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PRESENTATION

Mike McCormack - *Bear Stearns - Analyst*

Okay. So, in the interest of time, I think we should get going. I just have a brief disclaimer to read from Bear Stearns. Verizon Communications is or during the past 12 months has been an investment banking client and a non-investment banking client of Bear Stearns & Co. Inc. Within the past 12 months, Bear Stearns & Co. Inc. or one of its affiliates has received compensation from this Company.

So we're very happy to have Doreen Toben with us this morning. She is the Chief Financial Officer of Verizon Communications. Verizon, as you know, is in the midst of a lot of exciting things right now -- the FiOS television build, the acquisition of MCI last year which has positioned it to be a strong competitor in the enterprise marketplace, and what some would say, probably including myself, has continued dominance in the wireless industry. So a lot of interesting things happening for the Company.

The presentation format I think will be Doreen has a presentation for probably I guess 15 to 20 minutes or so. At which point we will have plenty of time for Q&A. So don't be shy and write down your questions now. Thanks very much.

Doreen Toben - *Verizon - CFO*

Thank you, Mike, and thanks for being a FiOS customer. He can give you a testimony on how good it is for any of you that don't have it yet.

First of all, thanks for having me. I appreciate being here. I think I need to start with the obligatory Safe Harbor statement that is up there. We may talk about forward-looking information today that is subject to risks and uncertainties. The factors which may affect future results are contained in our SEC filings and are also available on our website.

As I look over the last couple of years, it is clear that the overall industry environment is better than it has been in quite some time. Demand is stronger. Exciting new technologies have been introduced, and we're seeing more integrated services, and there is a lot more positive buzz and interest surrounding the industry. At Verizon we see excellent opportunities for continued innovation and sustained organic growth in a number of areas.

As you know, we have been transforming the business and accelerating the change in our asset and revenue mix to put us in a better position to achieve sustainable growth. For example, we successfully spun off our directory business now called Idearc. Through the sale of three Latin America properties, we expect to generate more than $3 billion in net pretax cash proceeds, and two-thirds of our revenues now come from wireless and global business. So we have made good progress in simplifying the business, and we are better positioned to take advantage of growth opportunities.

At the same time we unlocked some value and created more financial flexibility going forward. All of our groups -- wireless, business and telcom -- finished 2006 with strong momentum, and they feel good about their prospects for the business, and they enter 2007 with challenging business plans and operational and financial targets that drive value for customers and shareowners.

Our leadership teams across the business are focused on six key imperatives. First, grow revenues. Each business as focused on the topline and specifically on increasing ARPU. Second, we want to continue to take share from the competition, particularly in the growth areas. We are very focused on increasing productivity. While we always have been focused on looking for ways to be more efficient with each business unit, now we're driving more productivity across the business units. We are reviewing all our processes for improvement by questioning the status quo, streamlining operations and eliminating redundancies. We want to make sure that improvements in the topline and increased efficiencies lead to improved profitability and margins. But this imperative is to continue to deliver great customer service, providing a quality experience and making it easy to do business with us.

And finally, we want to motivate and drive high-performance from our teams. Given these common imperatives across the business, let's look at the specific priorities for wireless, consumer and business and some of our specific expectations for 2007.

Our priorities for wireless are really straightforward and consistent with the drivers of the success we had in 2006. In our view it is very hard to suggest that we have anything but the industry's premier wireless assets -- a robust 3G network, an excellent spectrum position, a high-quality distribution model and over 59 million very loyal subscribers. Nearly 55 million or 93% are high-value retail postpaid customers, and we have over 34 million data customers.

As you would expect, we will continue to expand and improve our most reliable network. We will strive to deliver the industry best customer experience. We will be driven to expand retail customer market share, and we continue to target industry-leading financial performance. We believe there is still significant upside potential.

Our growth outlook for the industry remains strong. We see overall penetration, which is currently below 80%, growing to more than 90% by 2010. And there is significant potential for growth in wireless data services. We see the market for data growing from $17 billion today to $50 billion over the next five years.

