially offset by lower capital expenditures at Wireline.

## **Cash Flows Used In 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 the three months ended March 31, 2013 and 2012, net cash used in financing activities was \$1.6 billion and \$9.7 billion, respectively.

During March 2013, we issued \$0.5 billion aggregate principal amount of floating rate notes due 2015 in a private placement resulting in cash proceeds of approximately \$0.5 billion, net of discounts and issuance costs. The proceeds were used for the repayment of commercial paper.

During April 2013, \$1.25 billion of 5.25% Verizon Communications Notes matured and were repaid.

### *Credit Facility and Shelf Registration*

As of March 31, 2013, the unused borrowing capacity under a \$6.2 billion four-year credit facility, maturing on August 12, 2016, with a group of major financial institutions was approximately \$6.1 billion. The credit facility does not require us to comply with financial covenants or maintain specified credit ratings, and it permits us to borrow even if our business has incurred a material adverse change. We use the credit facility to support the issuance of commercial paper, for the issuance of letters of credit and for general corporate purposes.

As of March 31, 2013, we had available for issuance under our current shelf registration statement unsecured debt or equity securities with an aggregate offering price of up to \$5.5 billion.

### *Dividends*

As in prior periods, dividend payments were a significant use of capital resources. During the three months ended March 31, 2013 and 2012, we paid \$1.5 billion and \$1.3 billion in dividends, respectively.

### *Common Stock*

During the three months ended March 31, 2013, we repurchased \$0.2 billion of our common stock as part of our previously announced share buyback program.

### *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 March 31, 2013 totaled \$5.5 billion, a \$2.4 billion increase compared to Cash and cash equivalents at December 31, 2012 for the reasons discussed above.

As of March 31, 2013, Wireless cash and cash equivalents and debt outstanding totaled \$3.9 billion and \$10.0 billion, respectively. As of December 31, 2012, Wireless cash and cash equivalents and debt outstanding totaled \$0.8 billion and \$10.1 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)	Three Months Ended March 31,		
	2013	2012	Change
Net cash provided by operating activities	\$ 7,531	\$ 5,957	\$ 1,574
Less Capital expenditures (including capitalized software)	3,602	3,565	37
<b>Free cash flow</b>	<b>\$ 3,929</b>	<b>\$ 2,392</b>	<b>\$ 1,537</b>

The change in Free cash flow during the three months ended March 31, 2013 compared to the similar period in 2012 was a result of the factors described in connection with Net cash provided by operating activities and Capital expenditures above.

## 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 swap agreements, commodity swap and forward 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.

The functional currency for our foreign operations is primarily the local currency. The translation of income statement and balance sheet amounts of our foreign operations into U.S. dollars are recorded as cumulative translation adjustments, which are included in Accumulated other comprehensive income in our condensed consolidated balance sheets. Gains and losses on foreign currency transactions are recorded in the condensed consolidated statements of income in Other income and (expense), net. At March 31, 2013, our primary translation exposure was to the British Pound Sterling, the Euro, the Indian Rupee, the Australian Dollar and the Japanese Yen.

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 March 31, 2013, substantially all of the 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, that is not material. The interest rates on our existing long-term debt obligations are unaffected by changes to our credit ratings.

## Cross Currency Swaps

Verizon Wireless previously entered into cross currency swaps designated as cash flow hedges to exchange approximately \$1.6 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 to mitigate the impact of foreign currency transaction gains or losses. A portion of the 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. The fair value of the outstanding swaps was not material at March 31, 2013 or December 31, 2012. During the three months ended March 31, 2013 and 2012, a pretax loss of \$0.1 billion and a pretax gain of \$0.1 billion were recognized in Other comprehensive income, respectively.

## Wireless License Transactions

During the first quarter of 2013, we completed license exchange agreements with T-Mobile and Cricket License Company, LLC, a subsidiary of Leap Wireless, to exchange certain AWS licenses. These non-cash exchanges include a number of intra-market swaps that will enable Verizon Wireless to make more efficient use of the AWS band. As a result of these exchanges, we received an aggregate \$0.5 billion of AWS licenses at fair value and recorded an immaterial gain.

On April 18, 2012, we announced plans to initiate an open sale process for all of our 700 MHz lower A and B block spectrum licenses, subject to the receipt of acceptable bids. We acquired these licenses as part of FCC Auction 73 in 2008. On January 25, 2013, Verizon Wireless agreed to sell 39 lower 700 MHz B block spectrum licenses to AT&T in exchange for a payment of \$1.9 billion and the transfer by AT&T to Verizon Wireless of AWS (10 MHz) licenses in certain markets in the western United States. Verizon Wireless also agreed to sell certain lower 700 MHz B block spectrum licenses to an investment firm for a payment of \$0.2 billion. These transactions are subject to approval by the FCC. As a result of these agreements, \$2.3 billion of Wireless licenses are classified as held for sale and included in Prepaid expenses and other current assets on our condensed consolidated balance sheet at March 31, 2013. When finalized, the sales will result in the completion of the open sale process. We expect to deploy the remaining licenses as necessary to meet our own spectrum needs.

## Other Factors That May Affect Future Results

### Regulatory and Competitive Trends

There have been no material changes to Regulatory and Competitive Trends as previously disclosed in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2012.

### 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 changes in available technology or technology substitution;
- disruption of our key suppliers' provisioning of products or services;
- changes in the regulatory environments in which we operate, including any increase in restrictions on our ability to operate our networks;
- breaches of network or information technology security, natural disasters, terrorist attacks or significant litigation and any resulting financial impact not covered by insurance;
- 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;
- changes in our accounting assumptions that regulatory agencies, including the Securities and Exchange Commission, may require or that result from changes in the accounting rules or their application, which could result in an impact on earnings;
- material adverse changes in labor matters, including labor negotiations, and any resulting financial and/or operational impact;
- significant increases in benefit plan costs or lower investment returns on plan assets; and
- the inability to implement our business strategies.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Information relating to market risk is included in Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations under the caption "Market Risk."

### **Item 4. 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 quarterly report. 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 March 31, 2013.

There were no changes in the registrant's internal control over financial reporting during the first quarter of 2013 that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

## **Part II - Other Information**

### **Item 1. Legal Proceedings**

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. Following a two-week trial in October 2012 limited to the question of the value of Idearc Inc. on the date of the spin-off, on January 22, 2013, the Court issued a decision finding that the value was "at least \$12 billion." As \$12 billion exceeds the value of the debt and cash that Idearc transferred to Verizon on the date of the spin-off, the Court issued a related Order to Show Cause directing the Litigation Trust to submit a brief that "explains why any (or all) of its legal claims are viable in light of the court's finding on Idearc's value." Briefing of that issue has been completed and a decision is pending.

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. 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 led 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. At the close of discovery in February 2012, Verizon filed a summary judgment motion. At a hearing in April 2013, the judge originally assigned to the case recused himself due to a conflict of interest. The case was reassigned to a new judge who will set a schedule for pending motions and for trial.

### **Item 1A. Risk Factors**

There have been no material changes to our risk factors as previously disclosed in Part I, Item 1A. of our Annual Report on Form 10-K for the year ended December 31, 2012.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

The following table provides information about repurchases of Verizon's common stock during the three months ended March 31, 2013 by Verizon or any "affiliated purchaser" of Verizon, as defined in Rule 10b-18(a)(3) under the Exchange Act:

<b>Period</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b>	<b>Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs</b>
January	1,175,000	\$ 42.65	1,175,000	98,825,000
February	2,325,000	44.18	2,325,000	96,500,000
March	—	—	—	96,500,000
	<b>3,500,000</b>		<b>3,500,000</b>	<b>96,500,000</b>

On February 3, 2011, the Board of Directors 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 program permits Verizon to repurchase shares over time, with the amount and timing of repurchases depending on market conditions and corporate needs. This share buyback program replaced a share buyback program that was previously approved by the Board on February 7, 2008.

**Item 6. Exhibits**

Exhibit Number	Description
10a	Verizon Communications Inc. Long-Term Incentive Plan-Performance Stock Unit Agreement 2013-15 Award Cycle.
10b	Verizon Communications Inc. Long-Term Incentive Plan-Restricted Stock Unit Agreement 2013-15 Award Cycle.
12	Computation of Ratio of Earnings to Fixed Charges.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
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.

**Signature**

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Pursuant to the requirements 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.

Date: April 25, 2013

By /s/ Robert J. Barish  
Robert J. Barish  
Senior Vice President and Controller  
(Principal Accounting Officer)

## Exhibit Index

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**VERIZON COMMUNICATIONS INC. LONG-TERM INCENTIVE PLAN  
PERFORMANCE STOCK UNIT AGREEMENT  
2013-2015 AWARD CYCLE**

AGREEMENT between Verizon Communications Inc. (“Verizon” or the “Company”) and you (the “Participant”) and your heirs and beneficiaries.

**1. Purpose of Agreement.** The purpose of this Agreement is to provide a grant of performance stock units (“PSUs”) to the Participant.

**2. Agreement.** This Agreement is entered into pursuant to the 2009 Verizon Communications Inc. Long-Term Incentive Plan, as amended and restated (the “Plan”), and evidences the grant of a performance stock unit award in the form of PSUs pursuant to the Plan. In consideration of the benefits described in this Agreement, which Participant acknowledges are good, valuable and sufficient consideration, the Participant agrees to comply with the terms and conditions of this Agreement, including the Participant’s obligations and restrictions set forth in Exhibit A to this Agreement (the “Participant’s Obligations”) and the Participant’s obligations and restrictions set forth in Exhibit B to this Agreement (the “Non-Competition Obligations”), both of which are incorporated into and are a part of the Agreement. The PSUs and this Agreement are subject to the terms and provisions of the Plan. By executing this Agreement, the Participant agrees to be bound by the terms and provisions of the Plan and this Agreement, including but not limited to the Participant’s Obligations and the Non-Competition Obligations. In addition, the Participant agrees to be bound by the actions of the Human Resources Committee of Verizon Communication’s Board of Directors or any successor thereto (the “Committee”), and any designee of the Committee (to the extent that such actions are exercised in accordance with the terms of the Plan and this Agreement). If there is a conflict between the terms of the Plan and the terms of this Agreement, the terms of this Agreement shall control.

**3. Contingency.** The grant of PSUs is contingent on the Participant’s timely acceptance of this Agreement and satisfaction of the other conditions contained in it. Acceptance shall be through execution of the Agreement as set forth in paragraph 21. If the Participant does not accept this Agreement by the close of business on May 26, 2013, the Participant shall not be entitled to this grant of PSUs regardless of the extent to which the requirements in paragraph 5 (“Vesting”) are satisfied. In addition, to the extent a Participant is on a Company approved leave of absence, including but not limited to short-term disability leave, he or she will not be entitled to this grant of PSUs until such time as he or she returns to active employment with Verizon or a Related Company (as defined in paragraph 13) and accepts this Agreement within the time period established by the Company.

**4. Number of Units.** The Participant is granted the number of PSUs as specified in the Participant’s account under the 2013 PSU grant, administered by Fidelity Investments or any successor thereto (“Fidelity”). A PSU is a hypothetical share of Verizon’s common stock. The value of a PSU on any given date shall be equal to the closing price of Verizon’s common stock on the New York Stock Exchange (“NYSE”) as of such date. A Dividend Equivalent Unit (“DEU”) or fraction thereof shall be added to each PSU each time that a dividend is paid on Verizon’s common stock. The amount of each DEU shall be equal to the corresponding dividend paid on a share of Verizon’s common stock. The DEU shall be converted into PSUs or fractions thereof based upon the closing price of Verizon’s common stock traded on the NYSE on the dividend payment date of each declared dividend on Verizon’s common stock, and such PSUs or fractions thereof shall be added to the Participant’s PSU balance. To the extent that Fidelity or the Company makes an error, including but not limited to an administrative error with respect to the number or value of the PSUs granted to the Participant under this Agreement, the DEUs credited to the Participant’s account or the amount of the final award payment, the Company or Fidelity specifically reserves the right to correct such error at any time and the Participant agrees that he or she shall be legally bound by any corrective action taken by the Company or Fidelity.

