Exhibit A

verizon

Order Summary

Please review the information below and select "Edit" to make changes.
Your order is not complete until you click on the "submit" button. submit

New Service Address 11666 Montana AVE APT 202
Los Angeles, CA 90049

Print

Primary Telephone Service (310) 207-0360

Edit

		One-Time Fee	Monthly Fee
Local Service	Edit		
Flat Rate Service		$ 0.00	$ 17.25
Verizon Regional Toll	Edit	One-Time Fee	Monthly Fee
Sensible Minute		$ 0.00	$ 1.00
Verizon Long Distance Products & Services	Edit	One-Time Fee	Monthly Fee
e-Values^{sm}		$ 0.00	$ 3.50

Service Charges

Primary Line	One-Time Fee	Monthly Fee
Federal Access Charge - Non-Primary Single Line	$ 0.00	$ 7.00
Non-Primary Residence Line - PUC Mandate	$ 0.00	$ 0.00
Initial Service Order Charge	$ 23.00	$ 0.00
Line Connection Charge	$ 23.00	$ 0.00
Outside Facilities Connection Charge	$ 42.10	$ 0.00
Directory Listing	$ 0.00	$ 1.50
Total	**$ 88.10**	**$ 30.25**

Contact and Billing Information

Edit

Ordering S

- 1 Checko
- 2 Telephc
- 3 Phone
- 4 Feature
- 5 Order S & Activ
- 6 Order C

Feedback

In order to t serve you ir future, we v your comm Recipients

Contact Us

FAQ

What are Se

Name	Jennifer L. Kelly
Contact Phone Number	
Email Address	
Billing Address	11666 Montana AVE APT 202 Los Angeles, CA 90049

Telephone Number Selection

Primary Telephone Number (310) 207-0360

Please note that Verizon cannot guarantee your telephone number selection(s) until your service is installed and working.

Listings

Edit

Primary Telephone Number Non Published

Carrier Selection

Primary Line

Long Distance Carrier: Verizon Long Distance

Regional Toll Carrier: Verizon

Activation Date

Edit

New Service Activation Date: 6/14/2007

Optional Protection Plans: Effective dates for wire maintenance and telephone protection plans vary. Please check your specific plan for details.

Verizon Long Distance: You'll receive e-mail notification with information regarding your Verizon long distance activation date.

Every effort will be made to ensure that your local telephone services will become available on 6/14/2007, however service connection dates can not be confirmed at this time due to the existing working service located at the address you have provided. We will contact you by phone or email if we are not able to meet this date.

The due date quoted is tentative based on the credit information you provided and pending verification that there are no outstanding charges owed by you to Verizon.

submit

*Pricing information is based on your service address or telephone number and does not reflect usage rates, which vary by zone, location, distance of call, time of day or duration of call. Universal Service Fee, taxes, recovery fees and other charges apply. Pricing may not reflect current promotional pricing, and any Verizon promotional offerings in effect when your order is processed will be applied to your service request. Third party offers excluded. Verizon services are subject to terms of service and/or filed and effective tariffs, as applicable. Rates and terms of service are subject to change.

If you are not satisfied for any reason with a service covered by the Customer Satisfaction Guarantee, and request a disconnection of the service within 60 days after its installation, you will receive a credit for the service connection charge (if billed) and any monthly charges. This credit applies only once for each service. (Learn More).

Limitation of Liability

Exhibit 1

Company Profile

Verizon Communications Inc., a Dow 30 company, is a leader in delivering broadband and other wireline and wireless communication innovations to mass market, business, government and wholesale customers. Verizon Wireless operates America's most reliable wireless network, serving over 60 million customers nationwide. Verizon Business delivers innovative and seamless business solutions to customers around the world. Verizon Telecom brings customers the benefits of converged communications, information and entertainment services over the nation's most advanced fiber-optic nertwork.

Jun 19, 2007 2:15 pm NYSE: VZ $43.00 +0.45 | Disclaimer

Investor Relations
Company Profile
Overview
Corporate History
Industry Overview
Business Segments
Corporate Governance
Financial Performance
Fixed Income
Stock Information
SEC Filings
Shareowners Info
Stock Transfer Agent
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WorldCom Information
Investor Contacts

Overview
Verizon is a leader in delivering broadband and other communication innovations to wireline and wireless customers.

Corporate History
Truly a 21st century company, based on the promise of a new competitive marketplace, Verizon Communications Inc. was formed on June 30, 2000, with the merger of Bell Atlantic Corp. and GTE Corp.

Industry Overview
Shifts from analog to digital technology, from wired to wireless platforms, and from narrowband to broadband services are transforming traditional telephone companies into providers of full-service communications networks that deliver high-speed, mobile connectivity.

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› Suppleme
› Earnings V
› Presentati
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark one)
☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2006

OR

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

Commission file number 1-8606

Verizon Communications Inc.
(Exact name of registrant as specified in its charter)

Delaware (State of incorporation)	**23-2259884** (I.R.S. Employer Identification No.)
140 West Street **New York, New York** (Address of principal executive offices)	**10007** (Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $.10 par value	New York, Philadelphia, Boston, Chicago, London, Swiss, Amsterdam and Frankfurt Stock Exchanges

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐

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

At June 30, 2006, the aggregate market value of the registrant's voting stock held by nonaffiliates was approximately $93,436,462,000.

At January 31, 2007, 2,909,893,627 shares of the registrant's Common Stock were outstanding, after deducting 57,758,811 shares held in treasury.

Documents incorporated by reference:

Portions of the registrant's Annual Report to Shareowners for the year ended December 31, 2006 (Parts I and II).

Portions of the registrant's Proxy Statement prepared in connection with the 2007 Annual Meeting of Shareowners (Part III).