So what can you expect in 2007? First of all, we are expecting EBITDA margins to remain within the 43 to 45% range. We will continue to do a good job on managing churn, particularly with our postpaid customers. We are targeting wireless capital spending to be in the range of 6.6 to $6.8 billion in 2007, up slightly from 2006.

Our CapEx to revenue ratio is expected to continue to improve. In 2006 we were at 17%, down from 20% the year before. During the course of the year, we will expand our data capabilities by deploying EV-DO Rev A in all major markets.

Each week you hear about more markets being turned up. So far we have Rev A coverage in a number of markets in nearly 30 states with many more markets to come. Last year we announced a groundbreaking deal with YouTube and revver.com. Allowing our customers to view increasing increasingly popular user-generated content on their mobile devices. A few weeks ago we announced an exclusive multiyear agreement with ESPN to deliver unmatched mobile sports content to our wireless customers. And just last week we launched V CAST Mobile TV in a number of markets. Expect a lot more news from us on more markets and more devices as the year goes by.

By enhancing our data capabilities and providing differentiated products and services, we expect data revenue to continue its impressive growth trajectory in 2007.

As I said earlier, data revenues doubled in 2006 to $4.5 billion. Importantly, data revenues also drove about half of total service revenue growth last year. This strong focus on the data revenue opportunity certainly provides upside potential for service ARPU accretion. So in wireless we are very confident in our ability to gain market share, post industry-leading financial results and sustain our growth leadership position.

Let's now turn to wireline where we have four key priorities in consumer and business. Again, these priorities are linked to the growth potential we see in each market. I think there is universal agreement that the demand for bandwidth will continue to grow. More and more households will move to higher speed Internet connections to take advantage of advanced online services, Internet applications and interactivity. In addition, as high-definition TV sets decrease in price and HD TV programming grows, we will see significantly higher levels of HD TV penetration of households. Again, this means more demand for broadband bandwidth.

We are tangibly seeing this demand for bandwidth in our early FiOS Internet and TV results. In a very short period of time, we gained 687,000 FiOS Internet subscribers and 207,000 FiOS TV subscribers. We believe this is a very good business for us, and we believe our FiOS platform uniquely positions us to participate in this bandwidth growth. Our priorities within consumer are to continue to expand our broadband capabilities. We also want to improve customer retention and increase ARPU. At the same time, we will maintain our focus on improving productivity and efficiency, and we will strive to provide the industry's best customer experience.

Moving to Verizon business. In Verizon business, which serves global enterprises and government customers, our priorities address the growing demand for advanced services. Expectations for IT spending among enterprise customers are more optimistic than we have seen in years, and we are seeing an accelerating shift to IP. In fact, about two-thirds of our customer base is either converting to or planning to convert to IP.

We are particularly well positioned in this space worldwide. We currently have one of the world's largest IT networks, and we will be expanding our global reach and capabilities with a transpacific express system agreement to help meet the increasing demand for IP data and voice communications in the Asia-Pacific region. And we're implementing the Next Generation global IP/MPLS network. We have staked out a clear leadership position in IP, which is a key driver behind our strategic services revenue growth of 26% in 2006, which helped restore year-over-year positive revenue growth of 2.7% in the fourth quarter for all our Verizon business.

So here's what you should expect for 2007 in wireline. Revenue trends should improve. In telcom our focus of improving retention and ARPU, coupled with increased adoption of FiOS Internet and video, should help the topline. We believe general business trends will put service providers in a good position for growth in 2007. We expect Verizon business to continue to gain share, particularly in strategic services. Cost structure improvements will obviously be a continued focus. We expect that our Verizon business integration efforts will continue to be very successful.

In 2006 we captured 600 million in synergy savings. We have increased our 2007 synergy target from 825 to $900 million. Many of our incremental savings we expect in 2007 are from systems integration projects that are well underway. Another key area of focus will be reducing access costs. We are targeting full-year wireline operating income margins to be generally stable compared with the last year, increasing over the course of the year subject to some variability from quarter to quarter.