## 5. Vesting.

**(a) General.** The Participant shall vest in the PSUs to the extent provided in paragraph 5(b) (“Performance Requirement”) only if the Participant satisfies the requirements of paragraph 5(c) (“Three-Year Continuous Employment Requirement”), except as otherwise provided in paragraph 7 (“Early Cancellation/Accelerated Vesting of PSUs”).

### **(b) Performance Requirement.**

(1) **General.** The number of PSUs granted to the Participant, as specified in the Participant’s account under the 2013 PSU grant, is referred to as the “Target Number of PSUs.” The vesting of two-thirds (2/3) of the Target Number of PSUs (the “Target Number of TSR PSUs”) will be determined with reference to total shareholder return metrics as provided in paragraph 5(b)(2). The vesting of one-third (1/3) of the Target Number of PSUs (the “Target Number of FCF PSUs”) will be determined with reference to free cash flow metrics as provided in paragraph 5(b)(3). The total number of PSUs that vest will range from 0 to 200% of the Target Number of PSUs and will equal the sum of the Target Number of TSR PSUs that are eligible to vest pursuant to paragraph 5(b)(2) plus the Target Number of FCF PSUs that are eligible to vest pursuant to paragraph 5(b)(3). Notwithstanding anything in this paragraph 5(b), in all cases vesting remains subject to the requirements of paragraphs 5(c) and 7.

(2) **TSR Metric.** The percentage of the Target Number of TSR PSUs that shall vest will be based on the TSR (as defined below) of Verizon’s common stock during the three-year period beginning January 1, 2013, and ending at the close of business on December 31, 2015 (the “Award Cycle”), relative to the TSR of the common stock of each of the companies in the Related Dow Peers for the Award Cycle. The “Related Dow Peers” are the companies (other than Verizon) in the Dow Jones Industrial Average (Dow) Index and also including the four largest industry companies that are not in the Dow, as determined by the Committee and as constituted at the close of business on March 8, 2013. Notwithstanding paragraph 5(c), no portion of the Target Number of TSR PSUs shall vest unless the Committee determines that the Verizon Relative TSR Position (as defined below) is greater than 26. If the Committee determines that the Verizon Relative TSR Position is greater than 26, the percentage of the Target Number of TSR PSUs that shall vest (plus any additional PSUs added with respect to DEUs credited on the Target Number of TSR PSUs over the Award Cycle) will equal the Verizon TSR Vested Percentage (as defined below). For example, if (a) the Participant is granted 1,000 PSUs, and (b) those PSUs are credited with an additional 200 PSUs as a result of DEUs paid over the Award Cycle, and (c) the Verizon TSR Vested Percentage is 74%, 592 PSUs shall vest based on TSR (which is the 1,000 PSUs + 200 PSUs from DEUs, *times* 2/3 to reflect the portion of the total PSUs that will become eligible to vest with reference to TSR, *times* the Verizon TSR Vested Percentage of 74%).

(3) **FCF Metric.** The percentage of the Target Number of FCF PSUs that shall vest will be based on Verizon’s FCF (as defined below) for the Award Cycle. Notwithstanding paragraph 5(c), no portion of the Target Number of FCF PSUs shall vest unless the Committee determines that Verizon’s FCF for the Award Cycle is greater than or equal to \$XXB. If the Committee determines that Verizon’s FCF for the Award Cycle is greater than or equal to \$XXB, the percentage of the Target Number of FCF PSUs that shall vest (plus any additional PSUs added with respect to DEUs credited on the Target Number of FCF PSUs over the Award Cycle) will

equal the Verizon FCF Vested Percentage (as defined below). For example, if (a) the Participant is granted 1,000 PSUs, and (b) those PSUs are credited with an additional 200 PSUs as a result of DEUs paid over the Award Cycle, and (c) the Verizon FCF Vested Percentage is 125%, 500 PSUs shall vest based on FCF (which is the 1,000 PSUs + 200 PSUs from DEUs, *times* 1/3 to reflect the portion of the total PSUs that will become eligible to vest with reference to FCF, *times* the Verizon FCF Vested Percentage of 125%).

(4) **Definitions.** For purposes of the performance requirement and payout formula set forth in paragraphs 5(b)(1) through 5(b)(3)—

(i) “Verizon TSR Vested Percentage” shall be an amount (between 0% and 200%), which is based on Verizon’s Relative TSR Position, as provided in the following table:

Verizon Relative TSR Position	Verizon TSR Vested Percentage
1 through 4	200%
5	172%
6	165%
7	158%
8	151%
9	144%
10	137%
11	130%
12	123%
13	116%
14	109%
15	102%
16	95%
17	88%
18	81%
19	74%
20	67%
21	60%
22	53%
23	46%
24	39%
25	32%
26 through 34	0%

(ii) “Verizon Relative TSR Position” shall be based upon Verizon’s rank during the Award Cycle among the Related Dow Peers in terms of TSR. The Committee shall determine the Verizon TSR Vested Percentage and the Verizon Relative TSR Position for the period. The Committee will make adjustments to preserve the intended incentives, and to the extent consistent with Section 162(m) of the Code (as defined in the Plan), should the common stock of any Related Dow Peer cease to be publicly traded during the Award Cycle. The Committee’s determinations shall be final and binding.

(iii) “TSR” or “Total Shareholder Return” shall mean the change in the price of a share of common stock from the beginning of a period until the end of the applicable period, adjusted to reflect the reinvestment of dividends (if any) and as may be necessary to take into account stock splits or other events similar to those described in Section 4.3 of the Plan. The Committee shall determine TSR in accordance with its standard practice and its determinations shall be final and binding.

(iv) “Verizon FCF Vested Percentage” shall be an amount (between 0% and 200%), which is based on Verizon’s FCF, as provided in the following table:

Verizon FCF (in Billions)	Verizon FCF Vested Percentage
Greater than \$XX	200%
\$XX	150%
\$XX	100%
\$XX	50%
Less than \$XX	0%

If the Verizon FCF is \$XXB or less but greater than \$XXB, or less than \$XXB but greater than \$XXB, or less than \$XXB but greater than \$XXB, the Verizon FCF Vested Percentage will be interpolated on a straight-line basis between the respective levels (for example, if the Verizon FCF is \$XXB, the Verizon FCF Vested Percentage will be 75%).

(v) “FCF” shall mean Verizon’s net cash provided by operating activities less capital expenditures, as such terms are used in Verizon’s consolidated financial statements, on a consolidated basis for the Award Cycle. The Committee will (to the extent necessary and without duplication) adjust such net cash provided by operating activities less capital expenditures to eliminate the financial impact of (i) acquisitions, divestitures or changes in business structure; (ii) changes in legal, tax, accounting or regulatory policy; and (iii) other items that are extraordinary in nature or not deemed to be in the ordinary course of business. The Committee’s determination of whether, and the extent to which, any such adjustment is necessary shall be final and binding.

**(c) Three-Year Continuous Employment Requirement.** Except as otherwise determined by the Committee, or except as otherwise provided in paragraph 7 (“Early Cancellation/Accelerated Vesting of PSUs”), the PSUs shall vest only if the Participant is continuously employed by the Company or a Related Company (as defined in paragraph 13) from the date the PSUs are granted through the end of the Award Cycle.

**(d) Effect of a Termination for Cause.** Notwithstanding paragraph 5(b), paragraph 5(c) or paragraph 7, if the Participant’s employment by the Company or a Related Company is terminated by the Company or a Related Company for Cause at any time prior to the date that the PSUs are paid pursuant to paragraph 6, the PSUs (whether vested or not) shall automatically terminate and be cancelled as of the applicable termination date without payment of any consideration by the Company and without any other action by the Participant. For purposes of this Agreement, “Cause” means (i) grossly incompetent performance or substantial or continuing inattention to or neglect of the duties and responsibilities assigned to the Participant; fraud, misappropriation or embezzlement; or a material breach of the Verizon Code of Conduct (as may be amended) or any of the Participant’s

Obligations or the Non-Competition Obligations, all as determined by the Executive Vice President and Chief Administrative Officer of Verizon (or his or her designee) in his or her discretion, or (ii) commission of any felony of which the Participant is finally adjudged guilty by a court of competent jurisdiction.

**(e) Transfer.** Transfer of employment from Verizon to a Related Company, from a Related Company to Verizon, or from one Related Company to another Related Company shall not constitute a separation from employment hereunder, and service with a Related Company shall be treated as service with the Company for purposes of the three-year continuous employment requirement in paragraph 5(c). If the Participant transfers employment pursuant to this paragraph 5(e), the Participant will still be required to satisfy the definition of "Retire" under paragraph 7 of this Agreement in order to be eligible for the accelerated vesting provisions in connection with a retirement.

**6. Payment.** All payments under this Agreement shall be made in cash. Subject to paragraph 5(d), as soon as practicable after the end of the Award Cycle (but in no event later than March 15, 2016), the value of the vested PSUs (minus any withholding for taxes) shall be paid to the Participant (subject, however, to any deferral application that the Participant has made under the deferral plan (if any) then available to the Participant). The amount of cash that shall be paid (plus withholding for taxes and any applicable deferral amount) shall equal the number of vested PSUs (as provided in paragraph 5(b)) *times* the closing price of Verizon's common stock on the NYSE as of the last trading day in the Award Cycle. If the Participant dies before any payment due hereunder is made, such payment shall be made to the Participant's beneficiary, as designated under paragraph 11. Once a payment has been made with respect to a PSU, the PSU shall be canceled; however, all other terms of the Agreement, including but not limited to the Participant's Obligations and the Non-Competition Obligations, shall remain in effect.

**7. Early Cancellation/Accelerated Vesting of PSUs.** Notwithstanding the provisions of paragraph 5, PSUs may vest or be forfeited before the end of the Award Cycle as follows:

**(a) Retirement Before July 1, 2013, Voluntary Separation On or Before December 31, 2015, or Other Separation Not Described in Paragraph 7(b).** If the Participant (i) Retires (as defined in paragraph 7(b)(4)) before July 1, 2013, (ii) voluntarily separates from employment on or before December 31, 2015 for any reason other than Retirement, or (iii) otherwise separates from employment on or before December 31, 2015 under circumstances not described in paragraph 7(b), all the PSUs shall automatically terminate and be cancelled as of the applicable termination date without payment of any consideration by the Company and without any other action by the Participant.

**(b) Retirement After June 30, 2013, Involuntary Termination Without Cause On or Before December 31, 2015, Termination Due to Death or Disability On or Before December 31, 2015.**

(1) This paragraph 7(b) shall apply if the Participant:

(i) Retires (as defined below) after June 30, 2013, or

(ii) Separates from employment by reason of an involuntary termination without Cause (as determined by the Executive Vice President and Chief Administrative Officer of Verizon (or his or her designee)), death, or Disability (as defined below) on or before December 31, 2015. "Disability" shall mean the total and permanent disability of the Participant as defined by, or determined under, the Company's long-term disability benefit plan.