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Unless otherwise indicated, all information is as of February 23, 2007

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PART I

Item 1. Business

General

Verizon Communications Inc. (Verizon) is one of the world's leading providers of communications services. Our Wireline business provides telephone services, including voice, network access and nationwide long-distance services, broadband video and data services, and other communications products and services. Our wireline business also owns and operates one of the most expansive end-to-end global Internet Protocol (IP) networks. Our domestic wireless business, operating as Verizon Wireless, provides wireless voice and data products and services across the United States using one of the most extensive domestic wireless networks. Stressing diversity and commitment to the communities in which we operate, we have a highly diverse workforce of 242,000 employees.

Verizon, formerly known as Bell Atlantic Corporation, was incorporated in 1983 under the laws of the State of Delaware. We began doing business as Verizon Communications on June 30, 2000 following our merger with GTE Corporation. We completed our merger with MCI on January 6, 2006, and have incorporated its operations into our wireline business.

Our principal executive offices are located at 140 West Street, New York, New York 10007 (telephone number 212-395-1000).

We have two reportable segments, Wireline and Domestic Wireless, which we operate and manage as strategic business units and organize by products and services. Our segments and their principal activities consist of the following:

Wireline	Wireline provides communications services including voice, broadband video and data, next generation IP network services, network access, long distance and other services to consumers, carriers, business and government customers both domestically and globally in 150 countries.
Domestic Wireless	Domestic Wireless products and services include wireless voice and data products and other value added services and equipment sales across the United States.

You can find additional business information under the heading "Overview" on pages 18 through 19 and segment financial information under the heading "Segment Results of Operations" on pages 24 through 27 and in Note 17 on pages 69 through 71 of the 2006 Verizon Annual Report to Shareowners, which is incorporated herein by reference.

Wireline

Background

Our Wireline segment, which includes the operations of the former MCI, is comprised of two strategic units, Verizon Telecom and Verizon Business. Revenues in 2006 were $50,794 million, representing approximately 58% of Verizon's aggregate revenues. Verizon Telecom provides local telecommunications, broadband data and video services in 28 states and Washington, D.C., as well as nationwide long-distance and other communications products and services. Verizon is deploying a fiber-to-the-premises network under the FiOS service mark, that we believe is the platform of the future for digital voice, data and video services with sufficient bandwidth and capabilities to meet our customers needs for the foreseeable future. FiOS allows us to offer our customers fast, reliable broadband access speeds, as well as robust video services. The Wireline segment also includes Verizon Business, a provider of next-generation IP network and Information Technology (IT) products and services to medium and large businesses and government customers.

Operations

Verizon Telecom

Verizon Telecom consists of three lines of business which operate across our telephone subsidiaries and focus on specific customer market areas. We are not dependent on any single customer. Our telephone operations remain responsible within their respective service areas for the provision of telephone services and regulatory matters.

Our *Mass Markets* line of business markets communications and information services to residential customers and small businesses including basic telecommunication service and end-user access; value-added services such as voicemail, caller ID and call forwarding; and broadband services, which include digital subscriber lines (DSL) and fiber optics to the premise (FiOS data and FiOS television services). Our long distance subsidiary provides national and international long distance services in all 50 states to residential and business customers, including calling cards, 800/888 services and operator services. Mass Market revenues in 2006 were approximately $22,528 million, representing approximately 44% of Wireline's aggregate revenues. These revenues were derived primarily from the provision of telecommunication services to residential users.

Our *Wholesale* line of business markets our long distance and local exchange network facilities for resale to other long distance and competing communications carriers. Wholesale services include switched access, special access, high-capacity, high-speed digital services, unbundled network elements (UNE's) and interconnection revenues from competitive local exchange carriers (CLEC) and wireless carriers. Wholesale revenues in 2006 were approximately $8,323 million, representing approximately 16% of Wireline's aggregate revenues. Approximately 70% of total Wholesale revenues were derived from interexchange carriers. The remaining revenues principally come from other local exchange carriers, which resell network connections to their own customers.

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Other services include operator services (including deaf relay services), public (coin) telephone, as well as former MCI dial around services including 10-10-987, 10-10-220, 1-800-COLLECT and Prepaid phone cards. Other revenues in 2006 were approximately $2,408 million, representing approximately 5% of Wireline's aggregate revenues.

Verizon Business

Verizon Business consists of three lines of business which focus on the needs of our enterprise business customers. We are not dependent on any single customer.

Our *Enterprise Business* line of business markets voice, data and internet communications services to medium and large business customers, multi-national corporations, and state and federal governments. The Enterprise Business also provides value-added services that make communications more secure, reliable and efficient, as well as managed network services that enable customers to outsource all or a portion of their communications and information processing operations. In addition, Enterprise Business provides traditional data services in specific markets, such as Private Line, Frame Relay and ATM services, as well as advanced IP network services, both domestically and internationally. Enterprise Business's fastest growing product line is the Internet suite of products that include Private IP, IP VPN, Web Hosting and Voice over Internet Protocol (VoIP). Enterprise Business revenues in 2006 were approximately $13,999 million, representing approximately 28% of Wireline's aggregate revenues.

Our *Wholesale* line of business focuses on the domestic wholesale services markets, which includes all wholesale traffic in the United States, as well as traffic that originates in the United States and terminates in a different country. Total Wholesale revenue was approximately $3,381 million in 2006, representing approximately 7% of Wireline's aggregate revenues. Revenues from Wholesale local and long distance voice products, including transport, were approximately $1,601 million in 2006, representing 47% of Wholesale's aggregate revenues. Wholesale revenue is influenced by aggressive competitive pricing, in particular long distance voice services. Revenues from Wholesale data and internet products were approximately $1,780 million in 2006, representing approximately 53% of Wholesale's aggregate revenues.