Capital spending is expected to be in the range of 10.7 to $10.9 billion. This includes both telcom and Verizon business. This also includes $300 million of CapEx to reduce access costs going forward. You will also see success-based capital investments in FiOS and some level of spending for growth in private IT, Web hosting and new product development in business.

Now let's take a look at some of the new opportunities we have to create value by reducing our cost structure. Our recent management organizational changes will help accelerate our ability to capture savings and take better advantage of our scale, leverage common platforms, streamline processes and aggressively eliminate duplications. The key things here are new opportunities and a focus on accelerating the savings. I have listed some of the initiatives that are already underway. Some of them leverage our scale like global sourcing, others capitalize on technology convergence and a more unified approach to the customer. We expect some of these initiatives to make a difference right away, while others will take some time to fully operationalize. You will be hearing more about these and our progress soon.

Suffice it to say that we are focused here and see some great opportunities to reshape our cost structure. So, as 2007 unfolds, here is what you should expect. First, our revenue mix continues to improve. We will accelerate the shift of faster growing services that result in more wireless, more global business and more broadband and video. In 2006 our pro forma quarterly revenue growth improved from 2.6 in the first quarter to 3.9 in the fourth quarter. We expect that the drivers of this improvement -- organic growth, market share gains and ARPU expansion -- will continue to be the key takeaways for growth in 2007.

We have already seen notable ARPU expansion in some of the more mature FiOS markets and expect further traction as we move through the year. We are targeting operational income growth of at least 10%. As far as capital structure, we are looking at debt to EBITDA in the 1.1 to 1.2 times range. In January we announced the spinoff and merger of the access lines in Maine, New Hampshire and Vermont with FairPoint Communications. We expect these to close within about 12 months. And, as I said, we plan to continue our share buyback program.

Last week our Board authorized us to repurchase up to 100 million shares of common stock. The authorization to repurchase shares terminates when the aggregate number of shares repurchased reaches 100 million or at the close of business February 28, 2010, whichever is earlier. The amount and timing of these share repurchases will depend on our market conditions and corporate needs. We are now currently targeting about a 2 billion share repurchase program in 2007. When you put all of this together, there are solid reasons for being optimistic about the outlook for Verizon over the next three years. We have assembled the right assets, we have the right technology to meet future demands of wireless, broadband and business customers, and we have the right people in place to capitalize on growth opportunities. The feedback I am getting is that the market is starting to recognize and gives us credit for growth potential in terms of revenue, margin upside and earnings growth, and this is organic growth. Couple this with capital investments of the success base and you have a formula that provides viable options for dividends or share buybacks going forward and clearly substantial capacity to return value to our owners.

Thanks again, Mike, and that concludes my opening remarks.

QUESTIONS AND ANSWERS

Mike McCormack - *Bear Stearns - Analyst*

So I think we will kick it off. I think one of the things that I hear quite a bit, sort of confusion around EPS for the current year, and I think a lot of people are struggling with the Idearc spin on the international sales, FiOS dilution for the year and then trying to couch that against your operating income guidance of 10% plus growth. Is there anything you can do to sort of help us below the line and get to what we should be thinking about on an EPS level?

Doreen Toben - *Verizon - CFO*

Yes, I think the reason I guided to operating income as opposed to EPS is that the ETR, the tax rate that you will see from us going forward will be different than you saw in the last couple of years. You should think about it in that obviously international is what allowed us to drive down some of the tax rate that we have had over the past couple of years. So we have much less international -- we are really down to only Omnitel -- and we have much more wireless. Wireless actually runs a much higher tax rate.

So I would say over the next 12 to 18 months until we work through the Verizon business opportunities international, you probably will see us run a 35 to 37% tax rate, which it will be much higher I would say, the highest being in the first quarter and then working down over the year. So it's probably a number of folks are not used to seeing so much.

Mike McCormack - *Bear Stearns - Analyst*

Okay. That is helpful. Secondly, obviously there is a story in the paper today and everybody is focused on M&A in the marketplace. So when you're thinking about wireless assets out there and also as the story today, so how do you think about that in the context of other opportunities or the 700 megahertz option? And also related to that, does your relationship with Vodafone hamper any effort you might want to get involved with?