(2) If the Participant separates from employment on or before December 31, 2015 under circumstances described in paragraph 7(b)(1), the Participant's PSUs shall be subject to the vesting provisions set forth in paragraph 5(a) and 5(b) (without prorating the award), except that the three-year continuous employment requirement set forth in paragraph 5(c) shall not apply, provided that the Participant has not and does not commit a material breach of any of the Participant's Obligations or the Non-Competition Obligations and provided that the Participant executes, within the time prescribed by Verizon, a release satisfactory to Verizon waiving any claims he or she may have against Verizon and any Related Company (otherwise, paragraph 7(a) shall apply).

(3) Any PSUs that vest pursuant to paragraph 7(b)(2) shall be payable as soon as practicable after the end of the Award Cycle (but in no event later than March 15, 2016).

(4) For purposes of this Agreement, "Retire" and "Retirement" means (i) to retire after having attained at least 15 years of vesting service (as defined under the applicable Verizon tax-qualified 401(k) savings plan) and a combination of age and years of vesting service that equals or exceeds 75 points, or (ii) retirement under any other circumstances determined in writing by the Executive Vice President and Chief Administrative Officer of Verizon (or his or her designee), provided that, in the case of either (i) or (ii) in this paragraph, the retirement was not occasioned by a discharge for Cause. Notwithstanding the preceding sentence, if the Participant is employed in the United Kingdom, "Retire" or "Retirement" shall mean: (A) subject to applicable law, a termination of employment on the grounds of age, provided that the Participant has attained at least age 65; or (B) retirement under any other circumstances determined in writing by the Executive Vice President and Chief Administrative Officer of Verizon (or his or her designee), provided that, in the case of either (A) or (B) in this paragraph, the retirement was not occasioned by a discharge for Cause.

**(c) Change in Control.** If a Participant is involuntarily terminated without Cause within twelve (12) months following the occurrence of a Change in Control of Verizon (as defined in the Plan) and before the end of the Award Cycle, the PSUs shall vest and become payable (without prorating the award) by applying a Verizon TSR Vested Percentage of 100%, and a Verizon FCF Vested Percentage of 100%, to the PSUs without regard to the performance requirements in paragraph 5(b) or the three-year continuous employment requirement in paragraph 5(c); however, all other terms of the Agreement, including but not limited to the Participant's Obligations and the Non-Competition Obligations, shall remain in effect. A Change in Control or an involuntary termination without Cause that occurs after the end of the Award Cycle shall have no effect on whether any PSUs vest or become payable under this paragraph 7(c). If both paragraph 7(b) and this paragraph 7(c) would otherwise apply in the circumstances, this paragraph 7(c) shall control. All payments provided in this paragraph 7(c) shall be made at their regularly scheduled time as specified in paragraph 6.

**(d) Vesting Schedule.** Except and to the extent provided in paragraphs 7(b) and (c), nothing in this paragraph 7 shall alter the vesting schedule prescribed by paragraph 5.

**8. Shareholder Rights.** The Participant shall have no rights as a shareholder with respect to the PSUs. Except as provided in the Plan or in this Agreement, no adjustment shall be made for dividends or other rights for which the record date occurs while the PSUs are outstanding.

**9. Amendment of Agreement.** Except to the extent required by law or specifically contemplated under this Agreement, neither the Committee nor the Executive Vice President and Chief Administrative Officer of Verizon (or his or her designee) may, without the written consent of the Participant, change any term, condition or provision affecting the PSUs if the change would have a material adverse effect upon the

PSUs or the Participant's rights thereto. Nothing in the preceding sentence shall preclude the Committee or the Executive Vice President and Chief Administrative Officer of Verizon (or his or her designee) from exercising administrative discretion with respect to the Plan or this Agreement, and the exercise of such discretion shall be final, conclusive and binding. This discretion includes, but is not limited to, corrections of any errors, including but not limited to any administrative errors, determining the total percentage of PSUs that become payable, and determining whether the Participant has been discharged for Cause, has a disability, has Retired, has breached any of the Participant's Obligations or the Non-Competition Obligations or has satisfied the requirements for vesting and payment under paragraphs 5 and 7 of this Agreement.

**10. Assignment.** The PSUs shall not be assigned, pledged or transferred except by will or by the laws of descent and distribution. During the Participant's lifetime, the PSUs may be deferred only by the Participant or by the Participant's guardian or legal representative in accordance with the deferral regulations, if any, established by the Company.

**11. Beneficiary.** The Participant shall designate a beneficiary in writing and in such manner as is acceptable to the Executive Vice President and Chief Administrative Officer of Verizon (or his or her designee). Each such designation shall revoke all prior designations by the Participant with respect to the Participant's benefits under the Plan and shall be effective only when filed by the Participant with the Company during the Participant's lifetime. If the Participant fails to so designate a beneficiary, or if no such designated beneficiary survives the Participant, the Participant's beneficiary shall be the Participant's estate.

**12. Other Plans and Agreements.** Any payment received (or deferred) by the Participant pursuant to this Agreement shall not be taken into account as compensation in the determination of the Participant's benefits under any pension, savings, life insurance, severance or other benefit plan maintained by Verizon or a Related Company. The Participant acknowledges that this Agreement or any prior PSU agreement shall not entitle the Participant to any other benefits under the Plan or any other plans maintained by the Company or a Related Company.

**13. Company and Related Company.** For purposes of this Agreement, "Company" means Verizon Communications Inc. "Related Company" means (a) any corporation, partnership, joint venture, or other entity in which Verizon Communications Inc. holds a direct or indirect ownership or proprietary interest of 50 percent or more at any time during the term of this Agreement, or (b) any corporation, partnership, joint venture, or other entity in which Verizon Communications Inc. holds a direct or indirect ownership or other proprietary interest of less than 50 percent at any time during the term of this Agreement but which, in the discretion of the Committee, is treated as a Related Company for purposes of this Agreement.

**14. Employment Status.** The grant of the PSUs shall not be deemed to constitute a contract of employment for a particular term between the Company or a Related Company and the Participant, nor shall it constitute a right to remain in the employ of any such Company or Related Company.

**15. Withholding.** The Participant acknowledges that he or she shall be responsible for any taxes that arise in connection with this grant of PSUs, and the Company shall make such arrangements as it deems necessary for withholding of any taxes it determines are required to be withheld pursuant to any applicable law or regulation.

**16. Securities Laws.** The Company shall not be required to make payment with respect to any shares of common stock prior to the admission of such shares to listing on any stock exchange on which the stock may then be listed and the completion of any registration or qualification of such shares under any federal or state law or rulings or regulations of any government body that the Company, in its discretion, determines to be necessary or advisable.

**17. Committee Authority.** The Committee shall have complete discretion in the exercise of its rights, powers, and duties under this Agreement. Any interpretation or construction of any provision of, and the determination of any question arising under, this Agreement shall be made by the Committee in its discretion, as described in paragraph 9. The Committee and the Audit Committee may designate any individual or individuals to perform any of its functions hereunder and utilize experts to assist in carrying out their duties hereunder.

**18. Successors.** This Agreement shall be binding upon, and inure to the benefit of, any successor or successors of the Company and the person or entity to whom the PSUs may have been transferred by will, the laws of descent and distribution, or beneficiary designation. All terms and conditions of this Agreement imposed upon the Participant shall, unless the context clearly indicates otherwise, be deemed, in the event of the Participant's death, to refer to and be binding upon the Participant's heirs and beneficiaries.

**19. Construction.** In the event that any provision of this Agreement is held invalid or unenforceable, such provision shall be considered separate and apart from the remainder of this Agreement, which shall remain in full force and effect. In the event that any provision, including any of the Participant's Obligations or the Non-Competition Obligations, is held to be unenforceable for being unduly broad as written, such provision shall be deemed amended to narrow its application to the extent necessary to make the provision enforceable according to applicable law and shall be enforced as amended. The PSUs are intended to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Code, and to not be subject to any tax, interest or penalty under Section 409A of the Code, and this Agreement shall be construed and interpreted consistent with such intents.

**20. Defined Terms.** Except where the context clearly indicates otherwise, all capitalized terms used herein shall have the definitions ascribed to them by the Plan, and the terms of the Plan shall apply where appropriate.

**21. Execution of Agreement.** The Participant shall indicate his or her consent and acknowledgment to the terms of this Agreement (including the Participant's Obligations and the Non-Competition Obligations) and the Plan by executing this Agreement pursuant to the instructions provided and otherwise shall comply with the requirements of paragraph 3. In addition, by consenting to the terms of this Agreement and the Participant's Obligations and the Non-Competition Obligations, the Participant expressly agrees and acknowledges that Fidelity may deliver all documents, statements and notices associated with the Plan and this Agreement to the Participant in electronic form. The Participant and Verizon hereby expressly agree that the use of electronic media to indicate confirmation, consent, signature, acceptance, agreement and delivery shall be legally valid and have the same legal force and effect as if the Participant and Verizon executed this Agreement (including the Participant's Obligations and the Non-Competition Obligations) in paper form.

**22. Confidentiality.** Except to the extent otherwise required by law, the Participant shall not disclose, in whole or in part, any of the terms of this Agreement. This paragraph 22 does not prevent the Participant from disclosing the terms of this Agreement to the Participant's spouse or beneficiary or to the Participant's legal, tax, or financial adviser, provided that the Participant take all reasonable measures to assure that the individual to whom disclosure is made does not disclose the terms of this Agreement to a third party except as otherwise required by law.

**23. Applicable Law.** Except as expressly provided in Exhibit B, the validity, construction, interpretation and effect of this Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflicts of laws provisions thereof.

**24. Notice.** Any notice to the Company provided for in this Agreement shall be addressed to the Company in care of the Executive Vice President and Chief Administrative Officer of Verizon at 140 West Street, 29<sup>th</sup> Floor, New York, New York 10007 and any notice to the Participant shall be addressed to the Participant at the current address shown on the payroll of the Company, or to such other address as the Participant may designate to the Company in writing. Any notice shall be delivered by hand, sent by telecopy, sent by overnight carrier, or enclosed in a properly sealed envelope as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service.

**25. Dispute Resolution.**

**(a) General.** Except as otherwise provided in paragraph 26 below, all disputes arising under or related to the Plan or this Agreement and all claims in which a Participant seeks damages or other relief that relate in any way to PSUs or other benefits of the Plan are subject to the dispute resolution procedure described below in this paragraph 25.

(i) For purposes of this Agreement, the term “Units Award Dispute” shall mean any claim against the Company or a Related Company, other than Employment Claims described in paragraph (a)(ii) below, regarding (A) the interpretation of the Plan or this Agreement, (B) any of the terms or conditions of the PSUs issued under this Agreement, or (C) allegations of entitlement to PSUs or additional PSUs, or any other benefits, under the Plan or this Agreement; provided, however, that any dispute relating to the Participant’s Obligations or the Non-Competition Obligations or to the forfeiture of an award as a result of a breach of any of the Participant’s Obligations or the Non-Competition Obligations shall not be subject to the dispute resolution procedures provided for in this paragraph 25.

(ii) For purposes of this Agreement, the term “Units Damages Dispute” shall mean any claims between the Participant and the Company or a Related Company (or against the past or present directors, officers, employees, representatives, or agents of the Company or a Related Company, whether acting in their capacity as such or otherwise), that are related in any way to the Participant’s employment or former employment, including claims of alleged employment discrimination, wrongful termination, or violations of Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act, the Age Discrimination in Employment Act, 42 U.S.C. § 1981, the Fair Labor Standards Act, the Family Medical Leave Act, the Sarbanes-Oxley Act, or any other U.S. federal, state or local law, statute, regulation, or ordinance relating to employment or any common law theories of recovery relating to employment, such as breach of contract, tort, or public policy claims (“Employment Claims”), in which the damages or other relief sought relate in any way to PSUs or other benefits of the Plan or this Agreement.

