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PRESENTATION

Unidentified Company Representative

Ladies and gentlemen, Mr. John Doherty.

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John Doherty - *Verizon - SVP, IR*

Good morning. Welcome to Verizon's investor conference. Thanks for joining us here at Cipriani Wall Street or via our live webcast, where I understand we have an additional 500 plus people that have signed in. We hope you are all as excited as we are to be meeting with you in person as we end 2010 and kick off 2011.

Before we get started I would like to point out that our fourth-quarter earnings release, financial statements, the investor quarterly publication and the earnings presentation slides are all currently available on our Investor Relations website. At the conclusion of this morning's meeting, the strategic and financial overview piece will also be posted to the website for your reference and use.

All historical information has been adjusted for the affect of the change in the benefit plan accounting that we announced on Friday. It is my pleasure to be joined this morning by our Chairman and Chief Executive Officer, Ivan Seidenberg; our President and Chief Operating Officer, Lowell McAdam; and our Executive Vice President and Chief Financial Officer, Fran Shammo.

If you can switch to the agenda slide. Okay, we will start our session this morning with a review of our fourth-quarter earnings by Fran, and then we're going to have a brief Q&A session just after that where I would really like you to stay focused on the earnings that we released in that piece of the agenda. This will be followed by our strategic and financial piece, and then we will open it up for a broader Q&A, where we will have Ivan join us, as well as Fran and Lowell, of course.

So with that, I would like to hand it over to our Chief Executive Officer, Ivan Seidenberg.

Ivan Seidenberg - *Verizon - Chairman and CEO*

Okay, thank you, John, and good morning, everyone. Once again I would like to thank all of you who are here and those of you on the webcast for joining us this morning and participating in this earnings call.

Just a very short introduction here before I ask Fran to join us. I thought with all of the moving parts and all of the strong momentum that we have been developing here at the end of 2010 and a very exciting set of prospects for 2011 and beyond, that our investors needed a little grounding in making sure they understood our strategic, operational and financial metrics.

And hopefully this morning, while we are not intending to make a lot of new big news, I think you will be pleased to see Fran and Lowell share with you what they think the business and the model looks like as we go out into 2011 and 2012.

I also thought it was very important that you have a chance to see and touch and talk to both Lowell and Fran as we enter this important year, 2011. And for those of you here in person, of course, the opportunity to go in the back and play with our toys and all the new products and services is always a nice thing. And you will get a chance to see how all this new technology comes alive for the customer.

So with that brief introduction, as John just mentioned, what we like to do to structure our first order of business this morning is to cover 2010 earnings, and for that, let's ask Fran to come up and do that for us right now. Thank you.

Fran Shammo - *Verizon - EVP and CFO*

Thank you, Ivan. Well, good morning, everyone. For those of you here in person as well as those on our live webcast, I want to thank you for joining us today. During the transition period with John Killian, I had the pleasure of meeting a few of you. For many of you who I have not yet met, I look forward to that later today or in the near future.

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Okay, so let's move into our first topic for today and review our fourth-quarter and full-year 2010 financial results. After my remarks, we will take some questions and then move on to the rest of the program.

Before we get started, I would like to draw your attention to our Safe Harbor statement. The factors which may affect future results are contained in our SEC filings and are also available on our website.

So going to the next slide, for fourth-quarter 2010 overview, we ended 2010 on a high note with very strong overall financial performance in the fourth quarter, driven by continued solid execution and growth across all of our businesses. The Wireless business is performing extremely well. Service revenue in the fourth quarter remained strong at 7.7% year over year, driven once again by smartphone sales to both new and existing customers. We had a solid quarter of postpaid customer growth with 872,000 net adds, and we continue to see accelerating growth in postpaid ARPU, which was up 2.5% on a year-over-year basis.

We improved our industry-leading customer retention metrics this quarter. In local number portability, we were net positive against all major carriers. In terms of profitability, we reported a record high service EBITDA margin of 47.5%, which we are obviously quite pleased with.

In Wireline, the financial picture continues to improve. We had positive quarterly revenue growth in consumer and enterprise, and the benefits of our workforce reduction and other cost initiatives are resulting in improved margin performance.

The Wireline EBITDA margin expanded for the third consecutive quarter, and was up 80 basis points sequentially from an adjusted margin of 22.7% in the third quarter to 23.5% in the fourth quarter. This reflects the impact of the pension accounting change between the Wireline segment and corporate.

The sequential increase had nothing to do with the accounting change. It was driven by improved operational performance. Looking ahead, we will continue to focus on opportunities to expand our Wireline margin.

Our increased scale and the success of our FiOS products, including our recent launch of Flex View are clearly helping both top line and margin performance in the consumer and small business markets. Global Enterprise revenue increased sequentially in the fourth quarter and showed positive growth of 1.3% year over year, driven by an acceleration of growth in the strategic services.

In terms of cash generation, we had another outstanding quarter. For the full year, our improving operational performance, the tax benefit initiatives, the efficient capital management resulted in an increase in free cash flow of $2.4 billion. Our focus on reducing leverage has improved our key metrics and strengthened the balance sheet.

Lastly, through a combination of share price appreciation and dividends, we generated a 23.1% return to shareholders in 2010. In addition, Verizon shareholders also received the equivalent of [$1.85 per share] (corrected by company after the call) in value through the spinoff of our Wireline properties to Frontier. So all in all, I would say we are very pleased with our financial performance.

Let's now move to our detailed review of the quarter. So on the financial summary, let's start with earnings. On a GAAP basis, we reported earnings for the quarter of $0.93 per share. The non-operational items amounted to a non -- or a net favorable impact of $0.39.

Setting these items aside, our adjusted EPS for the quarter was $0.54. As far as the non-operational impacts go, although the overall impact of accounting for pension and retiree benefits under the new methodology was a net cost of $600 million for the year, the fourth-quarter impact was a net pretax gain of $2 billion or $0.44 per share. This was due to the previous recognition of pension and benefits losses resulting from pension settlements earlier in the year.

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The fourth-quarter benefit was due primarily to favorable investment returns and an increase in the discount rate during the fourth quarter.

The second non-operational item is merger integration costs related to Alltel. During the fourth quarter, charges related to these activities amounted to $0.05 per share. This concludes our two-year integration program, and we will no longer be identifying these as non-operational costs going forward.

Consolidated revenue growth in the quarter accelerated to 2.3% year over year, up from 2.1% year-over-year growth in the third quarter. For the full year, total revenues increased by $1.9 billion to $104.4 billion.

Our fourth-quarter operating income increased by 18.2% year over year compared with the third-quarter growth of 11.3%. For the full year, operating income grew $1.4 billion or 8.4%.

The adjusted EBITDA margin grew 40 basis points sequentially to 33.6% and was up 260 basis points from the fourth quarter last year.

For the full year 2010, the adjusted EBITDA margin expanded 130 basis points to 32.9%. We are making good progress on improving profitability. Our cash flow also remains very strong. More on that in a minute.

Now, to adjusted EPS. First, I want to make a couple of additional points of clarification on earnings. The quarterly display on the chart before you show our earning results, adjusted for the impact of divested operations, as well to the non-operational or one-time items which occurred during the year. The first thing I would point out is that the first three quarters of 2010, as displayed on this slide, are different than what we showed you on the similar slide last quarter. And that is because of prior-period adjustments due to the pension accounting change we announced last Friday. Reported EPS changed, as did the amount of non-operational one-time items.

The net effect was an incremental $0.01 charge to adjusted EPS. So whereas the first three quarters of adjusted EPS used to be $0.49, $0.52 and $0.56, they are now $0.48, $0.51, and $0.55. as shown on this slide.

This reason for the painstaking detail here is because I want to tie back to earnings guidance statements in July and October. On our second-quarter earnings call, we stated that our goal was to grow earnings in the second half of the year by 5% to 10% from our first-half adjusted base of $1.01 per share, which excluded the earnings of the divested operations.

That first-half base is now $0.99 because of the accounting change. On our third-quarter earnings call in October, we stated that our expectation was at the high end of this guidance. With our $0.54 in adjusted EPS for the fourth quarter and our $0.55 third-quarter result, you see that we delivered on this earnings target, ending the year with adjusted earnings of $2.08 per share. This is the proper 2010 earnings base you should use when forecasting 2011. The important point here is that we saw an acceleration of earnings in the second half of the year.

Let's spend now a few minutes on cash flow, dividends, capital spending and the debt on the next slide. For cash flow from operations for the year, on a full-year basis totaled $33.4 billion, up 6.3%. And free cash flow was $16.9 billion, an increase of 16.4%. In addition, we received $3.1 billion in cash from the Frontier transaction in July, and a cash distribution of about $400 million from Omnitel, which we expect to continue in the future.

As we highlighted on our last earnings call, our Board approved a dividend increase last September for the fourth consecutive year, demonstrating their confidence in the strength of our cash flow, our balance sheet, as well as our commitment to return cash to shareholders.

As stated previously, Verizon shareholders also received $1.85 per share in value through the Frontier transaction last July. Again, a very good year from a standpoint of shareholder return at 23.1% for the year.

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Looking to capital expenditures, we spent $16.5 billion in 2010, which was $400 million less than 2009 and below our targeted range of $16.9 billion to $17.2 billion. As you know, during the year, we effectively reallocated capital between Wireline and Wireless, shifting more toward our growth opportunities in order to maximize investment returns.

In Wireless, our capital spending was higher than 2009, driven by 4G LTE deployment and increased 3G network capacity requirements, which included preparing for the launch of the iPhone. Wireless CapEx totaled $8.4 billion, which was an increase of $1.3 billion over 2009. Conversely, Wireline capital spending was down, reflecting lower FiOS deployment capital as planned and our tight focus on spending to increase free cash flow. Wireline CapEx for the year came in at $7.3 billion, a decrease of $1.6 billion compared with 2009.

In terms of the balance sheet, a top priority has been to reduce leverage. We are doing very well here, with total debt of $52.8 billion down $9.5 billion or 15.2% for the year. Our cash balance at December 31 was $6.7 billion, so we ended the year with net debt of $46.1 billion, a reduction of $14.1 billion or 23.4% since the end of 2009.