Doreen Toben - *Verizon - CFO*

A bunch of questions in there. Certainly on the 700 auction, we have been vocal to say we will take a look at it. It is probably an important auction for us. Vodafone has always been a helpful partner here. I don't anticipate any issues with them. I have never had any on looking at spectrum. As far as any additional assets, I think Ivan got the question last week actually, and we don't see anything new at this point on the horizon.

Mike McCormack - *Bear Stearns - Analyst*

From the audience?

Unidentified Audience Member

I have two questions on FiOS. Number one, how did you determine out of the households you serve how many you will build this out to? What are your criteria?

Secondly, you indicated you got 600,000 new broadband subs. How many of those were substitutes from DSL? In other words, how many of them were net new subs, where did you get them from, and how do you look at that business going forward?

Doreen Toben - *Verizon - CFO*

Okay. Let me see if I can get all of them. First, as far as how many we can build out, early on it was what I would call a capacity issue on people. So we said we could do about 3 million homes a year. We still think that is about right. Maybe we could do a little bit more. But to get much higher than that, the number of people we would have to hire was a determining factor in that piece of it.

What was your next question --

Unidentified Audience Member

(inaudible question - microphone inaccessible)?

Doreen Toben - *Verizon - CFO*

Yes, I guess we said we will eventually have homes open for sale of about 17 - 18 million in further the 2010/2011 timeframe. So we think about a 60% coverage is what we are expecting.

Mike McCormack - *Bear Stearns - Analyst*

I think he's asking about the migration from DSL.

Doreen Toben - *Verizon - CFO*

Okay. The migration is about -- it started at about a 1/3. It is now down to probably 25% migration of DSL into FiOS.

Unidentified Audience Member

(inaudible question - microphone inaccessible)?

Doreen Toben - *Verizon - CFO*

The new customers are coming from a combination from satellite, cable -- well, there is two different buckets, right? So, on the data side, they are coming from a migration of -- did not have anything, which is you're surprised they didn't. Some dial-up and some cable. So that is sort of almost an equal mix. On the video side, it is satellite and cable.

Unidentified Audience Member

Can you give us just on a FiOS add-on your expectations for dilution for the year I think is the mid $0.30 range. How much of that is driven by revenue improvement versus cost reduction, or can you give us a sense for what the combination looks like? It would seem like as the year progresses we are going to have a bigger footprint to markets. So I'm figuring the cost should be increasing, but some of the revenue plays an important role -- (multiple speakers)

Doreen Toben - *Verizon - CFO*

The revenue plays a key role without giving you specific numbers. You've got all the migrations done. You have got the voice revenue, along with the data, along with the video, so that is certainly very helpful. The e-part of the equation is really in the expense in the house on the installation, which is expensive and the marketing. Don't forget a lot of the expenses is on the capital side. So I would say it's probably a mix of both with the revenues definitely coming up the curve.

Mike McCormack - *Bear Stearns - Analyst*

Other questions?

Unidentified Audience Member

Can you walk through why Apple ended up with Brand X? If you guys are the best, why could you not convince Steve Jobs of that?

Doreen Toben - *Verizon - CFO*

I think there is a USA article today that probably as far as our negotiations with them will go as far as I would want us to get. I would say that we think we have the best mobile devices since the iPod or the iPhone has come out. As you would imagine, many, many, almost all vendors have now come and decided that they would like to build even more advanced devices that will certainly work with them. I am not really going to say too much more as far as our negotiations with them.

Mike McCormack - *Bear Stearns - Analyst*

It would seem like from what we had understood the relationship was such that the economics were not attractive in your view. Is that --

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Doreen Toben - *Verizon - CFO*

I think that is fair. As I think Denny said on our call, as we look at the economics as presented to us, I have no idea what was presented to Cingular. As it looked to us, it did not make a lot of sense from a financial standpoint. So it was something we chose not to do. I do think not to take anything away from the product. I'm sure that there will be a niche of the $500 device that there will be, but it was not something we saw that we could make a lot of money on.