**(b) Internal Dispute Resolution Procedure.** All Units Award Disputes, and all Units Damages Dispute alleging breach of contract, tort, or public policy claims with respect to the Plan or this Agreement (collectively, “Plan Disputes”), shall be referred in the first instance to the Verizon Employee Benefits Committee (“EB Committee”) for resolution internally within Verizon. Except where otherwise prohibited by law, all Plan Disputes must be filed in writing with the EB Committee no later than one year from the date that the dispute accrues. Consistent with paragraph 25(c)(i) of this Agreement, all decisions relating to the enforceability of the limitations period contained herein

shall be made by the arbitrator. To the fullest extent permitted by law, the EB Committee shall have full power, discretion, and authority to interpret the Plan and this Agreement and to decide all Plan Disputes brought under this Plan and Agreement. Determinations made by the EB Committee shall be final, conclusive and binding, subject only to review by arbitration pursuant to paragraph (c) below under the arbitrary and capricious standard of review.

**(c) Arbitration.** All appeals from determinations by the EB Committee as described in paragraph (b) above, and any Units Damages Dispute, shall be fully and finally settled by arbitration administered by the American Arbitration Association (“AAA”) on an individual basis (and not on a collective or class action basis) before a single arbitrator pursuant to the AAA’s Commercial Arbitration Rules in effect at the time any such arbitration is initiated. Any such arbitration must be initiated in writing pursuant to the aforesaid rules of the AAA no later than one year from the date that the claim accrues, except where a longer limitations period is required by applicable law. Decisions about the applicability of the limitations period contained herein shall be made by the arbitrator. A copy of the AAA’s Commercial Arbitration Rules may be obtained from Human Resources. The Participant agrees that the arbitration shall be held at the office of the AAA nearest the place of the Participant’s most recent employment by the Company or a Related Company, unless the parties agree in writing to a different location. All claims by the Company or a Related Company against the Participant, except for breaches of any of the Participant’s Obligations or of the Non-Competition Obligations, may also be raised in such arbitration proceedings.

(i) The arbitrator shall have the authority to determine whether any dispute submitted for arbitration hereunder is arbitrable. The arbitrator shall decide all issues submitted for arbitration according to the terms of the Plan, this Agreement (except for breaches of any of the Participant’s Obligations or of the Non-Competition Obligations), existing Company policy, and applicable substantive Delaware State and U.S. federal law and shall have the authority to award any remedy or relief permitted by such laws. The final decision of the EB Committee with respect to a Plan Dispute shall be upheld unless such decision was arbitrary or capricious. The decision of the arbitrator shall be final, conclusive, not subject to appeal, and binding and enforceable in any applicable court.

(ii) **The Participant understands and agrees that, pursuant to this Agreement, both the Participant and the Company or a Related Company waive any right to sue each other in a court of law or equity, to have a trial by jury, or to resolve disputes on a collective, or class, basis (except for breaches of any of the Participant’s Obligations or of the Non-Competition Obligations), and that the sole forum available for the resolution of Units Award Disputes and Units Damages Disputes is arbitration as provided in this paragraph 25. If an arbitrator or court finds that the arbitration provisions of this Agreement are not enforceable, both Participant and the Company or a Related Company understand and agree to waive their right to trial by jury of any Units Award Dispute or Units Damages Dispute. This dispute resolution procedure shall not prevent either the Participant or the Company or a Related Company from commencing an action in any court of competent jurisdiction for the purpose of obtaining injunctive relief to prevent irreparable harm pending and in aid of arbitration hereunder; in such event, both the Participant and the Company or a Related Company agree that the party who commences the action may proceed without necessity of posting a bond.**

(iii) In consideration of the Participant’s agreement in paragraph (ii) above, the Company or a Related Company will pay all filing, administrative and arbitrator’s fees incurred in connection with the arbitration proceedings. If the AAA requires the Participant to pay

the initial filing fee, the Company or a Related Company will reimburse the Participant for that fee. All other fees incurred in connection with the arbitration proceedings, including but not limited to each party's attorney's fees, will be the responsibility of such party.

(iv) The parties intend that the arbitration procedure to which they hereby agree shall be the exclusive means for resolving all Units Award Disputes (subject to the mandatory EB Committee procedure provided for in paragraph 25(b) above) and Units Damages Disputes. Their agreement in this regard shall be interpreted as broadly and inclusively as reason permits to realize that intent.

(v) The Federal Arbitration Act ("FAA") shall govern the enforceability of this paragraph 25. If for any reason the FAA is held not to apply, or if application of the FAA requires consideration of state law in any dispute arising under this Agreement or subject to this dispute resolution provision, the laws of the State of Delaware shall apply without giving effect to the conflicts of laws provisions thereof.

(vi) To the extent an arbitrator determines that the Participant was not terminated for Cause and is entitled to the PSUs or any other benefits under the Plan pursuant to the provisions applicable to an involuntary termination without Cause, the Participant's obligation to execute a release satisfactory to Verizon as provided under paragraph 7(b)(2) shall remain applicable in order to receive the benefit of any PSUs pursuant to this Agreement.

**26. Additional Remedies.** Notwithstanding the dispute resolution procedures, including arbitration, of paragraph 25 of this Agreement, and in addition to any other rights or remedies, whether legal, equitable, or otherwise, that each of the parties to this Agreement may have (including the right of the Company to terminate the Participant for Cause or to involuntarily terminate the Participant without Cause), the Participant acknowledges that—

- (a) The Participant's Obligations and the restrictions in the Non-Competition Obligations are essential to the continued goodwill and profitability of the Company and any Related Company;
- (b) The Participant has broad-based skills that will serve as the basis for other employment opportunities that are not prohibited by the Participant's Obligations or the Non-Competition Obligations;
- (c) When the Participant's employment with the Company or any Related Company terminates, the Participant shall be able to earn a livelihood without violating any of the Participant's Obligations or the Non-Competition Obligations;
- (d) Irreparable damage to the Company or any Related Company shall result in the event that the Participant's Obligations and the Non-Competition Obligations are not specifically enforced and that monetary damages will not adequately protect the Company and any Related Company from a breach of these Participant's Obligations or the Non-Competition Obligations;
- (e) If any dispute arises concerning the violation or anticipated or threatened violation by the Participant of any of the Participant's Obligations or of the Non-Competition Obligations, an injunction may be issued restraining such violation pending the determination of such controversy, and no bond or other security shall be required in connection therewith;

- (f) The Participant's Obligations and the Non-Competition Obligations shall continue to apply after any expiration, termination, or cancellation of this Agreement;
- (g) The Participant's breach of any of the Participant's Obligations or the Non-Competition Obligations shall result in the Participant's immediate forfeiture of all rights and benefits, including all PSUs and DEUs, under this Agreement; and
- (h) All disputes relating to the Participant's Obligations or the Non-Competition Obligations, including their interpretation and enforceability and any damages (including but not limited to damages resulting in the forfeiture of an award or benefits under this Agreement) that may result from the breach of such Participant's Obligations or the Non-Competition Obligations shall not be subject to the dispute resolution procedures, including arbitration, of paragraph 25 of this Agreement, but shall instead be determined in a court of competent jurisdiction.

## **Exhibit A - Participant's Obligations**

As part of the Agreement to which this Exhibit A is attached, you, the Participant, agree to the following obligations:

### **1. Effect of a Material Restatement of Financial Results; Recoupment**

**(a) General.** Notwithstanding anything in this Agreement to the contrary, you agree that, with respect to all PSUs granted to you on or after January 1, 2007 and all short-term incentive awards made to you on or after January 1, 2007, to the extent the Company or any Related Company is required to materially restate any financial results based upon your willful misconduct or gross negligence while employed by the Company or any Related Company (and where such restatement would have resulted in a lower payment being made to you), you will be required to repay all previously paid or deferred (i) PSUs and (ii) short-term incentive awards that were provided to you during the performance periods that are the subject of the restated financial results, plus a reasonable rate of interest. For purposes of this paragraph, "willful misconduct" and "gross negligence" shall be as determined by the Committee. The Audit Committee of the Verizon Board of Directors shall determine whether a material restatement of financial results has occurred. If you do not repay the entire amount required under this paragraph, the Company may, to the extent permitted by applicable law, offset your obligation to repay against any source of income available to it, including but not limited to any money you may have in your nonqualified deferral accounts.

**(b) Requirements of Recoupment Policy or Applicable Law.** The repayment rights contained in paragraph 1(a) of Exhibit A shall be in addition to, and shall not limit, any other rights or remedies that the Company may have under law or in equity, including, without limitation, (i) any right that the Company may have under any Company recoupment policy that may apply to you, or (ii) any right or obligation that the Company may have regarding the clawback of "incentive-based compensation" under Section 10D of the Securities Exchange Act of 1934, as amended (as determined by the applicable rules and regulations promulgated thereunder from time to time by the U.S. Securities and Exchange Commission) or under any other applicable law. By accepting this award of PSUs, you agree and consent to the Company's application, implementation and enforcement of any such Company recoupment policy (as it may be in effect from time to time) that may apply to you and any provision of applicable law relating to cancellation, rescission, payback or recoupment of compensation and expressly agree that the Company may take such actions as are permitted under any such policy (as applicable to you) or applicable law, such as the cancellation of PSUs and repayment of amounts previously paid or deferred with respect to any previously granted PSUs or short-term incentive awards, without further consent or action being required by you.

**2. Definitions.** Except where clearly provided to the contrary or as otherwise defined in this Exhibit A, all capitalized terms used in this Exhibit A shall have the definitions given to those terms in the Agreement to which this Exhibit A is attached.

**3. Agreement to Participant's Obligations.** You shall indicate your agreement to these Participant's Obligations in accordance with the instructions provided in the Agreement, and your acceptance of the Agreement shall include your acceptance of these Participant's Obligations. As stated in paragraph 21 of the Agreement, you and Verizon hereby expressly agree that the use of electronic media to indicate confirmation, consent, signature, acceptance, agreement and delivery shall be legally valid and have the same legal force and effect as if you and Verizon executed these Participant's Obligations in paper form.

## **Exhibit B – Non-Competition Obligations**

As part of the Agreement to which this Exhibit B is attached, you, the Participant, and the Company or any Related Company which employs or employed you, agree to the following obligations:

### **1. Noncompetition.**

**(a) Prohibited Conduct.** During the period of your employment with the Company or any Related Company, and for a period ending twelve (12) months following a termination of your employment for any reason with the Company or any Related Company, you shall not, without the prior written consent of the Executive Vice President and Chief Administrative Officer of Verizon (or his or her designee):

(1) personally engage in Competitive Activities (as defined below); or

(2) work for, own, manage, operate, control, or participate in the ownership, management, operation, or control of, or provide consulting or advisory services to, any person, partnership, firm, corporation, institution or other entity engaged in Competitive Activities, or any company or person affiliated with such person, partnership, firm, corporation, institution or other entity engaged in Competitive Activities; provided that your purchase or holding, for investment purposes, of securities of a publicly traded company shall not constitute “ownership” or “participation in the ownership” for purposes of this paragraph so long as your equity interest in any such company is less than a controlling interest;

provided that this paragraph (a) shall not prohibit you from (i) being employed by, or providing services to, a consulting firm, provided that you do not personally engage in Competitive Activities or provide consulting or advisory services to any person, partnership, firm, corporation, institution or other entity engaged in Competitive Activities, or any person or entity affiliated with such person, partnership, firm, corporation, institution or other entity engaged in Competitive Activities, or (ii) engaging in the practice of law as an in-house counsel, sole practitioner or as a partner in (or as an employee of or counsel to) a corporation or law firm in accordance with applicable legal and professional standards. Exception (ii), however, does not apply to any Participant that may be engaging in Competitive Activities or providing services to any person, partnership, firm, corporation, institution or other entity engaged in Competitive Activities, wherein such engagement or services being provided are not primarily the practice of law.

