FINAL TRANSCRIPT

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PRESENTATION

Operator

Good morning and welcome to this Verizon Wireless update call. At this time, all participants have been placed in a listen-only mode and the floor will be open for questions following the presentation. (Operator Instructions) Today's conference is being recorded. If you have any objections, you may disconnect at this time.

It is now my pleasure to turn the call over to your host, Mr. Ron Lataille, Senior Vice President Investor Relations of Verizon.

Ron Lataille - *Verizon Communications Inc. - SVP, IR*

Thank you, Brad, and good morning, everyone. Thanks for joining us this morning. On the call with me this morning are Lowell McAdam, the President and Chief Executive Officer of Verizon Wireless, and John Killian, Verizon's Chief Financial Officer.

Before we get started, let me point out that we do have some presentation slides for this call and they are available on our investor relations website. I also need to cover the Safe Harbor statement, which states that information in this presentation may contain statements about expected future events and financial estimates that are forward-looking and subject to risks and uncertainties. A discussion of factors that may affect future results is contained in Verizon's filings with the SEC, which are also available on our website.

Finally, I would like to remind everyone that we will be releasing fourth-quarter 2009 results on Tuesday, January 26, so I would ask that you hold any questions not related to today's presentation topic for just another 10 days. We will address all of your questions on January 26.

With that, I will turn the call over to Lowell to walk us through the presentation and then we will open the call for questions.

Lowell McAdam - *Verizon Communications Inc. - President & CEO, Verizon Wireless*

Thank you, Ron, and good morning, everyone. Hopefully, you have seen the slides that we have posted on the website and you have also had a chance to see the news release that was sent out earlier this morning for additional background information.

As Ron said, we are not here to talk about fourth quarter. John has made some comments in public forums about our retail target and Ivan has spoken in the last week or so about exceeding that target, but that is all that we are going to say for fourth quarter.

As we leave 2009, we see some nice trends for Verizon Wireless that we believe we can capitalize on as we move into 2010. First, we have completed a lot of the Alltel integration.

The billing systems have been converted so we can have the same processes across the country. We have our stores and our other distribution converted to the Verizon logos. We have our networks integrated and 2010 will begin the process of physically reallocating assets so that we can see further synergies attributed to the bottom line.

Secondly, our advertising campaign of 'there is a map for that' is getting some very nice traction in the marketplace, reinforcing our brand position as the most reliable and the most widely deployed 3G network in the industry.

Third, I think we have really established a beachhead around our smartphone portfolio with the launch of the DROID franchise in November starting with the Motorola version and following closely with the HTC version. This really provides a flagship device to what I believe is a very strong device portfolio that is meeting the increased customer demands for high-speed, high capability, large number of application-based devices.

I think that begins to drive further smartphone penetration into that high value, high usage segment, and it really stimulates data growth, which will offset some of the voice declines that we have seen in recent quarters. I believe also having a large number of those data subscribers as we ramp up into our launch of LTE later this year puts us in a very strong position to meet that segment of the market.

Then, finally, with all of these pieces in place, we see a real opportunity to streamline and simplify our offers to customers. And, therefore, drive more efficiency within our organization and bring those financial advantages to the bottom line.

If you go to page 4, what we are announcing today begins with some steps that we will take on Monday. The first of those steps is to place our devices into three broad categories. The first category is 3G smartphones. Those are Rev A-based, so therefore they are high-speed services.

It's a superior experience for our customers for web browsing, for a large number of applications available through our application stores. Those are typically devices based on the RIM operating system -- Android, Palm, and Windows Mobile. As I look out with the team through 2010, we have 20 additional smartphone devices on our roadmap that really are based on the kinds of capabilities you see from the DROID phone that we have today and establishing that as the benchmark as we move forward.

The second major tier is what we are calling 3G multimedia devices. Those are typically HTML browsing. They have applications typically based on our BREW platform, features like music and navigation, many with touchscreens and keypads. The enV series that we have from LG is a typical device there. So a very capable device, but not at the very high end for Internet browsing.

And then finally, the third tier is the simple feature phone. That will be 1x capable. The services are typically talk and text; broad entry-level devices or for those that don't want those higher-end features.

Now these categories are important from my perspective because there has been a lot of confusion about what constitutes a smartphone. By dividing into these three categories, it allows us to better target the customers, but it also allows us to lower our cost and focus our volumes on very specific categories.

Today we have over 80 SKUs represented in our stores and we will immediately move toward a 50 SKU lineup. Over time we hope to reduce that significantly as well.