Our net debt to adjusted EBITDA ratio improved to about 1.3 times from 1.9 times at the end of 2009.

Let's now take a look at our revenue trends on the next slide. As I said earlier, our overall revenue performance is improving, and we saw an acceleration of growth on a comparative basis in both the third quarter and the fourth quarter. Consolidated quarterly revenues of $26.4 billion were up $592 million or 2.3% from a year ago. Growth was driven by solid performance in all of our strategic areas, which roughly comprise two-thirds of our total revenue.

We will get into more details at the segment level, but the highlights are wireless service revenue grew 7.7% on strong data results. We had another strong quarter in FiOS with year-over-year growth of more than 26%, and we sustained growth in enterprise strategic services, up 7.5%.

To be balanced, offsetting these growth areas are other parts of our business which are not growing, services like international wholesale voice, core voice in our consumer and enterprise units, and high-speed Internet outside the FiOS footprint. I would say, however, that these services, whether taken collectively or individually, are becoming a smaller portion of our overall revenue mix.

During our decade-long strategic transformation, we have aligned our Company with major growth trends driving our industry. You will hear much more on this from Lowell and myself later this morning. We are very optimistic about our future growth prospects.

With that high-level summary of revenues, let's move to the segments next, starting with Wireless.

Our Wireless business turned in another extremely impressive quarter, particularly with respect to profitable revenue growth. Total revenue grew to $16.1 billion in the quarter, up $873 million or 5.7% year over year, with total service revenue up 7.7%. Our continued focus on expanding the market for mobile broadband drove data revenue to $5.3 billion this quarter and comprised 37.1% of total service revenues.

During 2010, total data revenues increased to $19.6 billion. That is $4 billion of data revenue growth in one year. Think about that number, and then you can understand our excitement about the revenue opportunity with 4G LTE tablets, 4G LTE, all new 3G and 4G smartphones that are coming to the market. We are confident that the Verizon network advantage will become even more of a differentiator in the marketplace in 2011 and beyond.

In terms of customer growth, we added a total of 955,000 net new customers. 872,000 of these were retail postpaid, which is roughly 50% more than we added in the third quarter. Retail postpaid gross adds in the quarter were up sequentially 5.2%. We ended the year with 94.1 million total customers, with 88% of the base being retail postpaid, 5% retail prepaid and 7% reseller.

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In terms of other connections, we have a total of 8.1 million machine-to-machine connections which include vehicle tracking and telematics.

Let's take a closer look at ARPU. As you know, we are focused on the retail postpaid market, where we will continue to grow revenue by adding customers, increasing data usage and driving higher smartphone penetration. Throughout the year, we saw accelerating postpaid ARPU growth from 0.6% year-over-year growth in the first quarter to 1.5% in the second, to 2% in the third, and now 2.5% in the fourth quarter. Clearly, we are gaining momentum in this critical metric through increased smartphone penetration.

Retail postpaid data ARPU was obviously a big driver with year-over-year growth of 19.3% in the fourth quarter. Revenue from Web and e-mail services increased to more than $2.9 billion this quarter, up more than 43% from a year ago. Messaging, which makes up about 35% of data revenue is still showing good growth, up 9.6% on a year-over-year basis.

And our strategy of stimulating data growth and smartphone penetration is also improving customer retention. Our churn metrics this quarter were excellent. Total churn for the quarter improved to 1.34%; our retail postpaid churn was 1.01%, improving by 6 basis points sequentially and 4 basis points year over year.

Now to smartphones and devices. In terms of smartphone penetration, we now have 26% of our retail postpaid base with these devices. That is up substantially from 15% one year ago, and there is plenty of headroom left.

In the fourth quarter, more than 75% of our postpaid net adds were smartphones and 45% of our postpaid sales in the quarter, which include both upgrades and gross adds, were smartphones. As far as upgrades, about 9% of our existing postpaid customer base upgraded to a new device in the fourth quarter, a pretty strong result, given our messaging around 4G LTE. Our smartphone talk-free promotion within family share plans was a big contributor to upgrades in the quarter. Interestingly, about 63% of smartphone upgrades were new to this category, which is very good sign in terms of incremental data revenue moving forward, even within our existing customer base.

At the end of the year, we had 5.8 million data devices in our postpaid base, with 323,000 added in the fourth quarter. Within this category are our Internet devices like 3G and 4G PC cards, MiFi devices, tablets and notebooks.

So, while we have made rapid progress in a relatively short period of time, adding 9.3 million smartphone customers this year and substantially increasing data ARPU, we strongly believe both connections and data ARPU growth could really explode over the next several years with proliferation of 4G LTE devices and the iPhone opportunity. In just three weeks in December, we added 65,000 subscribers to our 4G network, of which 41% were new to Verizon.

Wireless profitability. In terms of profitability, we had another excellent quarter, generating $6.7 billion of EBITDA, up 14.6% from a year ago. Our fourth-quarter EBITDA margin was 47.5%, a very strong result. We have consistently demonstrated our ability to sustain and expand margins this year through a combination of revenue, growth, effective cost-saving initiatives and continuing to mine synergy savings from the Alltel acquisition.

In addition to effectively managing our cash costs per sub in a business-as-usual manner, we also identified and captured about $1 billion in additional cost savings in 2010 through focused efforts in our supply chain, customer service and a number of other areas within our business. And while we are encouraged by these savings, I certainly see more opportunity throughout the organization to further enhance productivity and make the business even more cost-effective. As always, you can expect us to continue to achieve both growth and profitability with a focus on gaining share in the retail postpaid market and increasing the penetration of smartphones and other data devices, which we drive continued revenue data growth.

Let's move to our Wireline segment. As I said during the highlights, we are encouraged by the improving revenue trends. The 2.8% year-over-year decline in the fourth quarter marks an improvement from a 3.6% decline the last quarter. And we have

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excluded the effects -- if we exclude the effects of the international Wireless wholesale -- I'm sorry, the international wholesale pricing change, total Wireline revenues were down 1.1% year over year, mainly due to declines in other wholesale operations.

On the consumer side, our broadband and video products continue to drive a significant shift in our revenue mix. FiOS revenue in the quarter grew 26.8% year over year. And FiOS ARPU, which now exceeds $146 per sub, is up more than 4% over the fourth quarter of last year. FiOS now accounts for 53% of our consumer revenue.

On the enterprise side, we had our third sequential quarter of revenue improvement. And growth in strategic services, which includes security, IP, our managed solutions, continues to transform the revenue mix. Let's now take a closer look at the consumer and business markets.

Within the mass markets category, consumer revenue of $3.4 billion in the quarter grew 1.6% versus last year. Here, we continue to see strong growth in consumer ARPU, which increased to $88.85 this quarter, which is up 10.7% from a year ago. As I said, FiOS now represents about 53% of consumer revenue, which is important because the increasing scale of FiOS and the strength of our broadband video products, are driving positive revenue and ARPU growth, and are now large enough to more effectively mitigate the secular and competitive pressures in this part of the business.

We had a solid quarter of growth in FiOS TV, adding 182,000 subscribers, which was a 22% improvement over fourth quarter last year. We ended the year with a total of 3.5 million FiOS TV customers, representing annual growth of better than 26%. Our FiOS TV penetration at year end stood at 28%.

On the broadband side, we added 197,000 new FiOS Internet customers in the quarter, a 31% year-over-year improvement. Our FiOS Internet customer base increased 24% to $4.1 million in 2010, representing 32% penetration of homes open for sale. By adding in our 4.3 million high-speed Internet or DSL customers, we ended the year with a total of 8.4 million broadband connections.

Underlying our strong FiOS performance is the fact that our customer satisfaction ratings are very high, and our churn rates are very low. Our renewed focus on sales and increased penetration is paying off.

In our more mature FiOS markets, we are still seeing consistent penetration gains. Penetration in some of these markets is in excess of 35% and a few in excess of 40% penetration. In addition, as we stated at the end of the third quarter, multi-dwelling units or MDU customers, have become a bigger portion of total net adds, particularly in the second half of the year. So, again, we are pleased with our progress in FiOS, and we look ahead to a good year in 2011.

Let's move to business. While revenues in the business market continue to be challenged by macroeconomic pressures, we are seeing signs of improvement. Global Enterprise revenue of $4 billion was up modestly on a sequential basis and also up 1.3% on a year-over-year basis, driven by increased CPU sales and improvements in key products within our strategic services category. Strategic Services, which now represent 44% of global enterprise revenue, grew 7.5% year over year and 3.7% sequentially.

Within this category, strategic nonworking, like private IP and Ethernet services, continue to show steady growth, as do strategic solutions.

Our security services grew 12% year over year in the fourth quarter, as we are seeing the benefits of being named the number one global leader in security by Gartner Group. Importantly, in the fourth quarter, the absolute dollar growth in Strategic Services outpaced the dollar decline in core enterprise services. We are encouraged by this as the size of our strategic services is large enough to mitigate the secular and cyclical pressures elsewhere in the business.

So, again, we are seeing some early positive signs but we still have a cautious posture as we look for additional signs of recovery in the broader economy. But overall, we are encouraged by improving trends in Global Enterprise.

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In Global Wholesale, revenues declined 12.1% year over year and 3% sequentially. Domestically, voice revenues continue to be impacted by secular pressures and lower usage volumes. Internationally, our route rationalization strategy, where we increased voice pricing in certain geographies, has resulted in a loss of business and a substantial decline in international voice revenue. In the fourth quarter, we experienced $179 million decline on a year-over-year basis. Absent these effects, fourth-quarter global wholesale revenues declined 5.5% year over year. Since we introduced these price changes in the second quarter last year, I'd say we have two more quarters of somewhat tough comparisons to work through before the revenue impact of these actions moderates.

I think it is also important to add that while this strategy has certainly resulted in revenue declines, it is having the desired effect on profitability, as our absolute margin on these routes has improved.

Let's cover Wireline profitability. In the fourth quarter, EBITDA increased by $82 million, resulting in an 80 basis point sequential improvement in our EBITDA margin of 23.5%. Again, our historical margins have had upward adjustments due to the pension accounting change but they are all on a comparable basis. That said, during the year, we increased the Wireline margin by 240 basis points from our low point of 21.1% in the first quarter.