Mike McCormack - *Bear Stearns - Analyst*

It does not seem like you have any shortage of high-value subs in the Verizon Wireless stories yourselves?

Doreen Toben - *Verizon - CFO*

No, and I think that to the extent that the more family share plan you have, it's probably a bigger hold the more contracts that you have is probably also very helpful. The fact it is not going to be sold only in their stores, now you have all your agents and your other distribution channels that we are not going to carry it. It is something that your other distribution channels would not be happy with. So you have to think about I think all the elements that went into it.

Unidentified Audience Member

Outside of the user generated content, could you speak a little bit more about your content acquisition strategy on IPTV and how far down the chain from mainstream content you plan to get?

Doreen Toben - *Verizon - CFO*

I think to begin with the fact that we have so much bandwidth gives us the capability to do it. So that is where we think FiOS gives us the big advantage because we don't have any limitations. I think we have announced (inaudible) -- we certainly have some that we have announced already on FiOS. We have others that are user generated. I think that we are looking at a lot of different applications, particularly on FiOS that would be unique, whether you would do a soccer -- it is an Italian soccer channel. It is an all Asian channel. So I think we're looking at a lot of those type of applications pushing it very far down, which is the whole advantage up and down linked with FiOS.

Mike McCormack - *Bear Stearns - Analyst*

Well, could you review for us which of the larger states have already approved the video franchising streamlining process, which ones do you think might do so in the near future? I have totally lost sight of -- where are we with the national franchise being processed in Congress?

Doreen Toben - *Verizon - CFO*

Well, I think, first of all, the FCC has been extremely helpful to us. They are looking at a video franchise order that hopefully will come out in the future, but I think just the fact that they were looking at it has moved some of the states along. So I would like to thank them for that help.

As you look at the total states we have -- Texas has done it; New Jersey has done it; Virginia has done it. Maryland have not done it, but they only have five large counties. We have all the counties, so in essence Maryland is done. Florida, pretty much the same thing. They have large counties, and most of that is done. The areas that we're really working through are Massachusetts, Pennsylvania and New York. Those are the three that --

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Mike McCormack - *Bear Stearns - Analyst*

California, where are we with them?

Doreen Toben - *Verizon - CFO*

California actually has done it. I'm sorry. I think it's -- they passed it. I forget it is like February or March before it is rolled out through the (inaudible), but they have actually passed it in legislation. So it really is those three states that we are still working through. We will take a look at legislation. We are anxious to see what comes out of the FCC that can also help us.

Mike McCormack - *Bear Stearns - Analyst*

The Congress has to pass on the FCC proposal; is that right?

Doreen Toben - *Verizon - CFO*

Well, I actually don't know the answer. I don't think so, but I actually don't -- I don't think so, but I'm not sure.

Mike McCormack - *Bear Stearns - Analyst*

It seems like the building process, though, is actually -- the franchise approval process is almost run well ahead of what you can build within any reasonable timeframe anyway. So it has not really become a gating factor I don't think.

Doreen Toben - *Verizon - CFO*

Well, I think that --

Mike McCormack - *Bear Stearns - Analyst*

Market by market.

Doreen Toben - *Verizon - CFO*

I think that is fair. Certainly the states that have done it have really been helpful, and we have been building enough and getting enough individual talent that it has not been a huge impediment.

Mike McCormack - *Bear Stearns - Analyst*

[Morris], did you have a follow-up?

Unidentified Audience Member

Yes, I have been curious, from your perspective you have a much richer pipe with FiOS than AT&T has with IPTV. Can you evaluate the financial benefit of doing what you're doing versus what they are doing? And do you have a sense that they are sort of watching what you're doing to determine whether their approach will be sufficient?