Our *International and Other* operations serve businesses, government entities and telecommunication carriers outside of the United States and include our Skytel paging business. The International and Other market represents a new revenue stream to Verizon resulting from the MCI acquisition. Our revenues from International and Other were approximately $3,110 million, representing approximately 6% of Wireline's aggregate revenues in 2006. Of this amount, International and Other had voice revenue of approximately $1,822 million representing approximately 4% of Wireline's aggregate revenues.

Competition

The telecommunications industry is highly competitive. Factors contributing to the industry's increasingly competitive market include regulatory changes, product substitution, technological advances, excess network capacity and the entrance of new competitors. In this environment, competition is based on price and pricing plans, the types of services offered, the combination of services into bundled offerings, customer service, the quality and reliability of services provided and the development of new products and services. Current and potential competitors in telecommunication services include cable companies, wireless service providers, long distance companies, other local telephone companies, foreign telecommunications providers, electric utilities, Internet service providers and other companies that offer network services. Many of these companies have a strong market presence, brand recognition and existing customer relationships, all of which contribute to intensifying competition and may affect our future revenue growth.

Cable Services

Cable competitors have aggressively increased the size and digital capacity of their cable networks. Cable companies have continued to upgrade their networks to offer more digital products and services. They continue to aggressively market competitive bundled offerings that include high-speed internet access, digital television and voice services.

Voice over Internet Protocol Services

Our wireline telecommunications services also face increasing competition from companies which provide VoIP services. These services use the Internet or private broadband networks to transmit voice communications. VoIP services are available from a wide range of companies including cable companies, long-distance companies, national VoIP providers and regional service providers.

Wireless Services

Wireless services also constitute a significant source of competition to our wireline telecommunications services, especially as wireless carriers (including Verizon Wireless) expand and improve their network coverage and continue to lower their prices. As a result, more consumers are substituting wireless services for basic wireline service. Wireless telephone services can also be used for data transmission.

Local Exchange Services

The ability to offer local exchange services historically has been subject to regulation by state regulatory commissions. Applications from competitors to provide and resell local exchange services have been approved in every jurisdiction in our service territory. The Telecommunications Act of 1996 has significantly increased the level of competition in our local exchange markets.

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As a result of the Telecommunications Act of 1996, which required us to permit potential competitors to purchase our services for resale, or access components of our network on an unbundled basis (UNEs) at a prescribed cost, competition in our local exchange markets continues to increase. Our telephone operations generally have been required to sell their services to CLECs at significant discounts from the prices our telephone operations charge their retail customers. The scope of these obligations going forward and the rates we receive, are subject to ongoing review and revision by the Federal Communications Commission (FCC) and state regulators. See “Regulatory and Competitive Trends.”

Long Distance Services

We offer long distance services regionally and throughout the United States. State regulatory commissions rather than federal authorities generally regulate regional long distance services. Federal regulators have jurisdiction over interstate long distance services. All of our state regulatory commissions (except in Washington, D.C., where regional long distance is not provided) permit other carriers to provide long distance services within the state. Our authority in Alaska is limited to interstate and international services. A number of our major competitors in the long distance business have strong brand recognition and existing customer relationships.

Public Telephone Services

The growth of wireless communications has significantly decreased usage of public telephones, as more customers are substituting wireless services for public telephone services. In addition, we face competition from other providers of public telephone services.

Operator Services

Our operator services product line faces competition from alternative operator services providers and Internet service providers.

Equipment Manufacturers

In addition to producing telecommunications products and computer network devices and systems, equipment manufacturers may also provide consulting and outsourcing services that compete directly with products and services we offer.

International Competition

Our international business competes primarily with incumbent telephone companies, some of which have special regulatory status and exclusive rights to provide certain services and have historically dominated their local markets. We also compete with other international service providers, some of which are affiliated with incumbent telephone companies in other countries.

Network

Verizon Telecom presently serves a territory of 45.1 million access lines in 28 states and Washington D.C. We continue to upgrade our network in order to provide an ever increasing number of customers with broadband capabilities. Our advanced FiOS network uses state of the art fiber-optic cable and optical electronics to directly link homes and businesses to our network. Our fiber network will offer us the opportunity to provide our customers with improved network reliability and speed for voice, data and video connections. As of the end of 2006, our FiOS network passed more than 6 million homes, doubling the amounts of premises passed from the previous year.

Verizon Business owns and operates one of the most expansive IP backbone networks in the world. The Verizon Business data network includes more than 446,000 route miles, including terrestrial and undersea cable, spanning six continents and access to another 187,000 route miles from Verizon Telecom. Verizon Business provides voice, data and Internet services on its state-of-the-art fiber-optic network to customers in more than 2,700 cities and 150 countries. Verizon Business currently operates eight satellite facilities located throughout the United States and Guam. Verizon Business also operates satellite links to more than 200 teleports worldwide in approximately 110 countries for both government and business customers.

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Wireline Offerings

Verizon Telecom provides a broad array of communications services to our residential and small business customers, including voice, broadband data and video, network access, long-distance and other communications products and services.

- Voice services include the provision of local exchange services, local private line, wire maintenance, voice messaging and value-added services. Value-added services are a family of services that expand the utilization of our network, including products such as Caller ID, Call Waiting and Return Call.
- Broadband data and video services include DSL and FiOS high speed data and FiOS TV services.
- Network access services are provided to end-user customers and long distance and other competing carriers who use our local exchange facilities to provide usage services to their customers.
- Long-distance services include regional toll and long distance voice and data services.
- Other communications products and services include operator services (including deaf relay services), public (coin) telephone, as well as former MCI dial around services including 10-10-987, 10-10-220, 1-800 COLLECT and Prepaid phone cards.

Domestic Wireless

Background

Our Domestic Wireless segment, Cellco Partnership doing business as Verizon Wireless (Verizon Wireless), is a joint venture formed in April 2000 by the combination of the U.S. wireless operations and interests of Verizon and Vodafone Group Plc (Vodafone). Verizon owns a controlling 55% interest in Verizon Wireless and Vodafone owns the remaining 45%.