On an absolute dollar basis, our fourth-quarter Wireline EBITDA was higher year on year for the first time in recent memory. While a majority of this improvement this quarter was once again driven by cost savings, third-party interconnection costs, margin improvements were also helped by revenue growth in FiOS and global enterprise.

Our workforce reduction initiatives in 2010 were successful in helping us lower our cost structure and reduce our overall cost of labor. The Wireline headcount declined by about 16,000 year over year. As you know, a majority of these reductions related to voluntary separation offers accepted by our associate workforce. While it is unlikely that our workforce reductions in 2011 will come close to what we experienced last year, our focus on continued -- to reduce the Wireline cost structure will be just as vigilant. I can assure you that this is one of my primary focus areas across the entire business, not just in Wireline. There are many more areas to capture additional savings, and you will be hearing more on our progress as we move through the year.

So to sum this up, we had another solid quarter and strong second half of the year, resulting in improved earnings and solid momentum. We had strong wireless growth with record high profitability. We remain confident in our ability to grow the business by adding new customers and driving higher smartphone penetration. And, with our demonstrated ability to tightly manage our cost structure, we continue to grow profitably, sustaining a very strong service EBITDA margin.

As you have seen and heard this morning, our Wireline performance has improved over the course of the second half of the year. Our cost reduction programs have stabilized Wireline profitability. And we are optimistic about our opportunities to further expand margins going forward, particularly as we begin to see an acceleration of revenue from our growth areas like FiOS and enterprise strategic services. Our sharp focus on capital spending discipline, maximizing free cash flow and deleveraging has resulted in a stronger balance sheet.

Let me wrap up here, as we will be sharing more on our strategic and financial outlook with you later in this morning's program. At this time, I will open it up to the floor for questions.

QUESTIONS AND ANSWERS

John Hodulik - *UBS - Analyst*

A quick question on the Wireless margins, the margins in the fourth quarter are up sequentially, could you give us a little bit of detail on the $1 billion in cost savings that you identified? Maybe where they are coming from, if there is potentially more to go, and maybe more importantly when those came out during the year? I mean was it something that affected the latter half

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or even the fourth quarter more than the other quarters? And then maybe just a couple lines on some of the below-the-line items which seem to be a little bit different than we expected this quarter? Thanks.

Fran Shammo - *Verizon - EVP and CFO*

Sure, John. So, first, on the overall cost initiatives within Wireless, they set out the year on a $1 billion cost initiative, which include all types of things, like customer service, store operations, logistics, real estate. But the biggest one this year that had the most impact was logistics. In logistics alone, there was a $750 million cost reduction within the whole ecosystem of our logistics system. That came throughout the year but obviously the bigger part of that came in the second latter part of the year. So that really was the big portion.

As I said, and I'm going to talk about later, they have yet another $1 billion challenge for 2011 and we could talk more about that in the later program.

On the second issue, John, I think as we look at what the consensus was, we were higher on EBITDA margin; we were higher on operating income margin. But then on the below-the-line item, I think the big disparity between consensus is how minority interest is calculated. And of course a lot of that EBITDA margin was driven by the Wireless unit, so there was more minority interest I think than what was expected on the consensus side. So that is how we got down to the bottom.

Jason Armstrong - *Goldman Sachs - Analyst*

Jason Armstrong from Goldman Sachs. Maybe a couple questions. First on, just to follow up on John's, the balance between strong adds and margins this quarter in Wireless I think really exceeded expectations. You guys put up a record smartphone add quarter this year but still had record margin, which really kind of frames I think the [investor today] into next year because there is a sense out there that you cannot maintain margins; EPS is going to drift because of the type of volumes you are going to see.

So maybe just help us think through what actually happened in the fourth quarter. I'm sure there was obviously some cost-cutting initiatives that played into that, but just how that sets the stage into next year. And then maybe on the volume metrics, the 870 in postpaid adds, it seems like there were actually probably some limitations at the customer level in 4Q, big network changes ahead, big handset refresh ahead. It seems like that number actually could have been a lot higher. So what do you think maybe the run rate of the business is? Thanks.

Fran Shammo - *Verizon - EVP and CFO*

Okay, so Jason, both of these, I think we are going to cover a lot more in the next session, but let me just set the stage. From a fourth-quarter standpoint, even with the adds that we had in Wireless, with the cost reductions we had, we only had a 0.2% increase in our cash expense. So for all of the adds that we had, a significant majority of that drop right to the bottom line.

And I think that as we said before, and I'm going to have some fun in the latter session because the question I always get is, how long can you maintain these margins, and I'm going to have some fun with that in the next session. So hold that question.

But I think as we go forward, I think you can expect us to run the business like we always have. It is all about execution, and it's about execution on profitability and growth. And it is an "and" equation for us; it is not an "or." So I think Lowell will speak a lot to the strategy. I'm going to talk a lot about the iPhone expectations, where we think it is going to be. So I think I will come back to your question in the second half. Simon?

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Simon Flannery - *Morgan Stanley - Analyst*

Staying on the postpaid adds, you had a strong performance in the Internet devices; I think you said 323,000. Can you contrast that with where that was say, you know, Q3 a year ago, what the delta is there and what the characteristics of those devices are in terms of ARPU? And then if you could just touch on what was going on in reseller and wholesale? Thank you.

Fran Shammo - *Verizon - EVP and CFO*

So on the Internet, we had our best quarter in the fourth quarter this year. And I think really two things contributed to that increase.

One is, as we said, within three weeks of launching 4G LTE, we sold 65,000 dongles. 41% of them were new to Verizon. Okay, so that was a contributor to it.

The second is, as we launched our tablet starting in October with the iPad and then shortly thereafter with the Samsung, we sold about 86,000 tablets in all. 37,000 were just stand-alone iPads. The rest were all iPad with a MiFi device, and with the Galaxy. So 96% of them were new to the category. So these were folks who did not have any type of data usage on this type of a device before. So 96% of those customers were new to this category. So that helped boost the quarter from an add perspective. And then, I'm sorry, Simon go to your second question again.

Reseller wholesale. So on the reseller side, we grew by 152,000 net adds, and then on the prepay side, we lost 70,000.

And then I think the important thing here is obviously, as we have always said, we are a postpaid retail company. But we believe that those other segments are important. However, we are not going to chase those segments when we think that we can have more postpaid growth. And if you think about the reseller segment, and with unlimited offerings that they use, they flip between carriers depending upon who has the best price at that point in time. So I think you saw a little bit of that but we still added 152,000 reseller net adds.

On the prepay side, as you saw, we launched new prepaid pricing at the end of the quarter, in December, adjusting our rate down to $1.99 from $3.99, but instituting a $0.02 text messaging fee. So we think that stimulated some more retail prepaid growth in the last month of the quarter, but was not enough to offset the disconnects from October and November. So I think we see some little momentum going there, bringing our price down more to where the rest of the market was.

On the wholesale side, I think it is important that we really distinguish this international calling, because if you think about it, on the 12.2% wholesale decrease, 28% of that was driven by the international wholesale piece. So when you state that out, the wholesale decline was only 5.5%.

And we did that because as we said before, there were a lot of routes that were not profitable, were very slim margin routes. When we decided to raise our price, that traffic went away; the revenue declined. But I think as we work through that in the third quarter next year, I think you will see a different picture for us going forward on wholesale. Michael?

Unidentified Audience Member

Could you talk a little bit more about the improvement in the Wireline margin? How much of that is labor related versus non-labor types of cost improvement?

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Fran Shammo - *Verizon - EVP and CFO*

Yes, so well, I mean obviously, we let -- we had a 16,000 reduction in labor this year. So there was a, say more of a significant impact there. And of course a big majority of that was driven by the associate population who decided to accept the incentive that we put on the table and work with our bargaining folks. And we put that on the table, and 16,000 associates took that. So, obviously, that was some of the decline.

But I think there is more behind the story than just that. I think you have to look at the whole picture, which is the increasing presence of FiOS. So FiOS is becoming a bigger portion of consumer. And when you think about access line loss, we went from 9.3% access line loss down to 8% in the final quarter. So you are seeing a declining trend for us in access loss. So the other thing is, as you look at the ARPU on FiOS, it is becoming a much bigger segment. It is 53% of the consumer revenue.

When you look at access lines, it is now only 7% of our overall corporate revenue from a consumer standpoint. So it is becoming less and less significant. FiOS continues to make progress on profitability, so I think you have to look at the whole thing. But, obviously, there is a lot of cost reduction initiatives that are there. I mean you can take the labor piece, but I think you also have to look at everything that Virginia Ruesterholz's group does out of Verizon services organization, which is real estate, energy, fleet management. It is just disciplined execution on all those costs that helped -- contributed to the margin.

Unidentified Audience Member

Just following up a little bit on that -- two questions if I could on the Wireline top line. First, just specifically with respect to FiOS as it is now creeps over 50% of the consumer revenue, as it grows, is it a lower margin product that as it grows you need to cut costs faster? Or as it grows is it margin accretive to the business? Is this a good thing it is growing or is it not a good thing it is growing from a margin standpoint?

And then second, just quickly on the enterprise recovery, we saw 1.3% growth. Was there any help or lift from the consumer premises equipment hardware side of that equation? Thanks.

Fran Shammo - *Verizon - EVP and CFO*

Sure. Okay, so from a FiOS perspective, the interesting part here with FiOS here is as FiOS grows, it is becoming more profitable. And it is because we are becoming more efficient in how we connect the home, how we pass the home, how many labor hours it takes to connect that home. So if you look at the whole picture, the more we do, the better we are and the more efficient we get at it.

Now as I said, our goal is always to add between 180,000 and 200,000 TV net adds in a quarter. I think we have increased the penetration.

As I said before also, in the third quarter is we have concentrated much more on the MDU space. So if you look at the MDUs, we actually opened up 500,000 MDUs open for sale this year versus only 300,000 last year. That became a bigger portion of our adds in the second half of the year. And MDUs holistically are more cost effective to connect, because once you build the building, it is now disconnecting all the apartments or condos within that building. So I think you are seeing some more of the efficiency there, which then drives more ARPU up.