**(b) Competitive Activities.** For purposes of the Agreement, to which this Exhibit B is attached, “Competitive Activities” means any activities relating to products or services of the same or similar type as the products or services (1) which were or are sold (or, pursuant to an existing business plan, will be sold) to paying customers of the Company or any Related Company, and (2) for which you have any direct or indirect responsibility or any involvement to plan, develop, manage, market, sell, oversee, support, implement or perform, or had any such responsibility or involvement within your most recent 24 months of employment with the Company or any Related Company. Notwithstanding the previous sentence, an activity shall not be treated as a Competitive Activity if the geographic marketing area of such same or similar products or services does not overlap with the geographic marketing area for the applicable products and services of the Company or any Related Company.

**2. Interference With Business Relations.** During the period of your employment with the Company or any Related Company, and for a period ending twelve (12) months following a termination of your employment for any reason with the Company or any Related Company, you shall not, without the prior written consent of the Executive Vice President and Chief Administrative Officer of Verizon (or his or her designee):

**(a)** recruit, induce or solicit, directly or indirectly, any employee of the Company or Related Company for employment or for retention as a consultant or service provider to any person or entity;

**(b)** hire or participate (with another person or entity) in the process of recruiting, soliciting or hiring, directly or indirectly, (other than for the Company or any Related Company) any person who is then an employee of the Company or any Related Company, or provide, directly or indirectly, names or other information about any employees of the Company or Related Company to any person or entity (other than to the Company or any Related Company) under circumstances that could lead to the use of any such information for purposes of recruiting, soliciting or hiring any such employee for any person or entity;

**(c)** interfere, or attempt to interfere, directly or indirectly, with any relationship of the Company or any Related Company with any of its employees, agents, or representatives;

**(d)** solicit or induce, or in any manner attempt to solicit or induce, directly or indirectly, any client, customer, or prospect of the Company or any Related Company (1) to cease being, or not to become, a customer of the Company or any Related Company, or (2) to divert any business of such customer or prospect from the Company or any Related Company; or

**(e)** otherwise interfere with, disrupt, or attempt to interfere with or disrupt, directly or indirectly, the relationship, contractual or otherwise, between the Company or any Related Company and any of its customers, clients, prospects, suppliers, consultants, employees, agents, or representatives.

**3. Proprietary And Confidential Information.** You shall at all times, including after any termination of your employment with the Company or any Related Company, preserve the confidentiality of all Proprietary Information (defined below) and trade secrets of the Company or any Related Company, and you shall not use for the benefit of yourself or any person, other than the Company or a Related Company, or disclose to any person, except and to the extent that disclosure of such information is legally required, any Proprietary Information or trade secrets of the Company or any Related Company. "Proprietary Information" means any information or data related to the Company or any Related Company, including information entrusted to the Company or a Related Company by others, which has not been fully disclosed to the public by the Company or a Related Company, which is treated as confidential or otherwise protected within the Company or any Related Company or is of value to competitors, such as strategic or tactical business plans; undisclosed business, operational or financial data; ideas, processes, methods, techniques, systems, models, devices, programs, computer software, or related information; documents relating to regulatory matters or correspondence with governmental entities; information concerning any past, pending, or threatened legal dispute; pricing or cost data; the identity, reports or analyses of business prospects; business transactions (including those that are contemplated or planned); research data; personnel information or data; identities of suppliers to the Company or any Related Company or users or purchasers of the Company's or Related Company's products or services; the Agreement to which this Exhibit B is attached; and any other non-public information pertaining to or known by the Company or a Related Company, including confidential or non-public information of a third party that you know or should know the Company or a Related Company is obligated to protect.

**4. Return Of Company Property; Ownership of Intellectual Property Rights.** You agree that on or before termination of your employment for any reason with the Company or any Related Company, you shall return to the Company all property owned by the Company or any Related Company or in which the

Company or any Related Company has an interest or to which the Company or any Related Company has any obligation, including any and all files, documents, data, records and any other non-public information (whether on paper or in tapes, disks, memory devices, or other machine-readable form), office equipment, credit cards, and employee identification cards. You acknowledge that the Company (or, as applicable, a Related Company) is the rightful owner of, and you hereby do grant and assign, all right, title and interest in and to any programs; ideas, inventions and discoveries (patentable or unpatentable); works of authorship, data, information, and other copyrightable material; and trademarks that you may have originated, created or developed, or assisted or participated in originating, creating or developing, during your period of employment with the Company or a Related Company, including all intellectual property rights in or based on the foregoing, where any such origination, creation or development (a) involved any use of Company or Related Company time, information or resources, (b) was made in the exercise of any of your duties or responsibilities for or on behalf of the Company or a Related Company, or (c) was related to (i) the Company's or a Related Company's past, present or future business, or (ii) the Company's or a Related Company's actual or demonstrably anticipated research, development or procurement activities. You shall at all times, both before and after termination of your employment, cooperate with the Company (or, as applicable, any Related Company) and its representatives in executing and delivering documents requested by the Company or a Related Company, and taking any other actions, that are necessary or requested by the Company or a Related Company to assist the Company or any Related Company in patenting, copyrighting, protecting, registering, or enforcing any programs; ideas, inventions and discoveries (patentable or unpatentable); works of authorship, data, information, and other copyrightable material; trademarks; or other intellectual property rights, and to vest title thereto solely in the Company (or, as applicable, a Related Company).

**5. Definitions.** Except where clearly provided to the contrary or as otherwise defined in this Exhibit B, all capitalized terms used in this Exhibit B shall have the definitions given to those terms in the Agreement to which this Exhibit B is attached.

**6. Agreement to Non-Competition Obligations.** You shall indicate your agreement to these Non-Competition Obligations in accordance with the instructions provided in the Agreement, and your acceptance of the Agreement shall include your acceptance of these Non-Competition Obligations. As stated in paragraph 21 of the Agreement, you and Verizon hereby expressly agree that the use of electronic media to indicate confirmation, consent, signature, acceptance, agreement and delivery shall be legally valid and have the same legal force and effect as if you and Verizon executed these Non-Competition Obligations in paper form.

**7. Governing Law and Non-exclusive Forum.** The parties expressly agree: (a) that, because the Plan is centrally administered in the State of New Jersey by employees of a Verizon Communications Inc. affiliate, the subject matter of this Exhibit B bears a reasonable relationship to the State of New Jersey; (b) that this Exhibit B is made under, shall be construed in accordance with, and governed in all respects by the laws of the State of New Jersey without giving effect to that jurisdiction's choice of law rules; and (c) the parties consent to the non-exclusive jurisdiction and venue of the courts of the State of New Jersey, and the federal courts of the United States of America located in the State of New Jersey, over any action, claim, controversy or proceeding arising under this Exhibit B, and irrevocably waive any objection they may now or hereafter have to the non-exclusive jurisdiction and venue of such courts.

**VERIZON COMMUNICATIONS INC. LONG-TERM INCENTIVE PLAN  
RESTRICTED STOCK UNIT AGREEMENT  
2013-2015 AWARD CYCLE**

AGREEMENT between Verizon Communications Inc. (“Verizon” or the “Company”) and you (the “Participant”) and your heirs and beneficiaries.

**1. Purpose of Agreement.** The purpose of this Agreement is to provide a grant of restricted stock units (“RSUs”) to the Participant.

**2. Agreement.** This Agreement is entered into pursuant to the 2009 Verizon Communications Inc. Long-Term Incentive Plan, as amended and restated (the “Plan”), and evidences the grant of a restricted stock unit award in the form of RSUs pursuant to the Plan. In consideration of the benefits described in this Agreement, which Participant acknowledges are good, valuable and sufficient consideration, the Participant agrees to comply with the terms and conditions of this Agreement, including the Participant’s obligations and restrictions set forth in Exhibit A to this Agreement (the “Participant’s Obligations”) and the Participant’s obligations and restrictions set forth in Exhibit B to this Agreement (the “Non-Competition Obligations”), both of which are incorporated into and are a part of the Agreement. The RSUs and this Agreement are subject to the terms and provisions of the Plan. By executing this Agreement, the Participant agrees to be bound by the terms and provisions of the Plan and this Agreement, including but not limited to the Participant’s Obligations and the Non-Competition Obligations. In addition, the Participant agrees to be bound by the actions of the Human Resources Committee of Verizon Communication’s Board of Directors or any successor thereto (the “Committee”), and any designee of the Committee (to the extent that such actions are exercised in accordance with the terms of the Plan and this Agreement). If there is a conflict between the terms of the Plan and the terms of this Agreement, the terms of this Agreement shall control.

**3. Contingency.** The grant of RSUs is contingent on the Participant’s timely acceptance of this Agreement and satisfaction of the other conditions contained in it. Acceptance shall be through execution of the Agreement as set forth in paragraph 21. If the Participant does not accept this Agreement by the close of business on May 26, 2013, the Participant shall not be entitled to this grant of RSUs regardless of the extent to which the requirements in paragraph 5 (“Vesting”) are satisfied. In addition, to the extent a Participant is on a Company approved leave of absence, including but not limited to short-term disability leave, he or she will not be entitled to this grant of RSUs until such time as he or she returns to active employment with Verizon or a Related Company (as defined in paragraph 13) and accepts this Agreement within the time period established by the Company.

**4. Number of Units.** The Participant is granted the number of RSUs as specified in the Participant’s account under the 2013 RSU grant, administered by Fidelity Investments or any successor thereto (“Fidelity”). A RSU is a hypothetical share of Verizon’s common stock. The value of a RSU on any given date shall be equal to the closing price of Verizon’s common stock on the New York Stock Exchange (“NYSE”) as of such date. A Dividend Equivalent Unit (“DEU”) or fraction thereof shall be added to each RSU each time that a dividend is paid on Verizon’s common stock. The amount of each DEU shall be equal to the corresponding dividend paid on a share of Verizon’s common stock. The DEU shall be converted into RSUs or fractions thereof based upon the closing price of Verizon’s common stock traded on the NYSE on the dividend payment date of each declared dividend on Verizon’s common stock, and such RSUs or fractions thereof shall be added to the Participant’s RSU balance. To the extent that Fidelity or the Company makes an error, including but not limited to an administrative error with respect to the number or value of the RSUs granted to the Participant under this Agreement, the DEUs credited to the Participant’s account or the amount of the final award payment, the Company or Fidelity specifically reserves the right to correct such error at any time and the Participant agrees that he or she shall be legally bound by any corrective action taken by the Company or Fidelity.

## 5. Vesting.

**(a) General.** The Participant shall vest in the RSUs only if the Participant is continuously employed by the Company or a Related Company (as defined in paragraph 13) from the date the RSUs are granted through the end of the Award Cycle, except as otherwise provided in paragraph 7 (“Early Cancellation/Accelerated Vesting of RSUs”) or as otherwise provided by the Committee. For purposes of these RSUs, “Award Cycle” shall mean the three-year period beginning on January 1, 2013, and ending at the close of business on December 31, 2015.