Operations

Verizon Wireless provides wireless voice and data services across one of the most extensive wireless networks in the U.S. Verizon Wireless is the largest domestic wireless carrier in terms of total revenue and the most profitable, as measured by operating income. We believe, based on publicly available information, that Verizon Wireless has the largest base of retail customers, that is, customers who are directly served and managed by Verizon Wireless and who buy its branded services.

Competition

There is substantial competition in the wireless telecommunications industry. Other wireless providers, including other cellular and PCS operators and resellers, serve each of the markets in which we operate. We currently compete primarily against three other national wireless service providers: AT&T (formerly Cingular), Sprint Nextel and T-Mobile USA. In addition, in many markets we also compete with regional carriers, such as ALLTEL and US Cellular. Competition may increase due to ongoing industry consolidation, if smaller, stand-alone wireless providers transfer licenses to larger, better capitalized and more experienced wireless providers. Resellers, now sometimes referred to as Mobile Virtual Network Operators, who buy bulk wholesale services from facilities-based carriers for resale, provide yet another set of differentiated competitors in the marketplace.

We expect competition for both customers and network usage to intensify as a result of the higher penetration levels that currently exist in the industry, the development and deployment of new technologies, the introduction of new wireless and fixed line products and services, new market entrants, the availability of additional spectrum, both licensed and unlicensed, and regulatory changes. For example, we face increased competition as a result of the use of other high-speed wireless technologies, such as Wi-Fi and WiMAX, which are being deployed or proposed, to meet the growing customer appetite for wireless communications in fixed, nomadic and fully mobile environments. In addition, some cable companies have partnered with wireless carriers, acquired wireless spectrum and are now introducing wireless offerings to their customers. We are also experiencing competition from providers of fixed line VoIP services, which displace in-building usage from cellular/PCS carriers. Additionally, as wireless data proliferates, content is becoming an increasingly significant factor in the appeal of these services. This may give content providers and other participants in the wireless value chain opportunities for increased leverage and/or opportunities to compete for wireless data revenues.

We believe that the following are the most important competitive factors in our industry:

- *Network reliability, capacity and coverage.* Lower prices, improved service quality and new service offerings have led to increased network usage. As a result, the ability to keep pace with network capacity needs and offer highly reliable national coverage through one's own network is important. We have an extensive national network, and we continue to look for expansion opportunities through the build-out of existing licenses, acquisitions and/or spectrum leasing. We own licenses that cover much of the country but we expect to spend significant amounts to expand our capacity and extend our coverage area and maintain and improve the quality of our network. Our competitors also have these needs and they are using similar means to address them.

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- *Pricing* . Service and equipment pricing is an important area in which wireless carriers compete, as evidenced by recent increases in the marketing of minutes-sharing plans, free mobile-to-mobile calling, and offerings of larger bundles of included minutes at price points, with no roaming or long distance charges. We seek to compete in this area by offering our customers services and equipment that they will regard as the best available value for their money.

- *Customer service* . Quality customer service is essential to ensure that we can obtain new customers and retain existing customers. We believe that the quality of our customer service is a key factor in retaining our customers and in attracting both new-to-wireless customers and those customers of other carriers who want to switch their wireless service. Our competitors also recognize the importance of customer service and are also focusing on improving the customer experience.

- *Product Differentiation* . As wireless technologies develop and wireless broadband networks proliferate, continued customer and revenue growth will be increasingly dependent on the development of new and differentiated products and services. We are committed to providing customer solutions through the development and rapid deployment of new and innovative products and services developed both internally and in collaboration with application service providers.

- *Sales and Distribution* . Key to achieving sales success in the wireless industry is the reach and quality of sales channels and distribution points. We believe that the optimal mix of direct, indirect and wholesale distribution channels is an important ingredient in achieving industry-leading profitability. A goal of our distribution strategy is to increase sales through our company-operated stores and our outside sales team, as well as through telemarketing and web-based sales and fulfillment capabilities. Supplementing this is an extensive indirect distribution network of retail outlets and prepaid replenishment locations, original equipment manufacturers and value-added distributors, as well as various resellers who buy our service on a wholesale basis.

Our success will depend on our ability to anticipate and respond to various factors affecting the industry, including the factors described above, as well as new technologies, new business models, changes in customer preferences, regulatory changes, demographic trends, economic conditions, and pricing strategies of competitors.

Network

A key part of our business strategy is to provide the highest network reliability. We believe that network reliability is a key differentiator in the U.S. market and a driver of customer satisfaction. Consistent with this strategy, we will continue to build-out, expand and upgrade our network in an effort to provide sufficient capacity and seamless and superior coverage and reliability throughout our licensed area so that our customers can enjoy consistent features and high-quality service, regardless of location. In addition, we will continue to explore strategic opportunities to expand our overall national coverage through selective acquisitions of wireless operations and spectrum licenses.

Our network is among the largest in the U.S., with licensed and operational coverage in 49 of the 50 largest metropolitan areas. Our built network covered a population of approximately 256 million and provided service to 59.1 million customers, as of December 31, 2006.

Network Technology

Our primary network technology platform is CDMA, based on spread-spectrum digital radio technology. CDMA technology's compatible 1XRTT upgrade, a wireless technology developed by Qualcomm as part of its family of technologies known as CDMA2000, is presently deployed in virtually all of our cell sites nationwide. 1XRTT increases the voice traffic capacity available to us and provides increased data rates. Further, 1XRTT is a modular infrastructure upgrade that has proven to be cost-efficient and practical for rapid nationwide deployment. In addition to 1XRTT, in 2004 we began deploying EV-DO (Revision 0), a 3G packet-based technology that is a part of the CDMA2000 technology path. EV-DO is intended primarily for high-speed data transmission. As with 1XRTT, we have been able to implement EV-DO by changing and/or adding modular components and software in our network. EV-DO service, branded and marketed as BroadbandAccess, was available in markets covering a population of approximately 200 million as of December 31, 2006. Coverage expansions and additional market launches are planned for 2007. In addition, during 2006, we began deploying EV-DO (Revision A) infrastructure that will enable faster data rates.