I think, also, there is a couple things with Flex View. So we just launched Flex View. In the short period of time we have had Flex View out there, we've only had 2,000 titles on that platform. That will grow to over 9,000 by the end of next year. Within those eight weeks that we had Flex View out, we sold 41,000 titles at approximately $15 per title.

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Now those titles are in the cloud, which now these consumers can watch on any device, anywhere, anytime and around the world. So I think that is also going to help us drive some more incremental ARPU with very little cost when you think about adding those Flex View titles. So I think that goes to the FiOS story.

Then, on the second piece with Enterprise, the 1.3% sequential growth, two components really helped with that growth. One was consumer premises equipment. But I will tell you that we have, over the last four quarters, have sequentially increased our price in consumer premise equipment. And I can tell you that we have doubled the margin on the amount of equipment we sell now.

And I can also tell you that we have really moved ourselves away from what we would call drop shipping. We are letting other people play in the drop shipping space. Really where we are selling consumer premises equipment is bundled with our Strategic Services and our IT components.

So then when you took a look at the second component, which is really Strategic Services, we had our best growth of the year at 7.5% increase in Strategic Services. That was really driven by our security portfolio which had a 12% increase year over year. We are gaining momentum in the marketplace on security because of the great ratings that we have gotten from Gartner as the number one global provider of security.

So I think these -- really the Strategic Services is really where we are focused at. The equipment comes with all the other bundles we are selling, but the equipment margin is increasing year over year.

Okay, I think what I will do is I will stop there because I want to get to the next part of the program. So what I'll do now is I'm going to invite Lowell McAdam, our President and Chief Operating Officer, up to the stage, and he will take us through the next phase of the program, which is more of a strategic discussion.

PRESENTATION

Lowell McAdam - *Verizon - President and COO*

Good morning, everybody. Thanks for braving the elements and coming in today. I saw lots of you were interested in all the goodies we have in the back of the room there. I will report nobody stumped the jukebox, however. I know a few of you tried to come up with a song that we could not pull out of memory, but sorry, so far, no winners.

Okay, so, what I would like to do is spend a few minutes this morning telling you where we stand as we enter 2011 and why I believe we are positioned so well to provide greater shareholder returns in the next several years ahead. You know, I'm new in this position and I have spent the last few months of this role traveling around Verizon, immersing myself in the details of the business and getting to know the business in its overall entirety. And the more I do that, the more it is clear to me that Verizon's assets both globally and domestically are really the best in the business.

As you know, we've spent the last several years investing in strategic technologies like FiOS and LTE, as you saw in the back of the room. We have been acquiring critical assets like MCI and Alltel so that we can extend our reach in the global markets and add scale to really deliver more on the bottom line.

We have also divested lower growth, what I would call nonstrategic assets, in the Frontier and the FairPoint transactions so that we can improve our ability to compete and grow in the markets that we choose to serve. So this superior asset base gives us really a solid foothold in the growth markets of the future for broadband, for wireless data, for video and for cloud services. I think businesses that we are seeing now are gaining scale and momentum as we saw in the second half of 2010 and you saw in Fran's presentation earlier this morning.

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So I feel very good about the competitive position as we look forward. And I'm confident that we are poised to leverage those assets in 2011 to deliver superior performance for our customers but also to drive higher returns for our shareholders. And I will underscore what Fran said a couple minutes ago; we are a growth and a profitability company, and we're going to continue that track record.

As you see on this slide, I'm not sure it is widely appreciated how thoroughly those investments and those portfolios have really transformed our revenue profile over the last couple of years and differentiated us significantly from our competitors, both in the marketplace and from a shareholder perspective.

If you look at these charts, from 2006, we have grown the revenue base from around $88 billion to $104 billion. And if you look underneath those top-line numbers, we have really transformed that revenue base. Wireless has grown by more than -- to more than 60% of our revenues up from about 43% in 2006. Now the two big drivers, obviously, the Alltel acquisition, but also the rapid growth of Wireless data revenues, and you saw that on some of Fran's charts.

Wireless data and Wireless will now make up 20% of our total revenue, and as you saw in fourth quarter, growing at better than a 25% clip year over year.

You also saw from Fran, together, strategic enterprise services and FiOS account for about 13% of our revenues, up from only 6% in 2006. And you saw both of those segments grew strongly in the fourth quarter. So that means legacy and other services account for just over a quarter of our revenue base, whereas in 2006, they were more than half.

So in a very real sense, we have rebuilt Verizon around the growth markets of the future based on a foundation of superior network that gives us really a set of platforms for innovation that I think is unprecedented in the industry.

You have 3G and 4G wireless. You have the fiber base of FiOS. You have fiber in the backbone. You have got a huge network of cloud and data centers around the globe that really provide those platforms.

Now our networks give us a strong, strategic position that put us at the center of the trends that I believe are going to be driving growth in our industry for the next years to come. With our broadband presence across the US and around the world, we are positioned to grow as the global economy improves. And I think we are all seeing predictions that that is going to be happening in 2011. Customers expect to be connected now wherever they are, and that is an expectation that is driving demand for mobility and broadband connectivity in the home.

Video is evolving into an anytime, anywhere service, and it is fueling that demand for increased speed and bandwidth on both the Wireline and the fixed side of the business. And businesses are shifting to security and secure IP and secure managed services.

Now that shift to IP and digital content and computing power are moving to the cloud, both business and consumer, by the way, which opens up another growth area for companies like Verizon that have integrated assets across the broader ecosystem.

Now one of the real challenges in this anytime, anywhere world is that content flowing across global networks, again, both fixed and mobile, is increasing in the form of video, which taxes the networks like never before. You see some of the growth areas in this chart, five hours spent watching video every day, dramatic increase in mobile and online viewing; increased demand for integrated multi-screen experiences and connected devices, and enormous demands of video over the Internet. More than 90% of Internet traffic by 2014, most of which is going to be streaming. So again, Verizon's investments in bandwidth and capacity both at the edge and in the backbone have prepared us to be a leading player in this multiscreen marketplace.

So it starts with our global capabilities and the Internet backbone facilities. Thanks to the MCI acquisition of a few years ago, Verizon is a major provider of services on a global scale with 180,000 customers around the world. That is in a world that is increasingly depending on transport -- on transporting terabytes of video and data around the world to a wide array of devices.

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Our high-capacity global networks position us to accommodate that rapidly increasing demand. We have the Internet backbone in 159 countries on six different continents. We have high-speed undersea cables linking all the world's major markets, where you have the most connected Internet backbone network. And we have been rated that way in 11 of the last 12 years.

We are the first company to deliver commercial long-haul service at 100 GB per second. And we have over 200 data centers around the world that we can deploy to service the cloud demands.

We have also beefed up our capabilities in professional and Strategic Services through acquisitions such as the security firm, Cybertrust, which we purchased a couple of years ago.

Just as important to those physical assets, we have got 3,000 professional consultants in our digital business whose expertise gives us a leg up on growing the market for these managed and intelligent services.

Strategic Services now combine more than 44% of our 15 billion in global enterprise revenues, and we are positioned for even faster growth as we move forward.

So finally, we have a great opportunity to extend our global reach and scale through our partnership with Vodafone, and that is a little bit of a change in strategy for us. In the past, this has really been largely a financial relationship with Vodafone. But now we are putting together a strategy and a structure to operationalize this partnership by aligning our technical roadmaps, by gaining efficiencies through procurement and by putting together unified account teams to handle the multinational, large-enterprise corporations. I think with that talent and resources of the two companies, there is much more that we can do to deliver superior experiences for our global customers and expand into higher growth vertical markets to again deliver greater value for our shareholders.

So the global presence positions us to be a big player in the next generation of computing as well. And where everything we do, media, communications, personal data, network intelligence, security protocols and many more, will be stored in the cloud and then delivered anywhere in the globe. This shift to an everything as a service model expands the addressable market for Verizon's global services dramatically.

Now, experience tells us, as you see on this chart, every time we see a paradigm shift in computing, we see the number of users go up by a factor of 10. And industry analysts like Gartner and IDC size the cloud market at about $120 billion over the next five years with a growth rate in a range of 20% a year. So with those 200 data centers I mentioned, with global IP backbone, with the service portfolio we have, we are better positioned, I believe, than just about anybody to capitalize on this fast-growing market by delivering any content to any device anywhere in the world, with all of the network quality and the reliability that our customers have come to associate with our brand. So in short, our assets put Verizon right in the center of the trends driving growth in our industry.

Now let me shift gears here for a second to FiOS. I talked a moment ago about the growing dominance of video on the Internet. The optimum platform for handling that kind of bandwidth demand is fiber, which is why we made the investment in FiOS when we started building back in 2004. Now we are approaching the end of our FiOS build. Over this last six years, we have completed reaching 15 million households. And when we complete our FiOS build of 18 million households, we'll cover about 70% of our territory.

This fast FiOS network can handle high volumes of streaming video and on-demand content, including 3-D sports, games and entertainment. And recently, as some of you may know, we upped the ante by increasing our throughput speeds to 150 Mb per second. And that really sets a new benchmark in America for high-speed Internet access.

In essence, we have used that FiOS investment to totally reinvent the consumer Wireline business around the growth markets of the future. And there is a question we had a couple of minutes ago, now over 50% of our revenue, right? So now our focus and my focus is on driving that investment to deliver greater returns.

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You know, Fran talked overall about the improving financials of the FiOS business, and I think it can generate a lot higher margins as we go forward, and certainly improve the composite margins and ARPUs that we see in the legacy products of the Wireline business.

Customers have responded very strongly to the FiOS product, and we think 32% Internet penetration and 20% TV penetration gives us a lot of opportunity for upside growth.

Now, we are also really excited about the opportunity FiOS brings to further transform the broadband experience and deliver a whole suite of broadband services for the home, and you saw a few of those in the back of the room earlier this morning. We see that fiber connected home becoming the hub for managing all aspects of the customer's digital life. Now what is bringing this long-predicted vision to life is the increasing number of connected devices in the home combined with that high-speed connections and a flood of Web-based content that needs to be managed. And when you layer on the social trends like energy conservation, telework, environmental concerns, we see tremendous opportunity for companies that deliver a truly efficient, integrated connected home solution.