Now this higher volume -- I know many of you cover the handset manufacturers as well and there is, in our view, not a lot of need for alarm here. This higher volume on a fewer number of SKUs we believe helps the manufacturers to focus their resources, but it also allows us to focus our sales and service resources to provide a higher degree of knowledge and capability as we answer customers' questions. So this is a real opportunity for us on a number of levels.

If you go to page 5, the second initiative that we announced today and implement on Monday is to simplify the data plans that are associated with each of these device categories. We will reduce our phone data plans from four to three; unlimited for $30; a 25 megabit plan for $10; and a pay-as-you-go plan that is $1.99 per megabit.

Now the 3G smartphones that I just described will have the requirement for a $30 plan, the 3G multimedia phones will have a $10 plan required, and the feature phones will not have a required plan. Obviously at all levels you can select to go to a higher plan if you wish.

Both the $30 and the $10 plan will include email. And I want to be clear here, our broadband access plans typically for laptops -- those are air cards and netbooks -- those prices do not change.

Now based on the usage that we are seeing from the DROID and these other very high-end smartphones and the applications that we see on these devices, we think this is an excellent value. And we think the structure will drive greater penetration of the data services.

We also think that because there won't be surprises for customers we will see a lot higher satisfaction. And again I would underscore the simplicity for our front-line sales and service reps.

If you go to page 6, we are also now going to streamline our voice pricing. Today we have over 40 different price plans in voice and as they say in the movie, it's complicated. So for single lines we will reduce to six plans, three voice only and three voice plus text, and that will include an unlimited voice plan for $69.

Our Family SharePlans will be reduced to four voice and four text plans, two lines are included on the prices that you see on the screen, and additional lines will be $10 for the first three tiers and $50 add-a-line for the unlimited tier.

Now there is one bullet here that I want to point out and that is that our prepaid pricing for single lines will follow our single-line post-pay pricing but add an additional $5 per month charge. We think this is a real opportunity for us to address those potential post-pay customers that may require a deposit and are reluctant to put down $200 or $400 to secure the service.

I think this accomplishes a number of things here. First, it brings us into a reasonable competitive range versus the numerous all-you-can-eat carriers. We have found over the years that we can charge a premium for our services and we continue to believe that, but we need to be within a reasonable range and this does that.

Second, I think it's a real opportunity to upsell our voice and text customers to unlimited. There is really very limited downside here because only a little less than one million of our customer base out of almost 90 million are on unlimited today. So we see the opportunity, not only to upsell our base, but to sell into our competitors' base as well.

We think we will drive down churn, especially at the high-end, but also on the prepaid side as well. And then we can simplify the business for our customers and for our internal costs as well.

If you go to page 7, as you can imagine, we looked very closely at the pluses and minuses of this plan over the last several months. John and I have had detailed discussions about this and we drew on our experience of launching our initial unlimited plan that was introduced about two years ago.

We think this is a great opportunity to take advantage of our position in the market as well as the current economic conditions to drive share. We also believe that we will increase customer loyalty and take further costs out of our business as we take advantage of the additional scale that we have gained after the integration of Alltel.

Finally, on page 8 I would say in summary before we open up the questions for either John or me, you are seeing what you have seen from Verizon over the years. We build and invest in the best networks. We take advantage of those networks by providing the best applications, devices, and services, and we frankly take advantage of opportunities in the marketplace when they arise.

We are continuing to bring the investors a balance of growth and profitability, and we continue to evolve the business to be best positioned for the future. And in this case the future is 4G.

So, Ron, I think that concludes my opening remarks and I hope you are ready to take questions.

Ron Lataille - *Verizon Communications Inc. - SVP, IR*

Thank you, Lowell. Brad, as Lowell said, both he and John are now available to take questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) John Hodulik, UBS.

John Hodulik - *UBS - Analyst*

Good morning, guys. A lot of moving parts here it looks like, but I guess just to summarize, would you guys say that -- how is this going to affect ARPU and maybe EBITDA both in the near term and long term?

John Killian - *Verizon Communications Inc. - EVP & CFO*

Okay, John, it's John Killian and good morning. As Lowell mentioned, we have taken a very hard look at this. This case and the business case we have is accretive to revenue and EBITDA over time.

Naturally, it is also -- as we look at total ARPU in our case, it is slightly accretive to total ARPU. Understandably, there will be some initial pressure on voice ARPU. There will be some migration. We have looked at the migration patterns as we have gone through past pricing changes. I won't tell you what those are, but we have modeled them in the case.