Spectrum

We have licenses to provide mobile wireless services on the 800-900 MHz and 1800 -1900 MHz portions of the radio spectrum. In addition, we recently acquired Advanced Wireless Services spectrum on the 1700 and 2100 MHz portions of the radio spectrum, which we anticipate using for advanced wireless broadband services. Collectively, these licenses cover territories in which approximately 292 million people, or approximately 99% of the estimated U.S. population, reside. The 800-900 MHz portion is used to provide both analog and digital cellular voice and data services, while our 1800-1900 MHz portion provides all-digital PCS voice and data services. Our digital wireless service is available to all of the population to which we provide coverage. Digital usage currently accounts for more than 99% of our busy-hour traffic. While we provide digital coverage in all of our markets, we will continue to simultaneously provide analog coverage in our cellular markets. The FCC will no longer require cellular carriers to provide analog cellular service as of February 18, 2008, and our intent is to no longer offer such service after that date.

Recent Acquisitions

On November 29, 2006, we were granted thirteen 20 MHz licenses we won in an FCC auction of Advanced Wireless Services spectrum that concluded on September 18, 2006, for which we had bid a total of $2,809 million. These licenses, which we anticipate using for the provision

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of advanced wireless broadband services, cover a population of nearly 200 million. We have made all required payments to the FCC for these licenses.

In August 2002, Verizon Wireless and Price Communications Corp. (Price) combined Price's wireless business with a portion of Verizon Wireless. The resulting limited partnership, Verizon Wireless of the East LP (VZ East), is controlled and managed by Verizon Wireless. In exchange for its contributed assets, Price received a limited partnership interest in the new partnership which was exchangeable into the common stock of Verizon Wireless if an initial public offering of that stock occurred, or into the common stock of Verizon on the fourth anniversary of the asset contribution date. On August 15, 2006, Verizon delivered 29.5 million shares of newly-issued Verizon common stock to Price valued at $1,007 million in exchange for Price's limited partnership interest in VZ East. As a result of acquiring Price's limited partnership interest, Verizon recorded goodwill of $345 million in the third quarter of 2006 attributable to its Domestic Wireless segment.

Wireless Offerings

We believe that increasing the value of our service offerings to customers will help us to retain our existing customers, attract new customers and increase customer usage, all of which will, in turn, drive revenue and net income growth.

Our service packages are designed around key customer groups, from the young adult market to multinational business accounts. We tailor our wireless services, which include both voice and data offerings, and postpaid and prepaid pricing options, to the needs of these customers.

Wireless Services

Voice services. We offer a variety of packages for voice services with features and competitive pricing plans that are predominantly offered on a postpaid basis with a contract term. Specifically, we offer our *America's Choice* plans, which provide a choice in amounts of bundled minutes together with no roaming or long distance charges for calls on our preferred network; family/small group and shared minute plans for multiple-user households and small businesses; and plans targeted to business accounts with over 100 lines and national accounts with over 1,000 lines. In addition, we offer a national prepaid product that enables individuals to obtain wireless voice services without a long-term contract by paying in advance.

Data services. We believe that we are in a strong position to take advantage of the growing demand for wireless data services. Our strategy is to continue to expand our wireless data, messaging and multi-media offerings for both consumer and business customers.

We offer an array of data transmission and content services, such as:

- *BroadbandAccess/NationalAccess* . EV-DO, our Wide Area Network packet IP solution, which we market as BroadbandAccess, provides significantly increased data transmission rates on existing applications and enables the provisioning of enhanced data applications that can operate at broadband speeds. In addition, our 1XRTT digital technology, which we market as NationalAccess, enables higher-speed applications, such as e-mail, enterprise applications, image downloads, and full browsing capabilities for laptop computer users.

- *Text and Picture Messaging* . With compatible wireless devices, our customers can send and receive text messages, as well as still pictures and full-motion video clips with sound.

- *V CAST* . Our V CAST service, available on EV-DO-enabled handsets, enables customers to access daily-updated videos from leading content providers of current news, weather, sports and entertainment programming. In addition, our V CAST Music service enables customers to download music either directly to their V CAST Music-enabled phones or to their personal computers.

- *Get It Now* . Our *Get It Now* service enables our customers to download hundreds of applications to their handsets, such as ring tones, games and wallpapers .

- *Mobile Web* . Our Mobile Web service offers customized access to content through our portal, and allows customers to access the Internet, e-mail and personal information management tools, such as calendars and address books, through handset-based menus.

- *Location Based Services (LBS)* . Our location-based service, VZ Navigator, enables customers to obtain audible turn-by-turn directions to their destination, locate various points of interest and access other location-related information by using VZ Navigator-capable handsets.

- *Wireless Business Solutions – VZOffice* . Through our suite of *VZOffice* services, we provide enterprise customers solutions for accessing the Internet and corporate intranet, which allow for optimized wireless access to the customer's corporate applications or databases. In addition, we offer our corporate customers the ability to wirelessly send and receive e-mail using various handheld devices, including wirelessly equipped PDA devices.

Wireless Device

We believe our position in the U.S. wireless industry has enabled us to become a service provider of choice for wireless device manufacturers and has helped us to develop exclusive offers for our customers and branded handsets that complement our focus on high-quality service and an optimal user experience. The wireless devices that we offer are predominantly EV-DO enabled, and all of them are compatible with our 1XRTT

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network. In addition, all of the handsets that we offer are headphone/earphone compatible and, through GPS functionality, compliant with the FCC's E-911 requirements.