Now with this platform for the future largely in place at this point, we can now focus on using it as that launch pad for the entry into new markets that will leverage that FiOS investment and expand and diversify the revenue stream of the Wireline business. And Fran touched briefly on that in the question and answer session.

We have also spent, though, many years building the premier nationwide wireless platform for the anytime, anywhere era. We have deliberately assembled our national footprint through a series of strategic transactions that you see on this chart that transformed us from regional players by combining GTE, Rural Cellular, PrimeCo, Vodafone, AirTouch, Alltel, into the nationwide player that you see here over the last 15 years. And we have integrated all of these separate companies into a seamless whole, establishing the country's leading Wireless brand.

Also in 2004, we ushered in the area of mobile data by launching our 3G Wireless network which made us the largest, most reliable Wireless voice and data network in the US. Since that time, we have doubled our 3G capacity every year, consistently investing in cell sites, spectrum and backhaul and increasing our throughput speeds. We have bulked up our 3G capacity again in advance of our iPhone launch.

Now I hope you all had a chance to look at the iPhone in the back of the room. I can tell you, I have been using this personally and this is a terrifically performing device and we expect great things of it as we add it to the network.

So the 3G network has been and will continue to be a platform for innovation and technology-driven growth. Now we have accommodated the doubling of usage on our 3G network every year with no degradation of quality. We are the largest provider of Android products in the country, which in 2010, was the fastest-growing platform of any phones in the market. And we have the highest-quality, most loyal customer base in the industry.

And again, this is all before we added the great Apple products to our portfolio that you'll be seeing a lot more of in 2011. So again we think 3G will continue to be a growth engine not for just 2011 but for several years to come.

So now let's shift gears a bit. At the same time, we have been actively preparing for the next generation of mobile broadband growth. In fact, I would say we have been preparing for this over the last decade, as you see on this chart.

Those of you more familiar with our industry know that spectrum really is the lifeblood of the wireless business, and we've consistently added to our spectrum depth and breadth to ensure we have the capacity to meet this large consumer demand that we are seeing. The key transaction was probably in 2007, when we purchased the nationwide spectrum in the 700 MHz range, which paved our way for the investment in a superior 4G LTE network. As you see on this chart, we launched LTE in December in 38 major markets, home to a third of all Americans. We will double that in the next 18 months to some 200 million POPs, and we will blanket the country by the end of 2013.

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Now I believe LTE is a real game changer, and I don't use that term loosely because it increased speeds on our network by a factor of 10 and cuts latency in half, which is the piece that many people miss. That makes it suitable for two-way video traffic, real-time applications, cloud computing, and all the other mobile broadband experiences that are going to dominate in this anytime, anywhere world that we talked about. And riding that 700 MHz spectrum, it has significantly better in-building penetration than other so-called 4G technologies. And it dramatically enhances the value proposition that we can bring to customers.

Now customers are already beginning to see the benefits of LTE. Those of you that have been around a while remember the old, oh they won't come; there's not going to be any devices. Well I think -- at CES, we announced a suite of consumer-oriented smartphone tablets and devices for 4G from several manufacturers. We are also working actively with developers and entrepreneurs from across the high-tech industry to expand the market by further developing a robust LTE ecosystem.

Our partnership with Google around the Android platform is just one example. If you happened to be at CES and you went by our booth, we showcased more than 40 devices from 60 different developers, and that was the range from gameplayers, to cars to smart energy to meters, to healthcare devices. And through the open development initiative, we are working with more than 6,000 developers to help integrate their applications and software onto LTE.

Collaboration is how growth and innovation will happen in the wireless market of the future. And we believe our commitment to network innovation, our spectrum position and all of our other blended assets make us the preferred partner for such efforts. All of this, I think, will speed up the innovation cycle and it will position us for growth from a number of areas.

First, a diversified portfolio of devices. You know we are seeing all major manufacturers and platforms are represented. We are going to see increased smartphone penetration. 26% today; I think we will be at 50% by the end of 2011 or even higher.

I think we are going to see increased ARPU for mobile data and video. We are going to see new revenue streams from innovations now just beginning to come to the market like machine to machine. So I think we are ready for this coming mobile broadband era, and we are excited about the opportunity to kick-start another growth cycle in an already vibrant sector of our business.

Now the real magic happens when you put all of this together. You have got LTE, you have got fiber in the network, you have got fiber in the backbone, you have got global IP networks, you have got all the different devices and apps and interactive content being developed to deliver experiences more powerful than anything we have seen to date. And with video and data comprising the bulk of the traffic on mobile and broadband networks, we have a tremendous opportunity to optimize the flow of content across LTE and FiOS to deliver those integrated services to customers wherever they are.

Now our Flex View product, again, I hope you saw it in the back of the room, is an early glimpse at this content-anywhere world, what that will look like.

And as you see on this chart, on our foundation of what I call high IQ networks and that massive cloud infrastructure gives us growth opportunities across every one of our businesses. There are not many providers who can take the customer from their home to work and everywhere in between, wherever they are in the world, and we are one of that select group. And we really believe those high IQ networks are the hub of the wheel that will drive the industry forward.

So the assets I have just described give Verizon that unmatched strategic position in the growth markets of the future. Now my focus is on leveraging those superior assets to deliver superior value to our customers and to our investors. In my mind, these are not separate goals, but they rather exist in a dynamic relationship, that virtuous cycle of investment, execution, growth, profitability, in which success in one area feeds and is therefore fed by all of the others.

So that is why I have challenged the leadership team around Verizon to execute around this model to deliver growth and profitability. So first, consistent investment starts with having the right tools in the toolbox. So we will continue to allocate capital to growth platforms, systems, technologies and product sets.

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Second, we have to have strong portfolio management. As we have done in the past, we will continue to actively manage our portfolio to add strategic capabilities through selective M&A where we can and where necessary, and we will exit non-strategic businesses as well.

Third, operating excellence. We need to deliver on the power of our assets through fundamental execution, operating at maximum efficiency and providing customer interactions that live up to the promise of our superior networks.

Fourth, we are going to defend and extend our market position. We have aggressive business plans for competing in the marketplace, growing revenue and taking market share. And as we do that, we will generate profits, and that cash will allow us to keep investing and turning that wheel of this virtuous cycle.

Now, in my time at Verizon Wireless, we had a strong history of execution around profitable growth. And I come into this new position with the same expectation. Anyone who has worked with me for any length of time has heard my philosophy that no matter how good you are doing, how successful you are in others' eyes, there is always opportunity to do better. We call it our higher gear philosophy. And I'm absolutely convinced when it comes to delivering that value for our customers and shareholders, we can raise our game even further in the next several years. Our team is focused on instilling the culture and the incentives across the business to drive performance and execute that game plan that I've laid out for you today. We are very confident that superior execution will lead to superior returns for our shareholders.

Now I know you want to understand how does that translate into the numbers, so I'm going to bring Fran back up at this point to talk about our targets for 2011 and beyond. Thank you.

Fran Shammo - *Verizon - EVP and CFO*

Okay, so now we will move to just the guidance that I think everybody showed up to hear today.

So, first, let me just talk about, you heard Lowell talk all about the strategic nature of where we are headed. Let me just tell you where my focus is going to be. Obviously, driving profitable top-line growth. As Lowell said, we are going to continue to invest and allocate capital to those growth areas that we have on our platform, enhance the return on invested capital. I have seen a lot of articles written about the telcos and the invested capital. This is a real concentration for me to make sure that we start to return on what we invest in from a growth platform perspective. Obviously, generating free cash flow, maintaining our dividend policy and returning to our shareholders.

Let's go to the next slide. So if we look at revenue, so from an overall perspective, there are a few things that are flowing into the revenue projection. One, service revenue, 7.7% growth this year. Obviously, we believe that there is more growth there for next year.

Data revenue, 26% penetration. If you paid attention in Lowell's charts, we believe there will be 50% plus by the end of 2012 with all of the devices that we are bringing to the market, both 3G and 4G.

Smartphone penetration, as I said. And then of course, LTE; just in a matter of three weeks, again, 65,000 adds, which were 41% new to Verizon.

On the consumer side, we have FiOS, growing 10.7% in ARPU year over year on a consumer basis; $146 per sub, grew 4% this year. With the launch of Flex View, as I said, 2,000 titles. We sold 45,000 of them in just a matter of six weeks. So there is more potential from the Flex View as we continue to add titles and also as we continue to add TV programs that will be able to be bought through Flex View.

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And then on enterprise, overall strategic services grew 7.5%. We see that continuing to escalate as the macroeconomics, if it stays where it is today, if we get any bump in the economy, that will of course drive GDP, which will then enhance the enterprise services side.

And then, of course, you heard Lowell talk about the cloud. You are going to see us move into the cloud space in a very big way in 2011. And we'll talk more about, as the quarters go on, what you can expect us to do -- more growth in the cloud arena. So when you take all of that to combine with the launch of the iPhone, 4% to 8% growth for next year on top-line revenue.

Let's go to the next one, please. This is the fun chart I have. So the fun chart is, don't ask me anymore how long am I going to sustain 47% margins. This is the chart that shows, as Lowell said, it is all about execution and profitability on the Wireless side. And I think we have proven that through the history of where we are.

So from that perspective, let's just move on to the next topic. From an overall perspective, I think it is all about, how do we prepare for the iPhone launch? So on the iPhone launch, when we talk about execution, refer back to the last slide. Okay, we are not going to have any flaws on the execution of the iPhone launch.

The next is if we go to customer service, we have hired over 3,000 people currently who have been trained. And if you think about it, we launched the iPad so that our customer service reps in our stores and in our centers could get used to the interface of the iPhone, which was a pre-launch to the iPhone. So we have trained everyone, extensive training around that.

Then when we go into just overall -- if you could put those four slides back up on the iPhone, please. Thank you.

So if we go to the overall network, we have been preparing the network for expansion for the last year, anticipating the launch of the iPhone. So we are well prepared from a network perspective. And then from a policy change, there are a number of policy changes that are taking effect.

So one is, we have discontinued the new every two for new customers. Now that does not mean that our current base is not qualified to exercise their new every two right; they are. But for new customers, there will no longer be any more new every two. So if you think about that, you can do the math, but before, you would get a $50 to $100 credit going forward on any upgrade. That disappears. The customer will be getting the promotional price at that point in time for a new phone when they qualify.