Doreen Toben - *Verizon - CFO*

I certainly cannot talk to their financials. What I can talk to is we looked at both way back when -- three years ago. A couple of things. First of all, I think we have more aerial perhaps than they do, and it is much cheaper. It is about half the price aerial versus buried. After we did that, we looked at penetration. We thought that the fact that you were limited in HDTV, we actually think HDTV is the big winner, that that is what is going to drive -- pull a customer in. You know, you need the two channels and you have a TV. Your picture in picture is really two channels.

So we thought that was the wave of the future. So we needed the bandwidth. That coupled with -- at least in our financial analysis, you cannot get near the cost savings in doing a network that has got electronics still in it as opposed to the fiber sort of homerun. So we could not get the same cost savings. We didn't think we could get the same penetration. So when we put it together, the difference was minor for us to go the other way.

Mike McCormack - *Bear Stearns - Analyst*

So I think another area that is of great interest is the enterprise market. You guys are spending some money this year on building out access. But maybe give us a sense for what you're seeing as far as pricing and volume trends in that marketplace? Address, if you will, the small and medium-size enterprise marketplace, which for the industry overall has been very healthy lately. But you guys are still not seeing the level of growth I think that AT&T is. I'm not sure whether it is a definitional issue or whether there is a different mix of revenue, but maybe just a comment on that area as well.

Doreen Toben - *Verizon - CFO*

Let me start on the enterprise. Our sales people would tell you they have never seen their funnels as full as far. As the industry is going, the CIOs seem to be buying a lot. So, from a sales perspective, lots and lots of opportunities. So we're really encouraged from that point. You saw 2.7% revenue growth in the quarter, and we have basically said we expect revenue growth in '07. So you can see that we feel very good about it.

So sales are good, and then the pricing is much better. So we have seen pricing stabilization and particularly on the new services. So when you look at -- you are bidding something new, they have in general two main competitors that you see at the very high-end stabilize. And so those contracts that are coming up that are new, that are embedded contracts, the price reduction now compared to a year ago is significantly better than it was. So this is a much encouraged sector of the business.

Mike McCormack - *Bear Stearns - Analyst*

We used to talk about how far along we were in this repricing cycle, so some of the contracts in the base might be 25, 30% higher than the spot pricing. Do you how far along you guys are in sort of migrating the old MCI contracts on some of the new pricing?

Doreen Toben - *Verizon - CFO*

Well, if you think about it, most contracts are two to three years. So we are at least a year into all of their contracts.

The other thing I would comment on is that you can tell that they have quieted down because now customers are willing to do five-year contracts. Because it used to be that they did not want to do something that long in duration because they thought the pricing would really come down. But now they are doing five, in some cases 10, which is an indication. We will give you a specific number off the 25%, but it is significantly less than that. And, in addition, if you look at the total revenue of that contract, what there might be if the embedded base went down 10%, there was enough new revenue to compensate so the overall revenue for the contract is not down. So very encouraging.

On the small business side, we certainly you know as far as us compared to our peers, I do know for a fact we have some definitional issues as to what is small and medium and what you put in enterprise. Having said that, perhaps we had probably more aggressive competition with both Cox both down in particularly the Virginia area, certainly Cablevision with their [Lightcast] product up in the Northeast I think ahead of some of the others. And there's no doubt that there is some geographic difference in just business growth in the Northeast. We can see different areas of the country have different growth rates within our own business.

Mike McCormack - *Bear Stearns - Analyst*

Time for just one more. [Ken]?

Unidentified Audience Member

Could you maybe review the V CAST launch, and how much of the footprint will be covered by what point in time, and maybe how it is going to be marketed, and what sort of expectations you have for the uptake?

Doreen Toben - *Verizon - CFO*

Do you mean V CAST or the TV that we just --?

Unidentified Audience Member

Mobile TV.

Doreen Toben - *Verizon - CFO*

Mobile TV? It is going -- I don't have the percentages off the top of my head, but it will be significant. And I don't know when I might be able to get back to you, but I assume we will cover whatever we have V CAST eventually. So it will be wide coverage.

Mike McCormack - *Bear Stearns - Analyst*

Great. Thanks very much, Doreen. We appreciate your spending time with us.