This case is very offensive. It's about the market opportunity. We see a lot of opportunity on the data side in up selling data plans. We also see positive migration. If you think about people on the $59 price point now going up $10 for unlimited, will be a very viable sales proposition.

Another big factor in the case is the churn side here. We do believe that this will provide a churn reduction.

I would also want to emphasize what Lowell said in his remarks is there increasingly -- our wireless team now that they have completed the Alltel, pretty much completed the Alltel integration, some additional work in '10, are more and more focused on driving, as they always have been, but more focused on driving efficiencies.

Simplification here of the pricing portfolio, we believe, will provide cost savings, easy-to-do online transactions, less calls, less confusion into our call centers. So that is another big factor that we have factored in here. So for a financial perspective it is accretive in our case to revenue and EBITDA.

John Hodulik - *UBS - Analyst*

Do you think it will drive a meaningful increase in gross adds? I know you mentioned gross adds in the -- but at the high end do you think it's something that we will be able to see in the numbers?

Lowell McAdam - *Verizon Communications Inc. - President & CEO, Verizon Wireless*

I do, John. This is Lowell. As I said, to me the future here is about data and this is about data, in my view. It's the smartphone portfolio team together with very simple data pricing.

We are about adding that high-end customer really as an on-ramp to LTE. The things that we have seen in our early test markets with LTE are very impressive. I think beginning to get up that on-ramp, with the applications, with the devices, get that deeper penetration into the subscriber base is what this is about.

Frankly, those early adopters are at the high-end, as you described.

John Hodulik - *UBS - Analyst*

Great, thanks.

Ron Lataille - *Verizon Communications Inc. - SVP, IR*

Thanks, John. Brad, next question please.

Operator

David Barden, Bank of America-Merrill Lynch.

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

Thanks, guys, for taking the question. Good morning and thanks for the call.

Maybe two questions, if I could. Just one, if we rewind the clock maybe six or seven months before maybe Apple and AT&T kind of launched their $99 iPhone and the iPhone really started to take a lot of share, it seemed like we were in a fairly stable market. Not too many moving parts. We had T-Mobile come in and change prices relatively aggressively and that fourth-quarter results don't seem to have shown that there was any real reaction to that, it would appear.

So what about the environment, about the timing, about the opportunity, or maybe the maturation of the market, makes this the right time to kind of go on offense in a market that seemed to be kind of really moving in your favor in any case?

And then the second question would be the obvious question would be in your model as you think about being accretive to ARPU, John, or EBITDA, what competitive responses are you baking into your model as a result of the actions you are taking here? Thanks.

Lowell McAdam - *Verizon Communications Inc. - President & CEO, Verizon Wireless*

David, let me take the first part and John can take the second part. The question of why now, certainly you look at external factors. The economy, what is going on with competitors, but this to me is more about the tools that we had available to us that I mentioned on the first page.

Getting Alltel done gives us a lot of scale advantages. In the second half of last year we were very occupied with doing billing system conversions and things like that. It makes it very difficult to go out with pricing changes. Honestly, John and I have been looking at this closely for the last six months, maybe even longer.

When you take a look -- then you add launching the DROID. And the DROID has really been a great flagship device for us. The Storm 2 has been very successful. We are going to be launching the Palm Pre Plus just in the next couple of weeks. So pieces really started to come together.

What you see out of Verizon over the years is when we see an opportunity to take share and do it profitably, we are going to do it. So it was as much based on internal factors in our mind as it was external. And as you all know, when you go after something early in the year you have a much better chance to see the returns within the same year. And so we wanted to continue the momentum that we came out of the fourth quarter with.

John Killian - *Verizon Communications Inc. - EVP & CFO*

Dave, on your second question, obviously any detailed case that we do takes a look at all market factors, takes a look at existing competitors, emerging competitors. But I wouldn't speculate on what action they are going to take. I mean we have assumptions in our case. I wouldn't publicly make them available, but I am not going to speak in terms of -- nor would we in terms of how our competitors might act.

This is really about, as Lowell said, a great time early in the year. We are very well-positioned with the handset lineup. Lowell and his team have done a terrific job making sure that we have got the right devices through the integration of Alltel. We just felt it's the perfect time to launch some new initiatives to capitalize on growth in 2010.

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

But we should assume that you have assumed that there are competitive responses. And so as they come about we should assume that they are in the model and that is not really going to shake the course and speed that you are on right now?