Second, we are changing our return policy from 30 days to 14 days and even at 14 days, it is still one of the best in the industry.

And then, mostly recently, you will hear more about this in the coming days, but we are launching a trading program. We have entered into an agreement with a third party, where we will be taking trade-ins from anyone who wants to bring us a trade-in phone. They will be getting a credit from the third-party participant, and then we will welcome them into any device that they choose on the Verizon Wireless network. So if you go to the next slide, please.

So from a Wireline overall efficiency, I think we have shown that with our FiOS growth, 53% of the revenue is consumer; in Strategic Services, 44% is global, part of the global enterprise space. Overall consumer access, as I said, is less than 7% of the overall revenue. And we believe there will be cloud acceleration in 2011. In addition, we will continue to drive the cost reductions within Wireline. We will continue to drive the synergies through VSO, on real estate, energy, access cost. So with all that said, I think we are comfortable saying, as I've said in the past, we continue to see margin expansion in our Wireline unit.

If we go to the next slide, please. So from a capital perspective, Wireline capital, as we've said, we have reallocated capital very efficiently this year. So if you look at the Wireline segment, our capital expenditures went down by $1.7 billion. That was reallocated back into Wireless. So Wireless increased by $2 billion, which was really the preface of building capacity on EV-DO for anticipation of the iPhone usage and building out our LTE network.

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So from a guidance standpoint on capital for 2011, you can expect it to be flat or slightly down from 2010 performance. But again, I think it is critical that there will be a major reallocation again in 2011 between where that capital is invested. As both Lowell and I said, it will be invested in the growth platforms of the business.

If we go to the next slide, please. So from an EPS, earnings per share, relevancy, but first, before I get there, I think there is a few things we need to talk about. So there is a lot of things that go into projecting an earnings per share for a company. It is not just about an iconic device of the iPhone and what the impact of that is going to be. So if you think about everything that we have talked about here today, the revenue growth in all the segments that Lowell and I have talked about; if you talk about the cost reductions across the board both in Wireless, Wireline and corporate; if you think about the capital efficiency, the cash management efficiency we have, the pension and OPEB planning that we have done; and just to remind everyone on Friday I said that all the changes that we made, the pension and OPEB expense will be zero to slightly positive for 2011.

Now going to the iPhone, if you think about this, there are a lot of things going into projecting what the iPhone volume could be. So one it's all about supply. Two, it is the mix of sales versus upgrades. Three, it is about what is our projection going to be. So I'm probably going to disappoint everyone, but I'm not going to give you an exact forecast that Verizon has for the iPhone. Because there are too many variables that go into this.

So what I have done is I have taken the consensus average, which is 11 million phones, we've put that into the model and given everything else that Verizon is going to do in 2011 based on 11 million units of the iPhone, you will get a 5% to 8% EPS accretion in 2011. Now sensitivity around that is, if I do more than 11 million units then, obviously, I will be on the low side. If I do many more than 11 million units, I may actually pull outside of this range. But I think the important thing here is whatever this 5% to 8% will be based on the units, and, obviously, we will inform that as we go through the year, it just means that much more upside for 2012.

So when you think about this, 2 times is not out of the range for a number for 2012, based on these projections of 11 million units. So you will be hearing more about that as we go from quarter to quarter, but that is more or less the consensus that we have today.

If you go to the next, please? From the shareholder return perspective, obviously, the concentration that Lowell and I have is to continue to return to our shareholders what they expect from us, which is growth in the share price and maintain our dividend policy.

Next slide, please. So overall I think you have heard from Lowell and I -- I'm not going to repeat everything on this slide -- it is just a regeneration of what we just talked about. But I think you can tell that Lowell and I are both focused on delivering what we need to deliver. So at this point I'm going to ask Ivan and Lowell to re-join me back up here on stage and I'm going to open it up to the floor for Q&A.

QUESTIONS AND ANSWERS

John Doherty - *Verizon - SVP, IR*

Sorry about that. Lost my mike. Nancy?

Phil Cusick - *JP Morgan - Analyst*

In 2012, the 2 times you just mentioned in 2012, what did that refer to? You said 2 times would not be unreasonable in 2012.

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Fran Shammo - *Verizon - EVP and CFO*

Based on the 4% to 8% projection --

Phil Cusick - *JP Morgan - Analyst*

So 2X that rate?

Fran Shammo - *Verizon - EVP and CFO*

2X that rate.

Phil Cusick - *JP Morgan - Analyst*

Got it, thank you. And then second of all, if you could talk about the sort of ARPU subscribers' growth rate on the top line in Wireless in 2011, and then versus Wireline in 2011 how you break up the business on the top line versus that guidance? Thank you.

Fran Shammo - *Verizon - EVP and CFO*

Well, I'm not going to give guidance on specific top-line growth for there. So we will stay at the 4% to 8% on total revenue guidance for the corporation.

John Doherty - *Verizon - SVP, IR*

Sure, we will go to John then, Kevin. Just one clarification, the 2 times is really related to when you were talking to the earnings slide, correct?

Fran Shammo - *Verizon - EVP and CFO*

Yes, 2 times on the earnings.

John Doherty - *Verizon - SVP, IR*

So the EPS 2011 number, talking 2 times what we had on that slide? Not the revenue number, very specifically.

Fran Shammo - *Verizon - EVP and CFO*

Yes.

John Hodulik - *UBS - Analyst*

Earnings growth in 2012 looks more like 8% to 16% off of a 2011 base. Something like that.

Just on the Wireline side, you talked about all the drivers and wholesale being a bigger one. Is it possible that you think you can get to Wireline growth, obviously, not for the year but maybe by the end of the year or potentially in 2012?

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Fran Shammo - *Verizon - EVP and CFO*

Yes, so John, I think as I said, the biggest drag right now is the wholesale side. So on the consumer side, you have growth from FiOS. On the enterprise side, you have growth. So it is really the wholesale side. And I think that as we get through the third quarter on the international traffic situation, I think you will see some improvement there.

Mike Millegan, who is the President of our Wholesale, believes that there are, through the fiber to the cell program that we have, through Ethernet that we have, they actually grew 6.6% year over year within that segment. So as we continue to see some of the decline in the voice side, I do feel that they are could be a potential, if the economy stays steady and we get some growth in the economy and Wholesale comes back, we could be back to a growth in the overall segment.

Lowell McAdam - *Verizon - President and COO*

And John, I think I'd add too that I think there is some good, let's say, let's call it, earnings potential on the core side as well. I see lots of opportunities to take more cost out, just by being more efficient, not just on the labor side but more efficient on how we provision, how we maintain so we have fewer dispatches on that side. And as you and I were talking earlier, we have seen a slight decrease in the disconnect side on the core. And if we can keep the quality and the expense in a good position there, I think we can improve overall profitability of the core.

John Doherty - *Verizon - SVP, IR*

All right, just a quick reminder, since not everybody has met everybody, if you could just say who you are and where you are from. With that, I'm going to go over to Jonathan Chaplin, who I certainly know, with Nancy.

Jonathan Chaplin - *Credit Suisse - Analyst*

Thanks. So a quick question for Fran. I think you mentioned you expected 50% smartphone penetration by the end of 2011. That is a doubling from where it is at the moment. And I expect it goes higher than that in 2012. It should drive a very significant increase in postpaid ARPU. With that in mind and how accretive to margins that increase in ARPU is, why aren't you expecting more in terms of earnings growth between now and 2012?

Fran Shammo - *Verizon - EVP and CFO*

Well, again, I think you have to look at the holistic picture. But I mean obviously it is because of the iPhone and the subsidy on the iPhone.

John Doherty - *Verizon - SVP, IR*

One follow-up?

Jonathan Chaplin - *Credit Suisse - Analyst*

Yes. So I would expect that to be a big pressure in 2011. So maybe you don't see that EPS growth in 2011, but if you go through to 2012, it is with all the iPhone subscribers that you add in 2011 and the impact that has on ARPU, I would have expected a bigger jump than 10% to 16% in earnings.

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Fran Shammo - *Verizon - EVP and CFO*

Well, at this point, what I said was under the assumption of the 11 million units, you could factor in a 2 times. But at -- at the end of the day, I'm not giving guidance on 2012 because I don't know yet what the total volume will be in 2011.

Lowell McAdam - *Verizon - President and COO*

We have got a couple of, I think, significant moving pieces here. Obviously, the iPhone is one of them, but if you take a look at the 4G devices that we have got outside, I mean they are terrific devices, and the tablets that go along with those. We are working very hard with lots of different developers to bring new applications. I mean that -- there is a lot of upside. And I can tell you later this afternoon, Ivan and I will meet with the employees and we will be talking a lot more than 50%. But I think where we have got to be very careful that we guide you in a prudent and conservative way, and that is kind of where we are at this point.

John Doherty - *Verizon - SVP, IR*

Why don't we go over to Simon.

Simon Flannery - *Morgan Stanley - Analyst*

Okay, thanks very much. I think you mentioned, Lowell, about depending on iPhone supply. Can you just give us some clarity around that? Is this a situation where you are going to have some significant backorders in the February/March period? And then be obligatory Verizon Wireless, Vodafone dividend question, what is the latest on that? What is the timing we should think about there?

Lowell McAdam - *Verizon - President and COO*

Those two questions are interesting bedfellows, I have to say there, Simon. Okay, so on the supply side, you all see the different forecasts. And we've spent a lot of time with Steve and Tim talking about what we might expect, not only existing iPhone subscribers but there is a lot of people on other networks that are interested in that device on the Verizon network.

So from that part, you can be wildly optimistic or you could be conservative. Now you also have to factor in, you remember last year, we ended up with a shortage of screens and some of the basic components because -- as we came -- as we started to come out of a little bit of a downturn. So our hesitancy to give you a strong number on supply is just we don't know whether we will be able -- the demand is very variable and some of the components are variable. But we feel very good on hitting the kind of numbers that Fran talked to you about.