Marketing

We focus our marketing strategy on targeting solutions based upon our customers' needs, promoting our brand, leveraging our extensive distribution network and cross-marketing with our owners.

Our marketing efforts are focused on a coordinated program of television, print, radio, outdoor signage, Internet and point-of-sale media promotions. We coordinate our marketing efforts throughout our service area in order to ensure that our marketing message is consistently presented across all of our markets. Our promotion of the "Verizon Wireless" brand is complemented by Verizon Communications' own brand marketing efforts, reinforcing the awareness of our services in shared markets and capitalizing on the size and breadth of Verizon Communications' customer base.

Sales and Distribution Channels

Our sales strategy is to use a mix of direct, indirect and wholesale distribution channels in order to increase customer growth while reducing customer acquisition costs.

Our company-operated stores are a core component of our distribution strategy. Our experience has been that customers entering through this direct channel are generally higher-value customers who generate higher revenue per month on average and are less likely to cancel their service than those who come through other mass-market channels. We had 2,231 company-operated stores and kiosks (including our "store-within-a-store" kiosks in Circuit City and BJ's Wholesale locations) as of December 31, 2006. In addition, our direct channel also includes our business-to-business organization, which is focused on supporting the needs of our local, regional and national business customers, as well as a telemarketing sales force dedicated to receiving incoming calls. We also offer fully-automated, end-to-end, web-based sales of wireless handsets, accessories and service in all of our markets.

We have indirect retail locations throughout the U.S. selling wireless services, including both full-service locations and locations selling our prepaid products and services, such as Wal-Mart and Target. We also sell wireless access on a wholesale basis. Our wholesale business involves the sale of wholesale access and minutes to independent companies that package and resell wireless services to end-users.

Customer Service, Retention and Satisfaction

We believe that quality customer service increases customer satisfaction, which reduces churn, and is a key differentiator in the wireless industry. We are committed to providing high-quality customer service, investing in loyalty and retention efforts and continually monitoring customer satisfaction in all facets of our service.

While our customer service representatives are available during our normal business hours, we also have representatives available 24 hours a day, 7 days a week for emergency and technical customer issues. In addition, customers can do business with us at any time, without having to speak with a customer service representative, through our enhanced self-service applications via our interactive voice response system, through our web site, and via applications accessible from the customer's handset.

Under our enhanced Worry Free Guarantee, a national retention and loyalty initiative, we commit to our customers an extensive and advanced network, responsive customer service with end-to-end resolution, the option to change at any time to any qualifying price plan without payment of any additional fees, a satisfaction guarantee, an early termination fee that declines each full month that a customer remains on their contract and, for customers who do business with us on line, free back-up protection that stores a copy of the customer's phone list on a secure website. The initiative also includes a handset upgrade credit every two years, provided that the customer signs a new two-year contract on a calling plan with at least $35 monthly access. Another major retention and loyalty program is a customer life cycle management program in which we contact customers at key points in their service tenure with targeted offers and to provide proactive rate-plan analysis.

Regulatory and Competitive Trends

Competition and Regulation

Technological, regulatory and market changes have provided Verizon both new opportunities and challenges. These changes have allowed Verizon to offer new types of services in this increasingly competitive market. At the same time, they have allowed other service providers to broaden the scope of their own competitive offerings. Current and potential competitors for network services include other telephone companies, cable companies, wireless service providers, foreign telecommunications providers, satellite providers, electric utilities, Internet service providers, providers of VoIP services, and other companies that offer network services using a variety of technologies. Many of these companies have a strong market presence, brand recognition and existing customer relationships, all of which contribute to intensifying competition and may affect our future revenue growth. Many of our competitors also remain subject to fewer regulatory constraints than Verizon.

We are unable to predict definitively the impact that the ongoing changes in the telecommunications industry will ultimately have on our business, results of operations or financial condition. The financial impact will depend on several factors, including the timing, extent and success of competition in our markets, the timing and outcome of various regulatory proceedings and any appeals, and the timing, extent and success of our pursuit of new opportunities.

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FCC Regulation

Our services are subject to the jurisdiction of the FCC with respect to interstate telecommunications services and other matters for which the FCC has jurisdiction under the Communications Act of 1934, as amended ("Communications Act"). The Communications Act generally obligates us not to charge unjust or unreasonable rates nor engage in unreasonable discrimination when we are providing services as a common carrier, and regulates some of the rates, terms and conditions under which we provide certain services. The FCC also has adopted regulations governing various aspects of our business, such as the following: (i) use and disclosure of customer proprietary network information; (ii) telemarketing; (iii) assignment of telephone numbers to customers; (iv) provision to law enforcement agencies of the capability to obtain call identifying information and call content information from calls pursuant to lawful process; (v) accessibility of services and equipment to individuals with disabilities if readily achievable; (vi) interconnection with the networks of other carriers; and (vii) customers' ability to keep (or "port") their telephone numbers when switching to another carrier. In addition, we pay various fees to support other FCC programs, such as the universal service program discussed below. Changes to these mandates, or the adoption of additional mandates, could require us to make changes to our operations or otherwise increase our costs of compliance.

Broadband

The FCC has adopted a series of orders that recognize the competitive nature of the broadband market, and impose lesser regulatory requirements on broadband services and facilities than apply to narrowband. With respect to facilities, the FCC has determined that certain unbundling requirements that apply to narrowband facilities do not apply to broadband facilities such as fiber to the premise loops and packet switches. With respect to services, the FCC has concluded that broadband Internet access services offered by telephone companies and their affiliates qualify as largely deregulated information services. The same order also concluded that telephone companies may offer the underlying broadband transmission services that are used as an input to Internet access services through private carriage arrangements on negotiated commercial terms. In addition, a Verizon petition asking the FCC to forbear from applying common carrier regulation to certain broadband services sold primarily to larger business customers when those services are not used for Internet access was deemed granted by operation of law on March 19, 2006 when the FCC did not deny the petition by the statutory deadline. Both the FCC's order addressing the appropriate regulatory treatment of broadband Internet access services and the relief obtained through the forbearance petition are the subject of pending appeals.