John Killian - *Verizon Communications Inc. - EVP & CFO*

Dave, you should assume that every day, every minute of every day our wireless team is looking and thinking about what the people they compete against are doing. They also spend a lot of time, though, paying attention to what do their customers want, what does the market want. And I think we are being very responsive to that.

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

Thanks.

Lowell McAdam - *Verizon Communications Inc. - President & CEO, Verizon Wireless*

-- (inaudible) Dave, we have been the leader in these areas. We don't follow a lot of folks, and this is another chance for us to show that leadership.

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

Thanks, Lowell.

Ron Lataille - *Verizon Communications Inc. - SVP, IR*

Okay, Dave. Brad, next question please.

Operator

Simon Flannery, Morgan Stanley.

Simon Flannery - *Morgan Stanley - Analyst*

Good morning, thanks for holding the call. One of the things about the iPhone usage is there seems to be a tale of some very heavy users. You had talked earlier about the DROID usage patterns.

So if you get somebody who is using several gigabytes on one of the smartphone devices you say unlimited, but how do you handle somebody really using a lot of video, say, in a very crowded metro area particularly if you add a lot more of the smartphones -- Nexus One and others -- coming on over the next few months? Related to that is the question of tethering. Some of these devices will have that tethering capability, and how do these plans account for that? Thanks.

Lowell McAdam - *Verizon Communications Inc. - President & CEO, Verizon Wireless*

Simon, let me say clearly we love people that love to use our phones. Our network is very strong on a day-by-day basis. It's very strong when there is stress put on the network so the fact that customers are using these phones -- we verified all of this pricing when we knew what the usage was around the DROID and other devices like it. So we have projected that out for the year.

So I know there has been a lot of speculation over usage caps and those sorts of things. We don't feel we are in a position to need to worry about that at this point. The network is strong and getting stronger, and as LTE rolls out our cost per megabyte dropped dramatically. So we are about market penetration at this point.

And will tethering be allowed on these services as we go forward? Yes, we will be.

Simon Flannery - *Morgan Stanley - Analyst*

Okay. And that will be included in these plans?

Lowell McAdam - *Verizon Communications Inc. - President & CEO, Verizon Wireless*

Yes, we are going to -- we will be making some other announcements on that as we move forward, Simon.

Simon Flannery - *Morgan Stanley - Analyst*

Okay, thank you.

Ron Lataille - *Verizon Communications Inc. - SVP, IR*

Thanks, Simon. Brad, next question please.

Operator

Michael Rollins, Citi Investment Research.

Michael Rollins - *Citi Investment Research - Analyst*

Thanks, good morning. I was wondering if you could just drill down a little bit more on data usage patterns, and if you could help us think about maybe ranges or averages for multimedia versus average smartphone.

When you look then at the 25 meg limit, can you just talk a little bit more about maybe some of the assumptions that went into that? How to tier between the $9.99 and the $29.99? Thanks.

Lowell McAdam - *Verizon Communications Inc. - President & CEO, Verizon Wireless*

Mike, I am not prepared to go into all those usage assumptions. We feel that customers that are in even the 25 meg plan will have plenty of headroom if they are using the device for what it's meant for. We did lower the overage down to [$0.20] (corrected by company after the call) on that $10 plan so that customers won't get bit badly if they do go over. If they do we will offer to migrate them up to the $30 plan.

But I don't think we want to get into the details. What will tell you is that we see the kind of usage on a DROID that has been in the public for iPhones and other similar devices like that. We expect the Palm Pre Plus will be in that range as well, and as I said before the network is well prepared for that.

Michael Rollins - *Citi Investment Research - Analyst*

If I could just follow up then, if we think about the data revenue that you report on a quarterly basis, can you help us think through how much is texting today versus how much are other forms of data? And do you already have a significant take rate of unlimited texting or this that an incremental revenue opportunity as you look at the package of services that you are now selling to customers?

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John Killian - *Verizon Communications Inc. - EVP & CFO*

That is not information that we are making public. The purpose of today's call is to really go through the price changes. We will be back with you in 10 or 11 days to talk more about how we did in the quarter, what some of our patterns were on both voice ARPU and data ARPU. We will explore some of that more then, but today we are not going to get into those details.

Michael Rollins - *Citi Investment Research - Analyst*

Okay, thank you.

Ron Lataille - *Verizon Communications Inc. - SVP, IR*

Thanks, Mike. Brad, that concludes our call this morning and I would like to thank everybody for joining us. We will talk to you on January 26. Thank you.

Operator

This concludes the call. You can now disconnect. Thank you for your participation in today's conference call.

I think you have seen out of us, Dave,