**(b) Effect of a Termination for Cause.** Notwithstanding paragraph 5(a) or paragraph 7, if the Participant’s employment by the Company or a Related Company is terminated by the Company or a Related Company for Cause at any time prior to the date that the RSUs are paid pursuant to paragraph 6, the RSUs (whether vested or not) shall automatically terminate and be cancelled as of the applicable termination date without payment of any consideration by the Company and without any other action by the Participant. For purposes of this Agreement, “Cause” means (i) grossly incompetent performance or substantial or continuing inattention to or neglect of the duties and responsibilities assigned to the Participant; fraud, misappropriation or embezzlement; or a material breach of the Verizon Code of Conduct (as may be amended) or any of the Participant’s Obligations or the Non-Competition Obligations, all as determined by the Executive Vice President and Chief Administrative Officer of Verizon (or his or her designee) in his or her discretion, or (ii) commission of any felony of which the Participant is finally adjudged guilty by a court of competent jurisdiction.

**(c) Transfer.** Transfer of employment from Verizon to a Related Company, from a Related Company to Verizon, or from one Related Company to another Related Company shall not constitute a separation from employment hereunder, and service with a Related Company shall be treated as service with the Company for purposes of the three-year continuous employment requirement in paragraph 5(a). If the Participant transfers employment pursuant to this paragraph 5(c), the Participant will still be required to satisfy the definition of “Retire” under paragraph 7 of this Agreement in order to be eligible for the accelerated vesting provisions in connection with a retirement.

**6. Payment.** All payments under this Agreement shall be made in shares of Verizon common stock. Subject to paragraph 5(b), as soon as practicable after the end of the Award Cycle (but in no event later than March 15, 2016), the number of shares of the vested RSUs (minus any withholding for taxes) shall be paid to the Participant (subject, however, to any deferral application that the Participant has made under the deferral plan (if any) then available to the Participant). The number of shares that shall be paid (plus withholding for taxes and any applicable deferral amount) shall equal the number of vested RSUs. If the Participant dies before any payment due hereunder is made, such payment shall be made to the Participant’s beneficiary, as designated under paragraph 11. Once a payment has been made with respect to a RSU, the RSU shall be canceled; however, all other terms of the Agreement, including but not limited to the Participant’s Obligations and the Non-Competition Obligations, shall remain in effect.

**7. Early Cancellation/Accelerated Vesting of RSUs.** Notwithstanding the provisions of paragraph 5, RSUs may vest or be forfeited before the end of the Award Cycle as follows:

**(a) Retirement Before July 1, 2013, Voluntary Separation On or Before December 31, 2015, or Other Separation Not Described in Paragraph 7(b).** If the Participant (i) Retires (as defined in paragraph 7(b)(4)) before July 1, 2013, (ii) voluntarily separates from employment on or before

December 31, 2015 for any reason other than Retirement, or (iii) otherwise separates from employment on or before December 31, 2015 under circumstances not described in paragraph 7(b), all the RSUs shall automatically terminate and be cancelled as of the applicable termination date without payment of any consideration by the Company and without any other action by the Participant.

**(b) Retirement After June 30, 2013, Involuntary Termination Without Cause On or Before December 31, 2015, Termination Due to Death or Disability On or Before December 31, 2015.**

(1) This paragraph 7(b) shall apply if the Participant:

(i) Retires (as defined below) after June 30, 2013, or

(ii) Separates from employment by reason of an involuntary termination without Cause (as determined by the Executive Vice President and Chief Administrative Officer of Verizon (or his or her designee)), death, or Disability (as defined below) on or before December 31, 2015. "Disability" shall mean the total and permanent disability of the Participant as defined by, or determined under, the Company's long-term disability benefit plan.

(2) If the Participant separates from employment on or before December 31, 2015 under circumstances described in paragraph 7(b)(1), the Participant's RSUs shall vest (without prorating the award) without regard to the three-year continuous employment requirement set forth in paragraph 5(a), provided that the Participant has not and does not commit a material breach of any of the Participant's Obligations or the Non-Competition Obligations and provided that the Participant executes, within the time prescribed by Verizon, a release satisfactory to Verizon waiving any claims he or she may have against Verizon and any Related Company (otherwise, paragraph 7(a) shall apply).

(3) Any RSUs that vest pursuant to paragraph 7(b)(2) shall be payable as soon as practicable after the end of the Award Cycle (but in no event later than March 15, 2016).

(4) For purposes of this Agreement, "Retire" and "Retirement" means: (i) to retire after having attained at least 15 years of vesting service (as defined under the applicable Verizon tax-qualified 401(k) savings plan) and a combination of age and years of vesting service that equals or exceeds 75 points, or (ii) retirement under any other circumstances determined in writing by the Executive Vice President and Chief Administrative Officer of Verizon (or his or her designee), provided that, in the case of either (i) or (ii) in this paragraph, the retirement was not occasioned by a discharge for Cause. Notwithstanding the preceding sentence, if the Participant is employed in the United Kingdom, "Retire" or "Retirement" shall mean: (A) subject to applicable law, a termination of employment on the grounds of age, provided that the Participant has attained at least age 65; or (B) retirement under any other circumstances determined in writing by the Executive Vice President and Chief Administrative Officer of Verizon (or his or her designee), provided that, in the case of either (A) or (B) in this paragraph, the retirement was not occasioned by a discharge for Cause.

**(c) Change in Control.** If a Participant is involuntarily terminated without Cause within twelve (12) months following the occurrence of a Change in Control of Verizon (as defined in the Plan) and before the end of the Award Cycle, the RSUs shall vest and become payable (without prorating the award) without regard to the three-year continuous employment requirement in paragraph 5(a); however, all other terms of the Agreement, including but not limited to the Participant's Obligations and the Non-Competition Obligations, shall remain in effect. A Change in Control or an involuntary

termination without Cause that occurs after the end of the Award Cycle shall have no effect on whether any RSUs vest or become payable under this paragraph 7(c). If both paragraph 7(b) and this paragraph 7(c) would otherwise apply in the circumstances, this paragraph 7(c) shall control. All payments provided in this paragraph 7(c) shall be made at their regularly scheduled time as specified in paragraph 6.

**(d) Vesting Schedule.** Except and to the extent provided in paragraphs 7(b) and (c), nothing in this paragraph 7 shall alter the vesting schedule prescribed by paragraph 5.

**8. Shareholder Rights.** The Participant shall have no rights as a shareholder with respect to the RSUs until the date on which the Participant becomes the holder of record with respect to any shares of Verizon common stock to which this grant relates. Except as provided in the Plan or in this Agreement, no adjustment shall be made for dividends or other rights for which the record date occurs while the RSUs are outstanding.

**9. Amendment of Agreement.** Except to the extent required by law or specifically contemplated under this Agreement, neither the Committee nor the Executive Vice President and Chief Administrative Officer of Verizon (or his or her designee) may, without the written consent of the Participant, change any term, condition or provision affecting the RSUs if the change would have a material adverse effect upon the RSUs or the Participant's rights thereto. Nothing in the preceding sentence shall preclude the Committee or the Executive Vice President and Chief Administrative Officer of Verizon (or his or her designee) from exercising administrative discretion with respect to the Plan or this Agreement, and the exercise of such discretion shall be final, conclusive and binding. This discretion includes, but is not limited to, corrections of any errors, including but not limited to any administrative errors, and determining whether the Participant has been discharged for Cause, has a disability, has Retired, has breached any of the Participant's Obligations or the Non-Competition Obligations or has satisfied the requirements for vesting and payment under paragraphs 5 and 7 of this Agreement.

**10. Assignment.** The RSUs shall not be assigned, pledged or transferred except by will or by the laws of descent and distribution. During the Participant's lifetime, the RSUs may be deferred only by the Participant or by the Participant's guardian or legal representative in accordance with the deferral regulations, if any, established by the Company.

**11. Beneficiary.** The Participant shall designate a beneficiary in writing and in such manner as is acceptable to the Executive Vice President and Chief Administrative Officer of Verizon (or his or her designee). Each such designation shall revoke all prior designations by the Participant with respect to the Participant's benefits under the Plan and shall be effective only when filed by the Participant with the Company during the Participant's lifetime. If the Participant fails to so designate a beneficiary, or if no such designated beneficiary survives the Participant, the Participant's beneficiary shall be the Participant's estate.

**12. Other Plans and Agreements.** Any payment received (or deferred) by the Participant pursuant to this Agreement shall not be taken into account as compensation in the determination of the Participant's benefits under any pension, savings, life insurance, severance or other benefit plan maintained by Verizon or a Related Company. The Participant acknowledges that this Agreement or any prior RSU agreement shall not entitle the Participant to any other benefits under the Plan or any other plans maintained by the Company or a Related Company.

**13. Company and Related Company.** For purposes of this Agreement, "Company" means Verizon Communications Inc. "Related Company" means (a) any corporation, partnership, joint venture, or other entity in which Verizon Communications Inc. holds a direct or indirect ownership or proprietary interest

of 50 percent or more at any time during the term of this Agreement, or (b) any corporation, partnership, joint venture, or other entity in which Verizon Communications Inc. holds a direct or indirect ownership or other proprietary interest of less than 50 percent at any time during the term of this Agreement but which, in the discretion of the Committee, is treated as a Related Company for purposes of this Agreement.

**14. Employment Status.** The grant of the RSUs shall not be deemed to constitute a contract of employment for a particular term between the Company or a Related Company and the Participant, nor shall it constitute a right to remain in the employ of any such Company or Related Company.

**15. Withholding.** The Participant acknowledges that he or she shall be responsible for any taxes that arise in connection with this grant of RSUs, and the Company shall make such arrangements as it deems necessary for withholding of any taxes it determines are required to be withheld pursuant to any applicable law or regulation.

**16. Securities Laws.** The Company shall not be required to make payment with respect to any shares of common stock prior to the admission of such shares to listing on any stock exchange on which the stock may then be listed and the completion of any registration or qualification of such shares under any federal or state law or rulings or regulations of any government body that the Company, in its discretion, determines to be necessary or advisable.

**17. Committee Authority.** The Committee shall have complete discretion in the exercise of its rights, powers, and duties under this Agreement. Any interpretation or construction of any provision of, and the determination of any question arising under, this Agreement shall be made by the Committee in its discretion, as described in paragraph 9. The Committee and the Audit Committee may designate any individual or individuals to perform any of its functions hereunder and utilize experts to assist in carrying out their duties hereunder.

**18. Successors.** This Agreement shall be binding upon, and inure to the benefit of, any successor or successors of the Company and the person or entity to whom the RSUs may have been transferred by will, the laws of descent and distribution, or beneficiary designation. All terms and conditions of this Agreement imposed upon the Participant shall, unless the context clearly indicates otherwise, be deemed, in the event of the Participant's death, to refer to and be binding upon the Participant's heirs and beneficiaries.

**19. Construction.** In the event that any provision of this Agreement is held invalid or unenforceable, such provision shall be considered separate and apart from the remainder of this Agreement, which shall remain in full force and effect. In the event that any provision, including any of the Participant's Obligations or the Non-Competition Obligations, is held to be unenforceable for being unduly broad as written, such provision shall be deemed amended to narrow its application to the extent necessary to make the provision enforceable according to applicable law and shall be enforced as amended. The RSUs are intended not to be subject to any tax, interest or penalty under Section 409A of the Code, and this Agreement shall be construed and interpreted consistent with such intent.

**20. Defined Terms.** Except where the context clearly indicates otherwise, all capitalized terms used herein shall have the definitions ascribed to them by the Plan, and the terms of the Plan shall apply where appropriate.