Video

The FCC has a body of rules that apply to cable operators under Title VI of the Communications Act, and these rules also generally apply to telephone companies that provide cable services over their networks. In addition, companies that provide cable service over a cable system generally must obtain a local cable franchise. On December 21, 2006, the FCC announced the adoption of rules under Section 621 of the Communications Act to set parameters consistent with federal law, on the timing and scope of franchise negotiations by local franchising authorities.

Interstate Access Charges and Intercarrier Compensation

The current framework for interstate access rates was established in the Coalition for Affordable Local and Long Distance Services (CALLS) plan, which the FCC adopted on May 31, 2000. The CALLS plan has three main components. First, it establishes portable interstate access universal service support of $650 million for the industry that replaces implicit support previously embedded in interstate access charges. Second, the plan simplifies the patchwork of common line charges into one subscriber line charge (SLC) and provides for de-averaging of the SLC by zones and class of customers. Third, the plan set into place a mechanism to transition to a set target of $.0055 per minute for switched access services. Once that target rate is reached, local exchange carriers are no longer required to make further annual price cap reductions to their switched access prices. As a result of tariff adjustments which became effective in July 2003, virtually all of our switched access lines reached the $.0055 benchmark.

The FCC currently is conducting a broad rulemaking proceeding to consider new rules governing intercarrier compensation including, but not limited to, access charges, compensation for Internet traffic, and reciprocal compensation for local traffic. The FCC has sought comments about intercarrier compensation in general, and has requested input on several specific reform proposals.

The FCC also has pending before it issues relating to intercarrier compensation for dial-up Internet-bound traffic. The FCC previously found that this traffic is not subject to reciprocal compensation under Section 251(b)(5) of the Telecommunications Act of 1996. Instead, the FCC established federal rates per minute for this traffic that declined from $.0015 to $.0007 over a three-year period, established caps on the total minutes of this traffic subject to compensation in a state, and required incumbent local exchange carriers to offer to both bill and pay reciprocal compensation for local traffic at the same rate as they are required to pay on Internet-bound traffic. The U.S. Court of Appeals for the D.C. Circuit rejected part of the FCC's rationale, but declined to vacate the order while it is on remand. As a result, pending further action by the FCC, the FCC's underlying order remains in effect. The FCC subsequently denied a petition to discontinue the $.0007 rate cap on this traffic, but removed the caps on the total minutes of Internet-bound traffic subject to compensation. That decision has been upheld on appeal. Disputes also remain pending in a number of forums relating to the appropriate compensation for Internet-bound traffic during previous periods under the terms of our interconnection agreements with other carriers.

The FCC also is conducting a rulemaking proceeding to address the regulation of services that use Internet protocol, including whether access charges should apply to voice or other Internet protocol services. The FCC also considered several petitions asking whether, and under what circumstances, services that employ Internet protocol are subject to access charges. The FCC previously has held that one provider's peer-to-peer Internet protocol service that does not use the public switched network is an interstate information service and is not subject to access charges, while a service that utilizes Internet protocol for only one intermediate part of a call's transmission is a telecommunications service that is subject to access charges. Another petition asking the FCC to forbear from applying access charges to voice over Internet protocol services

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that are terminated on switched local exchange networks was withdrawn by the carrier that filed that petition. The FCC also declared the services offered by one provider of a voice over Internet protocol service to be jurisdictionally interstate on the grounds that it was impossible to separate that carrier's Internet protocol service into interstate and intrastate components. The FCC also stated that its conclusion would apply to other services with similar characteristics. That order has been appealed.

The FCC also has adopted rules for special access services that provide for pricing flexibility and ultimately the removal of services from price regulation when prescribed competitive thresholds are met. More than half of special access revenues are now removed from price regulation. The FCC currently has a rulemaking proceeding underway to evaluate experience under its pricing flexibility rules, and to determine whether any changes to those rules are warranted.

Universal Service

The FCC also has a body of rules implementing the universal service provisions of the Telecommunications Act of 1996, including rules governing support to rural and non-rural high-cost areas, support for low income subscribers, and support for schools, libraries and rural health care. The FCC's current rules for support to high-cost areas served by larger "non-rural" local telephone companies were previously remanded by U.S. Court of Appeals for the Tenth Circuit, which had found that the FCC had not adequately justified these rules. The FCC has initiated a rulemaking proceeding in response to the court's remand, but its rules remain in effect pending the results of the rulemaking. The FCC also has proceedings underway to evaluate possible changes to its current rules for assessing contributions to the universal service fund. As an interim step, in June 2006, the FCC ordered that providers of VoIP services are subject to federal universal service obligations. The FCC also increased the percentage of revenues subject to federal universal service obligations that wireless providers may use as a safe harbor. These decisions are the subject of a pending appeal. Any further change in the current assessment mechanism could result in a change in the contribution that local telephone companies, wireless carriers or others must make and that would have to be collected from customers.

Unbundling of Network Elements

Under Section 251 of the Telecommunications Act of 1996, incumbent local exchange carriers were required to provide competing carriers with access to components of their network on an unbundled basis, known as UNEs, where certain statutory standards are satisfied. The Telecommunications Act of 1996 also adopted a cost-based pricing standard for these UNEs, which the FCC interpreted as allowing it to impose a pricing standard known as "total element long run incremental cost" or "TELRIC." The FCC's rules defining the unbundled network elements that must be made available at TELRIC prices have been overturned on multiple occasions by the courts. In its most recent order issued in response to these court decisions, the FCC eliminated the requirement to unbundle mass market local switching on a nationwide basis, with the obligation to accept new orders ending as of the effective date of the order (March 11, 2005). The FCC also established a one year transition for existing UNE switching arrangements. For high capacity transmission facilities, the FCC established criteria for determining whether high capacity loops, transport or dark fiber transport must be unbundled in individual wire centers, and stated that these standards were only expected to affect a small number of wire centers. The FCC also eliminated the obligation to provide dark fiber loops and found that there is no obligation to provide UNEs exclusively for wireless or long distance service. In any instance where a particular high capacity facility no longer has to be made available as a UNE, the FCC established a similar one year transition for any existing high capacity loop or transport UNEs, and an 18 month transition for any existing dark fiber UNEs. This decision has been upheld on appeal.