Now on Vodafone, I think I need to re-emphasize that I'm trying to change this from a pure financial partnership to an operating partnership. If you look back over the last 11 years, our technologies were so apart it made it -- far apart -- it made it difficult to sort of reach across the aisle and do a lot of things together. Well, they have launched LTE in Germany. Obviously, we have launched LTE.

We see now, especially when you look at all the things I talked about on the asset side, that them working with us from not only just wireless but from the business side, really is a competitive advantage for both of us.

Now we've said over the years that eventually, we will be into a place where we will be giving a dividend. I mean to me they contributed the assets. We knew this day was coming. You know, it will be a fair dividend. We will get their support for making additional investments in the business. That is the key for us, is to keep Verizon Wireless very healthy. And if there is excess cash on that, then we will dividend it out, and Fran will use some for our investments across the business and Vittorio will use some.

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But I think that as we get to the end of this year, we will sit down and we will talk about it in the Board and we will figure out what a fair and reasonable dividend is.

John Doherty - *Verizon - SVP, IR*

Why don't we go over to Jason.

Jason Armstrong - *Goldman Sachs - Analyst*

Just one follow-up. I guess one of the key inputs is around iPhone subs, where they are coming from. And if the consensus is 11 million units, can you help us think through, in percentage terms, is it more weighted towards external? Is it internal smartphone upgrades, which I guess you're doubling smartphone percentage would suggest it is not. Or is it existing feature phone upgrades? Maybe help us think through that.

Fran Shammo - *Verizon - EVP and CFO*

Yes, so I think a couple of important facts here, Jason, is, one is, if you look at our current base today, 52% of that base is on feature phones with no data plan. There is another 15% on multi-video type devices which only had a $10 data plan at that time, which you know now we don't -- we have discontinued that line. So within our own base, there are 67% of the people who can upgrade and bring more ARPU with them. So if you think about a feature phone customer going to a smartphone, the ARPU on that is 2 times what they deliver on a feature phone. So I think it is important because I don't know exactly what the mix will be at this point in time.

So -- but I think it is important to know that there is tremendous growth within our own base by moving that base to smartphones, whether it be an iPhone or a DROID or some other device. So I think as you think through that, I think you have to look at the overall base plus what will be coming in from new.

John Doherty - *Verizon - SVP, IR*

All right, so that we're not leaving the back of the room out, I'm going to go Jim Peshek, with a question from the back.

Jim Ratcliffe - *Barclays Capital - Analyst*

Hi, Jim Ratcliffe, Barclays Capital. Two questions, quickly, Fran, did I hear you say that you will not be offering the $15 data plan for iPhone customers?

Fran Shammo - *Verizon - EVP and CFO*

The $15 promotional price that was offered will be discontinued at the end of this month.

Jim Ratcliffe - *Barclays Capital - Analyst*

Thanks. And you have chosen to take legal action to push back against the FCC's net neutrality proposals. How do you see those affecting the business, whether those proposals actually take effect or not, in particular regarding applications like Flex View?

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Ivan Seidenberg - *Verizon - Chairman and CEO*

(multiple speakers). I don't think it will affect it at all. I think the FCC decision is kind of a far-reaching one. I think that most of the impact of that order will not be felt this year, but over the longer term, it would be felt if the FCC actually exercised all the authority.

Just for a point, if you actually read the rules they put in effect, the rules don't sound anywhere near as troublesome as the order which encourages the FCC to seek broader authority over time. So I don't think it will have any effect on the current business but I do believe that longer term, we need to challenge the expansion of the FCC's authority there.

Ivan Seidenberg - *Verizon - Chairman and CEO*

You know since I have the floor let me just add a point to that last couple of questions on this guidance question. You know Fran and Lowell have tried to give you as much guidance as we can. There is a couple of unknowns here that I think it is worth just slowing you down a little bit.

So we can get into this contest of, so we think we know how many people will switch from T to us. We don't really know the answer to that. We know you are being subjected to lots of discussion around that. We do believe that our brand and our network will drive a lot of people.

But, so Jonathan, to your point about what will earnings look like in the future? Why don't you do this, over the next couple of quarters, as we get some experience on volumes, we will share with you what those results look like, and I think you'll get a better view. It is much better than overestimating something that we don't know.

The other point is that we also believe that all our strategies will frankly lift the whole industry. So yes, this is about us today, but I think that as all these 4G and 3G devices get out there, you will find all of the carriers doing better. Our view is, we will do better because of the position we have established, but the entire base is going to move from feature phones up to smartphones over the course of the next 12 months. So I think you are sitting in a really good spot when we look at the entire industry's growth. And obviously we believe we will have an edge on that. But I think when you look at these numbers, my advice is be careful about 2011. And 2012 and 2013 will absolutely be clear to you once you get to the middle of the year.

Chris Larsen - *Piper Jaffray & Co. - Analyst*

Chris Larsen from Piper Jaffray. Fran, could you talk a little bit about the optimal capital structure? And within that, not just at the corporate level but also at the wireless level. Going back to the dividend question, arguably, the Wireless business will be under-levered if it was a stand-alone business. Do you think about it as a stand-alone business when you think about that capital structure?

And then do you think maybe it makes sense to lever that up and then cash that out to the parents? And then what is the proper leverage ratio for Verizon?

And then a second question, as you look at the last 30% of your access lines that are not going to have FiOS, what is the long-term strategy for those access lines? Thank you.

Fran Shammo - *Verizon - EVP and CFO*

Okay, so I will take the capital and maybe I will have Lowell take the long-term strategy on the access lines for the LTE. But on the capital structure, I think the way we look at it is, as we said, we are going to continue to de-lever. So that de-lever will happen in the Wireless unit. I'm not going to lever just to distribute cash to the parent. That is not going to happen.

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But I'm also not going to build cash in wireless either. As Lowell spoke about when the time comes, we will start to deliver cash to the share owners.

So I think that is how you have to look at this, but overall we will continue to manage our capital structure. We will continue to manage our debt levels and refinancing and position, taking advantage of some of the better interest rates in the marketplace. So we will continue to do all that. But I think as we said, our target for EBITDA to debt ratio were at 1.3 today and we will continue to de-lever that.

Lowell McAdam - *Verizon - President and COO*

(multiple speakers). So on the core, and the 30% that is left. So let me tell you, my priorities first are to get better penetration on FiOS. Every customer I talk to, every investors -- you name it, if they had FiOS, they have used FiOS, they go wholly cat, I did not think there was a difference. There is a difference and they love it.

So I have got to go back to what we did with Verizon Wireless in the beginning when all the carriers were viewed the same and we came out with the, 'Can You Hear Me Now' campaign and people really appreciated reliability. We are going to find that message so that we can get penetration up. When you get penetration up, the profitability changes so that equation may change as well.

Now we are also going to, as I said earlier, work on the basic profitability of that 30% to try to make that better. If we can sustain it, I think we have a tendency and I think all of you have a tendency to sort of write things off very early on.

If we get to the point where we do those two things and it does not make sense for us then we will look at additional dispositions. It depends on where the properties are and that sort of thing. So I'm not ruling out anything. But my number one priority is to make FiOS more profitable and stabilize the other core assets.

Tim Horan - *Oppenheimer & Co. - Analyst*

Fran, do you think this revenue growth is sustainable for a few years? And you gave a lot of different metrics on the Wireless data front. Could you maybe talk about what the penetration right now is of your subscriber base that have a data plan, and maybe what the average ARPU of that data plan is?

And related to that somewhat, I know it is complex, but, do you think Wireless broadband can start to cannibalize Wireline broadband given the speeds and maybe the capacity upgrades you see in the next couple years?

Fran Shammo - *Verizon - EVP and CFO*

Yes, so from a guidance perspective, I'm not going to get into that detailed of a guidance between what the ARPU growth will be. And I mean what we say is we are at 26% penetration on data today. We will be at 50% plus; data revenue is 2 times that of a feature customer, so that is where we are at.

As far as cannibalization from LTE, I think what you have to look at is, I don't think that the broadband connection to the home with the speeds that are being enabled at 150 Mb per second through FiOS, that is going to go away. I think that given the amount of content that will be put into that home I don't think that will be a displacement for broadband connection.

However, I do believe that when you get out into the rural areas, there are -- there is going to be some opportunities and I will pass it to Lowell. He can talk about the DirecTV relationship and what we have done there.

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Lowell McAdam - *Verizon - President and COO*

Well, we have got a couple of things. You know, we have licensed our 700 MHz in some of the very rural markets that we were not going to get to for a while to the rural carriers so that they could get that infrastructure up and operating. And as Fran mentioned, we have got a number of trials with DirecTV where we have bundled -- we have got a special antenna that we have developed together, but we have bundled the video service together with a high-speed Internet access service. And that, again, works very well in the rural markets.

So there is ways to get in there. My view is, over time, if I look over my years, the wireless will sort of nibble away at the low end of the Wireline offering. But it is very difficult to beat a dedicated facility into somebody's house. And certainly it is not on any roadmap I have seen where we're going to hit 150 MB in a broad wireless deployment.

John Doherty - *Verizon - SVP, IR*

We are running a little over, but you guys have been real well behaved, so we will take a few more. Why don't we go up front. Let's go with Michael and then we will go over to David.

Michael Rollins - *Citi - Analyst*

A couple questions. First on the Wireline side, management earlier last year pointed out I think a $1.5 billion plus goal for cost-cutting through the end of 2011. Can you give us an update in terms of where you are along that road map?

And then secondly, Ivan, earlier this past month, talked about changes in management compensation that Fran made. And I was wondering if you could detail a little bit more maybe about how some of the high-level goals or strategies for incentive compensation were changed. Thanks.

Fran Shammo - *Verizon - EVP and CFO*

Okay, so addressing the cost savings program, we, with the $1.5 billion, I don't remember that figure quite honestly. But from running the operating unit during the year, we obviously achieved a significant reduction of employees. We closed over 7 million square feet of real estate. We either sold it, or closed to it or subleased it.

We have significantly reduced the cost, as I said before, from a FiOS perspective. We have gotten more efficient as we have gone on. So I think at the end of the day, we achieved what we said we would achieve which was we were going to expand the Wireline margin which we did. And I think going into next year, as Lowell has said, that is going to be the consistent strategy going forward.