**21. Execution of Agreement.** The Participant shall indicate his or her consent and acknowledgment to the terms of this Agreement (including the Participant's Obligations and the Non-Competition Obligations) and the Plan by executing this Agreement pursuant to the instructions provided and

otherwise shall comply with the requirements of paragraph 3. In addition, by consenting to the terms of this Agreement and the Participant's Obligations and the Non-Competition Obligations, the Participant expressly agrees and acknowledges that Fidelity may deliver all documents, statements and notices associated with the Plan and this Agreement to the Participant in electronic form. The Participant and Verizon hereby expressly agree that the use of electronic media to indicate confirmation, consent, signature, acceptance, agreement and delivery shall be legally valid and have the same legal force and effect as if the Participant and Verizon executed this Agreement (including the Participant's Obligations and the Non-Competition Obligations) in paper form.

**22. Confidentiality.** Except to the extent otherwise required by law, the Participant shall not disclose, in whole or in part, any of the terms of this Agreement. This paragraph 22 does not prevent the Participant from disclosing the terms of this Agreement to the Participant's spouse or beneficiary or to the Participant's legal, tax, or financial adviser, provided that the Participant take all reasonable measures to assure that the individual to whom disclosure is made does not disclose the terms of this Agreement to a third party except as otherwise required by law.

**23. Applicable Law.** Except as expressly provided in Exhibit B, the validity, construction, interpretation and effect of this Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflicts of laws provisions thereof.

**24. Notice.** Any notice to the Company provided for in this Agreement shall be addressed to the Company in care of the Executive Vice President and Chief Administrative Officer of Verizon at 140 West Street, 29<sup>th</sup> Floor, New York, New York 10007 and any notice to the Participant shall be addressed to the Participant at the current address shown on the payroll of the Company, or to such other address as the Participant may designate to the Company in writing. Any notice shall be delivered by hand, sent by telecopy, sent by overnight carrier, or enclosed in a properly sealed envelope as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service.

## **25. Dispute Resolution.**

**(a) General.** Except as otherwise provided in paragraph 26 below, all disputes arising under or related to the Plan or this Agreement and all claims in which a Participant seeks damages or other relief that relate in any way to RSUs or other benefits of the Plan are subject to the dispute resolution procedure described below in this paragraph 25.

(i) For purposes of this Agreement, the term "Units Award Dispute" shall mean any claim against the Company or a Related Company, other than Employment Claims described in paragraph (a)(ii) below, regarding (A) the interpretation of the Plan or this Agreement, (B) any of the terms or conditions of the RSUs issued under this Agreement, or (C) allegations of entitlement to RSUs or additional RSUs, or any other benefits, under the Plan or this Agreement; provided, however, that any dispute relating to the Participant's Obligations or the Non-Competition Obligations or to the forfeiture of an award as a result of a breach of any of the Participant's Obligations or the Non-Competition Obligations shall not be subject to the dispute resolution procedures provided for in this paragraph 25.

(ii) For purposes of this Agreement, the term "Units Damages Dispute" shall mean any claims between the Participant and the Company or a Related Company (or against the past or present directors, officers, employees, representatives, or agents of the Company or a Related Company, whether acting in their capacity as such or otherwise), that are related in any way to the Participant's employment or former employment, including

claims of alleged employment discrimination, wrongful termination, or violations of Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act, the Age Discrimination in Employment Act, 42 U.S.C. § 1981, the Fair Labor Standards Act, the Family Medical Leave Act, the Sarbanes-Oxley Act, or any other U.S. federal, state or local law, statute, regulation, or ordinance relating to employment or any common law theories of recovery relating to employment, such as breach of contract, tort, or public policy claims (“Employment Claims”), in which the damages or other relief sought relate in any way to RSUs or other benefits of the Plan or this Agreement.

**(b) Internal Dispute Resolution Procedure.** All Units Award Disputes, and all Units Damages Dispute alleging breach of contract, tort, or public policy claims with respect to the Plan or this Agreement (collectively, “Plan Disputes”), shall be referred in the first instance to the Verizon Employee Benefits Committee (“EB Committee”) for resolution internally within Verizon. Except where otherwise prohibited by law, all Plan Disputes must be filed in writing with the EB Committee no later than one year from the date that the dispute accrues. Consistent with paragraph 25(c)(i) of this Agreement, all decisions relating to the enforceability of the limitations period contained herein shall be made by the arbitrator. To the fullest extent permitted by law, the EB Committee shall have full power, discretion, and authority to interpret the Plan and this Agreement and to decide all Plan Disputes brought under this Plan and Agreement. Determinations made by the EB Committee shall be final, conclusive and binding, subject only to review by arbitration pursuant to paragraph (c) below under the arbitrary and capricious standard of review.

**(c) Arbitration.** All appeals from determinations by the EB Committee as described in paragraph (b) above, and any Units Damages Dispute, shall be fully and finally settled by arbitration administered by the American Arbitration Association (“AAA”) on an individual basis (and not on a collective or class action basis) before a single arbitrator pursuant to the AAA’s Commercial Arbitration Rules in effect at the time any such arbitration is initiated. Any such arbitration must be initiated in writing pursuant to the aforesaid rules of the AAA no later than one year from the date that the claim accrues, except where a longer limitations period is required by applicable law. Decisions about the applicability of the limitations period contained herein shall be made by the arbitrator. A copy of the AAA’s Commercial Arbitration Rules may be obtained from Human Resources. The Participant agrees that the arbitration shall be held at the office of the AAA nearest the place of the Participant’s most recent employment by the Company or a Related Company, unless the parties agree in writing to a different location. All claims by the Company or a Related Company against the Participant, except for breaches of any of the Participant’s Obligations or of the Non-Competition Obligations, may also be raised in such arbitration proceedings.

(i) The arbitrator shall have the authority to determine whether any dispute submitted for arbitration hereunder is arbitrable. The arbitrator shall decide all issues submitted for arbitration according to the terms of the Plan, this Agreement (except for breaches of any of the Participant’s Obligations or of the Non-Competition Obligations), existing Company policy, and applicable substantive Delaware State and U.S. federal law and shall have the authority to award any remedy or relief permitted by such laws. The final decision of the EB Committee with respect to a Plan Dispute shall be upheld unless such decision was arbitrary or capricious. The decision of the arbitrator shall be final, conclusive, not subject to appeal, and binding and enforceable in any applicable court.

(ii) **The Participant understands and agrees that, pursuant to this Agreement, both the Participant and the Company or a Related Company waive any right to sue each other in a court of law or equity, to have a trial by jury, or to resolve disputes on a collective, or class, basis (except for breaches of any of the Participant’s Obligations)**

or of the Non-Competition Obligations), and that the sole forum available for the resolution of Units Award Disputes and Units Damages Disputes is arbitration as provided in this paragraph 25. If an arbitrator or court finds that the arbitration provisions of this Agreement are not enforceable, both Participant and the Company or a Related Company understand and agree to waive their right to trial by jury of any Units Award Dispute or Units Damages Dispute. This dispute resolution procedure shall not prevent either the Participant or the Company or a Related Company from commencing an action in any court of competent jurisdiction for the purpose of obtaining injunctive relief to prevent irreparable harm pending and in aid of arbitration hereunder; in such event, both the Participant and the Company or a Related Company agree that the party who commences the action may proceed without necessity of posting a bond.

(iii) In consideration of the Participant's agreement in paragraph (ii) above, the Company or a Related Company will pay all filing, administrative and arbitrator's fees incurred in connection with the arbitration proceedings. If the AAA requires the Participant to pay the initial filing fee, the Company or a Related Company will reimburse the Participant for that fee. All other fees incurred in connection with the arbitration proceedings, including but not limited to each party's attorney's fees, will be the responsibility of such party.

(iv) The parties intend that the arbitration procedure to which they hereby agree shall be the exclusive means for resolving all Units Award Disputes (subject to the mandatory EB Committee procedure provided for in paragraph 25 (b) above) and Units Damages Disputes. Their agreement in this regard shall be interpreted as broadly and inclusively as reason permits to realize that intent.

(v) The Federal Arbitration Act ("FAA") shall govern the enforceability of this paragraph 25. If for any reason the FAA is held not to apply, or if application of the FAA requires consideration of state law in any dispute arising under this Agreement or subject to this dispute resolution provision, the laws of the State of Delaware shall apply without giving effect to the conflicts of laws provisions thereof.

(vi) To the extent an arbitrator determines that the Participant was not terminated for Cause and is entitled to the RSUs or any other benefits under the Plan pursuant to the provisions applicable to an involuntary termination without Cause, the Participant's obligation to execute a release satisfactory to Verizon as provided under paragraph 7(b)(2) shall remain applicable in order to receive the benefit of any RSUs pursuant to this Agreement.

**26. Additional Remedies.** Notwithstanding the dispute resolution procedures, including arbitration, of paragraph 25 of this Agreement, and in addition to any other rights or remedies, whether legal, equitable, or otherwise, that each of the parties to this Agreement may have (including the right of the Company to terminate the Participant for Cause or to involuntarily terminate the Participant without Cause), the Participant acknowledges that—

(a) The Participant's Obligations and the restrictions in the Non-Competition Obligations are essential to the continued goodwill and profitability of the Company and any Related Company;

- (b) The Participant has broad-based skills that will serve as the basis for other employment opportunities that are not prohibited by the Participant's Obligations or the Non-Competition Obligations;
- (c) When the Participant's employment with the Company or any Related Company terminates, the Participant shall be able to earn a livelihood without violating any of the Participant's Obligations or the Non-Competition Obligations;
- (d) Irreparable damage to the Company or any Related Company shall result in the event that the Participant's Obligations and the Non-Competition Obligations are not specifically enforced and that monetary damages will not adequately protect the Company and any Related Company from a breach of these Participant's Obligations or the Non-Competition Obligations;
- (e) If any dispute arises concerning the violation or anticipated or threatened violation by the Participant of any of the Participant's Obligations or of the Non-Competition Obligations, an injunction may be issued restraining such violation pending the determination of such controversy, and no bond or other security shall be required in connection therewith;
- (f) The Participant's Obligations and the Non-Competition Obligations shall continue to apply after any expiration, termination, or cancellation of this Agreement;
- (g) The Participant's breach of any of the Participant's Obligations or the Non-Competition Obligations shall result in the Participant's immediate forfeiture of all rights and benefits, including all RSUs and DEUs, under this Agreement; and
- (h) All disputes relating to the Participant's Obligations or the Non-Competition Obligations, including their interpretation and enforceability and any damages (including but not limited to damages resulting in the forfeiture of an award or benefits under this Agreement) that may result from the breach of such Participant's Obligations or the Non-Competition Obligations shall not be subject to the dispute resolution procedures, including arbitration, of paragraph 25 of this Agreement, but shall instead be determined in a court of competent jurisdiction.

## **Exhibit A – Participant’s Obligations**

As part of the Agreement to which this Exhibit A is attached, you, the Participant, agree to the following obligations:

### **1. Effect of a Material Restatement of Financial Results; Recoupment**

**(a) General.** Notwithstanding anything in this Agreement to the contrary, you agree that, with respect to all RSUs granted to you on or after January 1, 2007 and all short-term incentive awards made to you on or after January 1, 2007, to the extent the Company or any Related Company is required to materially restate any financial results based upon your willful misconduct or gross negligence while employed by the Company or any Related Company (and where such restatement would have resulted in a lower payment being made to you), you will be required to repay all previously paid or deferred (i) RSUs and (ii) short-term incentive awards that were provided to you during the performance periods that are the subject of the restated financial results, plus a reasonable rate of interest. For purposes of this paragraph, “willful misconduct” and “gross negligence” shall be as determined by the Committee. The Audit Committee of the Verizon Board of Directors shall determine whether a material restatement of financial results has occurred. If you do not repay the entire amount required under this paragraph, the Company may, to the extent permitted by applicable law, offset your obligation to repay against any source of income available to it, including but not limited to any money you may have in your nonqualified deferral accounts.

**(b) Requirements of Recoupment Policy or Applicable Law.** The repayment rights contained in paragraph 1(a) of Exhibit A shall be in addition to, and shall not limit, any other rights or remedies that the Company may have under law or in equity, including, without limitation, (i) any right that the Company may have under any Company recoupment policy that may apply to you, or (ii) any right or obligation that the Company may have regarding the clawback of “incentive-based compensation” under Section 10D of the Securities Exchange Act of 1934, as amended (as determined by the applicable rules and regulations promulgated thereunder from time to time by the U.S. Securities and Exchange Commission) or under any other applicable law. By accepting this award of RSUs, you agree and consent to the Company’s application, implementation and enforcement of any such Company recoupment policy (as it may be in effect from time to time) that may apply to you and any provision of applicable law relating to cancellation, rescission, payback or recoupment of compensation and expressly agree that the Company may take such actions as are permitted under any such policy (as applicable to you) or applicable law, such as the cancellation of RSUs and repayment of amounts previously paid or deferred with respect to any previously granted RSUs or short-term incentive awards, without further consent or action being required by you.

**2. Definitions.** Except where clearly provided to the contrary or as otherwise defined in this Exhibit A, all capitalized terms used in this Exhibit A shall have the definitions given to those terms in the Agreement to which this Exhibit A is attached.

**3. Agreement to Participant’s Obligations.** You shall indicate your agreement to these Participant’s Obligations in accordance with the instructions provided in the Agreement, and your acceptance of the Agreement shall include your acceptance of these Participant’s Obligations. As stated in paragraph 21 of the Agreement, you and Verizon hereby expressly agree that the use of electronic media to indicate confirmation, consent, signature, acceptance, agreement and delivery shall be legally valid and have the same legal force and effect as if you and Verizon executed these Participant’s Obligations in paper form.

## **Exhibit B – Non-Competition Obligations**

As part of the Agreement to which this Exhibit B is attached, you, the Participant, and the Company or any Related Company which employs or employed you, agree to the following obligations:

### **1. Noncompetition**

**(a) Prohibited Conduct.** During the period of your employment with the Company or any Related Company, and for a period ending twelve (12) months following a termination of your employment for any reason with the Company or any Related Company, you shall not, without the prior written consent of the Executive Vice President and Chief Administrative Officer of Verizon (or his or her designee):

(1) personally engage in Competitive Activities (as defined below); or

(2) work for, own, manage, operate, control, or participate in the ownership, management, operation, or control of, or provide consulting or advisory services to, any person, partnership, firm, corporation, institution or other entity engaged in Competitive Activities, or any company or person affiliated with such person, partnership, firm, corporation, institution or other entity engaged in Competitive Activities; provided that your purchase or holding, for investment purposes, of securities of a publicly traded company shall not constitute “ownership” or “participation in the ownership” for purposes of this paragraph so long as your equity interest in any such company is less than a controlling interest;

provided that this paragraph (a) shall not prohibit you from (i) being employed by, or providing services to, a consulting firm, provided that you do not personally engage in Competitive Activities or provide consulting or advisory services to any person, partnership, firm, corporation, institution or other entity engaged in Competitive Activities, or any person or entity affiliated with such person, partnership, firm, corporation, institution or other entity engaged in Competitive Activities, or (ii) engaging in the practice of law as an in-house counsel, sole practitioner or as a partner in (or as an employee of or counsel to) a corporation or law firm in accordance with applicable legal and professional standards. Exception (ii), however, does not apply to any Participant that may be engaging in Competitive Activities or providing services to any person, partnership, firm, corporation, institution or other entity engaged in Competitive Activities, wherein such engagement or services being provided are not primarily the practice of law.

**(b) Competitive Activities.** For purposes of the Agreement, to which this Exhibit B is attached, “Competitive Activities” means any activities relating to products or services of the same or similar type as the products or services (1) which were or are sold (or, pursuant to an existing business plan, will be sold) to paying customers of the Company or any Related Company, and (2) for which you have any direct or indirect responsibility or any involvement to plan, develop, manage, market, sell, oversee, support, implement or perform, or had any such responsibility or involvement within your most recent 24 months of employment with the Company or any Related Company. Notwithstanding the previous sentence, an activity shall not be treated as a Competitive Activity if the geographic marketing area of such same or similar products or services does not overlap with the geographic marketing area for the applicable products and services of the Company or any Related Company.

**2. Interference With Business Relations.** During the period of your employment with the Company or any Related Company, and for a period ending twelve (12) months following a termination of your employment for any reason with the Company or any Related Company, you shall not, without the prior written consent of the Executive Vice President and Chief Administrative Officer of Verizon (or his or her designee):

**(a)** recruit, induce or solicit, directly or indirectly, any employee of the Company or Related Company for employment or for retention as a consultant or service provider to any person or entity;

**(b)** hire or participate (with another person or entity) in the process of recruiting, soliciting or hiring, directly or indirectly, (other than for the Company or any Related Company) any person who is then an employee of the Company or any Related Company, or provide, directly or indirectly, names or other information about any employees of the Company or Related Company to any person or entity (other than to the Company or any Related Company) under circumstances that could lead to the use of any such information for purposes of recruiting, soliciting or hiring any such employee for any person or entity;

**(c)** interfere, or attempt to interfere, directly or indirectly, with any relationship of the Company or any Related Company with any of its employees, agents, or representatives;

**(d)** solicit or induce, or in any manner attempt to solicit or induce, directly or indirectly, any client, customer, or prospect of the Company or any Related Company (1) to cease being, or not to become, a customer of the Company or any Related Company, or (2) to divert any business of such customer or prospect from the Company or any Related Company; or

**(e)** otherwise interfere with, disrupt, or attempt to interfere with or disrupt, directly or indirectly, the relationship, contractual or otherwise, between the Company or any Related Company and any of its customers, clients, prospects, suppliers, consultants, employees, agents, or representatives.

**3. Proprietary And Confidential Information.** You shall at all times, including after any termination of your employment with the Company or any Related Company, preserve the confidentiality of all Proprietary Information (defined below) and trade secrets of the Company or any Related Company, and you shall not use for the benefit of yourself or any person, other than the Company or a Related Company, or disclose to any person, except and to the extent that disclosure of such information is legally required, any Proprietary Information or trade secrets of the Company or any Related Company. "Proprietary Information" means any information or data related to the Company or any Related Company, including information entrusted to the Company or a Related Company by others, which has not been fully disclosed to the public by the Company or a Related Company, which is treated as confidential or otherwise protected within the Company or any Related Company or is of value to competitors, such as strategic or tactical business plans; undisclosed business, operational or financial data; ideas, processes, methods, techniques, systems, models, devices, programs, computer software, or related information; documents relating to regulatory matters or correspondence with governmental entities; information concerning any past, pending, or threatened legal dispute; pricing or cost data; the identity, reports or analyses of business prospects; business transactions (including those that are contemplated or planned); research data; personnel information or data; identities of suppliers to the Company or any Related Company or users or purchasers of the Company's or Related Company's products or services; the Agreement to which this Exhibit B is attached; and any other non-public information pertaining to or known by the Company or a Related Company, including confidential or non-public information of a third party that you know or should know the Company or a Related Company is obligated to protect.

**4. Return Of Company Property; Ownership of Intellectual Property Rights.** You agree that on or before termination of your employment for any reason with the Company or any Related Company, you shall return to the Company all property owned by the Company or any Related Company or in which the

Company or any Related Company has an interest or to which the Company or any Related Company has any obligation, including any and all files, documents, data, records and any other non-public information (whether on paper or in tapes, disks, memory devices, or other machine-readable form), office equipment, credit cards, and employee identification cards. You acknowledge that the Company (or, as applicable, a Related Company) is the rightful owner of, and you hereby do grant and assign, all right, title and interest in and to any programs; ideas, inventions and discoveries (patentable or unpatentable); works of authorship, data, information, and other copyrightable material; and trademarks that you may have originated, created or developed, or assisted or participated in originating, creating or developing, during your period of employment with the Company or a Related Company, including all intellectual property rights in or based on the foregoing, where any such origination, creation or development (a) involved any use of Company or Related Company time, information or resources, (b) was made in the exercise of any of your duties or responsibilities for or on behalf of the Company or a Related Company, or (c) was related to (i) the Company's or a Related Company's past, present or future business, or (ii) the Company's or a Related Company's actual or demonstrably anticipated research, development or procurement activities. You shall at all times, both before and after termination of your employment, cooperate with the Company (or, as applicable, any Related Company) and its representatives in executing and delivering documents requested by the Company or a Related Company, and taking any other actions, that are necessary or requested by the Company or a Related Company to assist the Company or any Related Company in patenting, copyrighting, protecting, registering, or enforcing any programs; ideas, inventions and discoveries (patentable or unpatentable); works of authorship, data, information, and other copyrightable material; trademarks; or other intellectual property rights, and to vest title thereto solely in the Company (or, as applicable, a Related Company).

**5. Definitions.** Except where clearly provided to the contrary or as otherwise defined in this Exhibit B, all capitalized terms used in this Exhibit B shall have the definitions given to those terms in the Agreement to which this Exhibit B is attached.

**6. Agreement to Non-Competition Obligations.** You shall indicate your agreement to these Non-Competition Obligations in accordance with the instructions provided in the Agreement, and your acceptance of the Agreement shall include your acceptance of these Non-Competition Obligations. As stated in paragraph 21 of the Agreement, you and Verizon hereby expressly agree that the use of electronic media to indicate confirmation, consent, signature, acceptance, agreement and delivery shall be legally valid and have the same legal force and effect as if you and Verizon executed these Non-Competition Obligations in paper form.

**7. Governing Law and Non-exclusive Forum.** The parties expressly agree: (a) that, because the Plan is centrally administered in the State of New Jersey by employees of a Verizon Communications Inc. affiliate, the subject matter of this Exhibit B bears a reasonable relationship to the State of New Jersey; (b) that this Exhibit B is made under, shall be construed in accordance with, and governed in all respects by the laws of the State of New Jersey without giving effect to that jurisdiction's choice of law rules; and (c) the parties consent to the non-exclusive jurisdiction and venue of the courts of the State of New Jersey, and the federal courts of the United States of America located in the State of New Jersey, over any action, claim, controversy or proceeding arising under this Exhibit B, and irrevocably waive any objection they may now or hereafter have to the non-exclusive jurisdiction and venue of such courts.

**EXHIBIT 12****Computation of Ratio of Earnings to Fixed Charges**  
Verizon Communications Inc. and Subsidiaries

<u>(dollars in millions)</u>	<u>Three Months Ended March 31, 2013</u>
<b>Earnings:</b>	
Income before provision for income taxes	\$ 5,719
Equity in earnings of unconsolidated businesses	5
Dividends from unconsolidated businesses	9
Interest expense <sup>(1)</sup>	537
Portion of rent expense representing interest	210
Amortization of capitalized interest	43
Earnings, as adjusted	<u>\$ 6,523</u>
<b>Fixed Charges:</b>	
Interest expense <sup>(1)</sup>	\$ 537
Portion of rent expense representing interest	210
Capitalized interest	177
Fixed Charges	<u>\$ 924</u>
<b>Ratio of earnings to fixed charges</b>	<u>7.06</u>

<sup>(1)</sup> 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.

I, Lowell C. McAdam, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: April 25, 2013

/s/ Lowell C. McAdam

Lowell C. McAdam

Chairman and Chief Executive Officer

I, Francis J. Shammo, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: April 25, 2013

/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-Q for the quarterly period ending March 31, 2013 (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: April 25, 2013

/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-Q for the quarterly period ending March 31, 2013 (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: April 25, 2013

/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.