From just an overall compensation standpoint, as Ivan had mentioned, we moved more risk to cash flow away from revenue. Obviously, you can see from the charts, the revenue growth is not going to be really quite an issue, but we have to make sure that we generate the cash flow at the bottom, both in the Wireline unit and the Wireless unit.

David Barden - *Bank of America Merrill Lynch - Analyst*

Lowell or Fran, could you talk about this, again, this 26% to 50% plus smartphone evolution. In the base today, if 25% are smartphones, those guys are generating $80, which means that the other 75% are generating $40. So your game plan is to take a big portion of those people who pay $40 today and turn them into $80s over the course of the year. That is a lot of money for the next 25% to 50% of the base in terms of their income and getting them off the curve. So could you kind of talk a little bit about how you really make that happen because it seems like a very aspirational goal?

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And I guess my second question if I could, Ivan, you announced that Lowell would be your successor last year. Could you talk a little bit about how you see your succession plan evolving this year in 2011? Thanks.

Lowell McAdam - *Verizon - President and COO*

Okay. So you are concerned, you think the 50% is conservative? I just want to make sure -- I mean I get what you said about the feature phone. I will get to that. But your belief is the 50% is conservative?

David Barden - *Bank of America Merrill Lynch - Analyst*

Well no; I think the -- the question is, to get from 26% penetration of people paying you $80 to 50% penetration of people paying you something much more than the $40 they are paying you now, you've really got to create either a much lower cost of entry or bridge them somehow from an economic standpoint because it seems like the first 30% of America is paying $100 or $80 for a smartphone, no problem. The next 25% of Americans that are going to have a bigger problem coming up with that wallet, and how do you get them there?

Lowell McAdam - *Verizon - President and COO*

So I think, so we can talk about this for a while here. That is I would say is right if you looked at the entire base of Wireless customers in the US. But remember over, the last 10 years, we have gone for that high-end customer and their families. And what we see, when we bring out a great phone like the DROID, and I expect it's going to happen exactly that way with the iPhone, is we pull a lot of family share lines with them. Now in the past, those were $9 lines. In the future they are going to have the $39 or whatever our data package is associated with those. And what we see is once people get those phones in their hand, they say I can live with a flip phone. We tease Ivan. He still carries a flip phone once in a while. But when they get those smartphones in their hands, the usage goes up. They get on the unlimited plans or they move up in tiers. So I actually feel good about -- and when Fran shared some of his charts -- having those feature phone customers moving up with the set of devices we have and the clientele we have, I don't see that as a big problem.

Ivan Seidenberg - *Verizon - Chairman and CEO*

So let me just add to that. So part of your question is, you assume the available discretionary income for Wireless is fixed. That is what your question was. We assume that even if you are half right, there are other things that will drive people to use Wireless products, medical services, going green. The business revenues will significantly increase as you go to data because people will have more work at home.

We have customers -- we have large companies coming to us -- we have one large one who had said to us we want every employee to work out of home. And so I think there is an opportunity to take this data platform and extend it to parallel industries. And so the revenue pie we are looking into is much bigger than the one that you think exists today. So not only will those $40 customers become higher data users, but the $80 customers will go to $105 and $110.

The other thing we have missed in this discussion is, I have been saying this, but my guess is that at least half this audience today is carrying two devices on them. Two years ago, you guys would say that could never happen, and half of you now have two devices. Our view is when you get to machine to machine and all these other things you are going to find people carrying three and four devices. So I don't subscribe to the theory that the pie remains static. So I think that answers part of your question.

Now the succession plan is based on what I just said being true, which is that if we're really looking at this expansion of the pie and we take these two great guys, and you know when you think about succession you call up Madison Avenue, you have got

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to get one guy with white hair and one guy that is angry all the time. So that is what we have. We have one guy that's white haired and one guy that is angry all the time.

And so what -- our Board is in a place where they have asked me to work with Fran and Lowell through this year some time, I've said this before -- sometime in the second-half of the year, Lowell will become CEO, and I will spend a few more months after that as probably Chair or whatever the Board wants. And by the end of the year, we will have the transition completed.

Most of you know transitions have a lot of components to them, running your company, meeting the outside stakeholders, partners, politics, boards, investors, so we are working through all of that. Today as part of that drill.

Hopefully you saw a plan today from two people that have a very expansive view of the future and a really sound, solid record of execution. So I think for me, this is an easy transition but there is still a few things that need to be done between now and the end of the year and we will get them done. Okay?

John Doherty - *Verizon - SVP, IR*

Why don't we go to Kevin with Kevin. That's an easy one for me.

Kevin Smithen - *Macquarie Securities - Analyst*

Kevin Smith at Macquarie. Equally impressive to your 872,000 net adds this quarter was the 9% retail postpaid upgrades to smartphones, and the 63% new to category I think bodes well for your 50% smartphone targets.

The question is, with all of the hoopla surrounding the iPhone launch, you obviously had very, very strong momentum on Android and BlackBerry in Q4. How do you keep that momentum with the iPhone launch and continue to drive success in all of your smartphones in 2011?

Lowell McAdam - *Verizon - President and COO*

Well, I think you saw it in the back of the room. The 4G device lineups we have from major manufacturers are terrific devices. So the iPhone sort of establishes its own gravitational pull. But if you look at the CES show and how much attention we got around LTE and you look at the breadth of those devices, I really feel good. And we frankly worked very hard to get here, is that we would have a balanced approach.

One thing we said we would never allow ourselves to do is to become a one-phone company. And we are a portfolio company, and I think we have positioned ourselves that way. And what -- the message I was trying to send earlier today is that portfolio is also broad when you look at the enterprise side and the FiOS side and the Wireless side. So we will not be one-business focused and we certainly will not be one-device focused.

Peter Rhamey - *BMO Capital Markets - Analyst*

No one has talked about it so maybe it is a good one. Enterprise, to what extent is enterprise -- look for 2011 and 2012 really just about the economy recovering? And to what extent -- you talk about cloud. It seems to be on the top of everyone's mind, but I don't quite get the contribution that cloud is going to make anytime soon. It's our J curve investment. So could some -- one of you address the issue with respect to the outlook for enterprise, talk about cloud, the economy; and just lastly, is Vodafone synergies built into any numbers that you put out there for 2011, 2012?

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Lowell McAdam - *Verizon - President and COO*

Okay, well Fran can take the synergy side. We do see lots of opportunity with Vodafone around procurement and hitting these accounts but Fran can talk about the numbers.

So enterprise, no, I think it is much more than just the economy. Certainly the economy will help. But as you see the different applications -- and cloud is a very interesting thing. Everybody is talking about it. But what we find, what I find interesting is you sit down with a customer and you start to have a security discussion. You know, the cyber trust is usually where we start the discussion. They have got things that they want to get out on the mobile network. They are very concerned about the security of it. We bring -- Peter Tippett and the team in, and we do the discussion. And then it turns into well, now you can store that application for me on your cloud and deliver it around the world. So I think that the economy, certainly, will help but I think that some of those applications will get us up that curve, very quickly, I think, quicker than we think.

Fran Shammo - *Verizon - EVP and CFO*

Then to answer the question on synergies, no, there is nothing baked into the plan.

John Doherty - *Verizon - SVP, IR*

And with that, we are going to bring it to a close with Ivan making a few closing remarks.

Ivan Seidenberg - *Verizon - Chairman and CEO*

Okay, so thank you very much. I thought I would make just two or three closing points that will address some of your questions and put a bridge between what we tried to do this morning and where you guys are.

One of the things we wanted to do this morning was establish a good foundation for our performance in 2010, and let you understand that we feel good about the fact that the beginning of the year, we did not think the year would turn out a strong as it did at the end of the year, and there were some reasons why; you heard that. And you can see clearly the difference that Lowell and Fran are making are on the focus on execution in the Company to make that happen.

What we wanted to do with the iPhone in 2011 is pretty simple. So to put this in perspective, for those of you who are into conspiracies and into looking for other meaning to life, so you would think that this is my last year, so I would want to make sure that the year went smoothly. I also wanted to make sure my colleagues did not over-promise and get in the doghouse for the next two or three years. So I purposely made sure that whatever they told you this morning represented a fairly conservative but doable plan.

So the issue for the iPhone is we don't have all the answers. We personally believe we will probably do better than most people think but we did not want to set any standard because we don't know the number of people who will pour it, we are not sure what the inventory flows will be, we are not really sure of how all that will time out. But we are sure by the time you get to the end of the year, 2012 will look a lot stronger than 2011. So we've told you everything we know. And that is kind of where we are at this point.

We also wanted to make sure that when you think about the whole Company, you don't just focus on the iPhone, but you look at the breadth of the assets that we have and the opportunities that we have to grow the Company.

Probably the most important issue -- I will close on this -- for 2011, there is a lot of stuff written about earnings for 2011 will slide backwards because of the iPhone as opposed to going forward. Hopefully you got this morning a sense from management

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that we are not accepting the idea that because we get a new iconic device in the system, that was an excuse for us to reduce our focus on growing the base in 2011, so we are going to work really hard to do that.

Part of that -- Fran drove this -- he changed compensation for people to say don't ride on the fact we know we are going to have higher revenues because of both the growth of FiOS and the growth of smartphones. So he made sure our management understands that driving more EBITDA growth this year is a really important issue. So I think the Company is positioned in a good place.

I also would make the comment again, just so you get a sense of this, I also think the entire industry is going to do better. So I'm not trying to help the other -- my colleagues in their assessments, but what I want to make sure is that you understand we believe the investments we have made, some of the investments they are making, will grow the pie. We happen to think we will index better than they will, but the fact is the overall pie for this sector will grow.

I want to thank Fran and Lowell, of course, and John for what they have done. Thank you all for bearing with us. I know two hours is a long time for a conference but those of you who were here, thank you; those of you on the website, thank you. And we will be back at you at the end of the first quarter. Thank you.

John Doherty - *Verizon - SVP, IR*

You are welcome to stick around. And please join me in thanking Ivan, Lowell, Fran, as well as the whole team to help us pull it off.

Operator

Ladies and gentlemen, that does conclude your conference for today. Thank you for your participation and for using Verizon conference services. You may now disconnect.

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