As noted above, the FCC has concluded that the requirement under Section 251 of the Telecommunications Act of 1996 to provide unbundled network elements at TELRIC prices generally does not apply with respect to broadband facilities, such as fiber to the premises loops, the packet-switched capabilities of hybrid loops and packet switching. The FCC also has held that any separate unbundling obligations that may be imposed by Section 271 of the Telecommunications Act of 1996 do not apply to these same facilities. The decision with respect to Section 271 has been upheld on appeal and a petition for rehearing of that appellate order was denied.

Wireless Services

The FCC regulates the licensing, construction, operation, acquisition and transfer of wireless communications systems, including the systems that Verizon Wireless operates, pursuant to the Communications Act, other legislation, and the FCC's rules. The FCC and Congress continuously consider changes to these laws and rules. Adoption of new laws or rules may raise the cost of providing service or require modification of Verizon Wireless' business plans or operations.

To use the radio frequency spectrum, wireless communications systems must be licensed by the FCC to operate the wireless network and mobile devices in assigned spectrum segments. Verizon Wireless holds FCC licenses to operate in several different radio services, including the cellular radiotelephone service, personal communications service, advanced wireless service, and point-to-point radio service. The technical and service rules, the specific radio frequencies and amounts of spectrum we hold, and the sizes of the geographic areas we are authorized to operate in, vary for each of these services. However, all of the licenses Verizon Wireless holds allow it to use spectrum to provide a wide range of mobile and fixed communications services, including both voice and data services, and Verizon Wireless operates a seamless network that utilizes those licenses to provide services to customers. Because the FCC issues licenses for only a fixed time, generally 10 years, Verizon Wireless must periodically seek renewal of those licenses. Although the FCC has routinely renewed all of Verizon Wireless' licenses that have come up for renewal to date, challenges could be brought against the licenses in the future. If a wireless license were revoked or not renewed upon expiration, Verizon Wireless would not be permitted to provide services on the licensed spectrum in the area covered by that license.

The FCC has also imposed specific mandates on carriers that operate wireless communications systems, which increase Verizon Wireless' costs. These mandates include requirements that Verizon Wireless: (i) meet specific construction and geographic coverage requirements during the license term; (ii) meet technical operating standards that, among other things, limit the radio frequency radiation from mobile devices and antennas; (iii) deploy "Enhanced 911" wireless services that provide the wireless caller's number, location and other information upon request by a state or local public safety agency that handles 911 calls; and (iv) comply with regulations for the construction of transmitters and towers that, among other things, restrict siting of towers in environmentally sensitive locations and in places where the towers would affect a site listed

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or eligible for listing on the National Register of Historic Places. Changes to these mandates could require Verizon Wireless to make changes to operations or increase its costs of compliance.

The Communications Act imposes restrictions on foreign ownership of U.S. wireless systems. The FCC has approved the interest that Vodafone Group Plc holds, through various of its subsidiaries, in Verizon Wireless. The FCC may need to approve any increase in Vodafone's interest or the acquisition of an ownership interest by other foreign entities. In addition, as part of the FCC's approval of Vodafone's ownership interest, Verizon Wireless, Verizon and Vodafone entered into an agreement with the U.S. Department of Defense, Department of Justice and Federal Bureau of Investigation which imposes national security and law enforcement-related obligations on the ways in which Verizon Wireless stores information and otherwise conducts its business.

Verizon Wireless anticipates that it will need additional spectrum to meet future demand. It can meet spectrum needs by purchasing licenses or leasing spectrum from other licensees, or by acquiring new spectrum licenses from the FCC. Under the Communications Act, before Verizon Wireless can acquire a license from another licensee in order to expand its coverage or its spectrum capacity in a particular area, it must file an application with the FCC, and the FCC can grant the application only after a period for public notice and comment. This review process can delay acquisition of spectrum needed to expand services. The Communications Act also requires the FCC to award new licenses for most commercial wireless services through a competitive bidding process in which spectrum is awarded to bidders in an auction. Verizon Wireless has participated in spectrum auctions to acquire licenses in the personal communication service and most recently the advanced wireless service. However, the timing of future auctions, and the spectrum being sold, may not match Verizon Wireless' needs, and the company may not be able to secure the spectrum in the auction.

The FCC is also conducting several proceedings to explore whether and how to use spectrum more intensively by, for example, allowing unlicensed wireless devices to operate in licensed spectrum bands. These proceedings could increase radio interference to Verizon Wireless' operations from other spectrum users, or allow other users to share its spectrum. These changes may adversely impact the ways in which it uses spectrum, the capacity of that spectrum to carry traffic, and the value of that spectrum.

State Regulation and Local Approvals

Telephone Operations

State public utility commissions regulate our telephone operations with respect to certain telecommunications intrastate rates and services and other matters. Our competitive local exchange carrier and long distance operations are generally classified as nondominant and lightly regulated the same as other similarly situated carriers. Our incumbent local exchange operations are generally classified as dominant. These latter operations predominantly are subject to alternative forms of regulation (AFORs) in the various states, although they remain subject to rate of return regulation in a few states. Arizona, Illinois, Nevada, New Hampshire, Oregon and Washington are rate of return regulated with various levels of pricing flexibility for competitive services. California, Connecticut, Delaware, the District of Columbia, Florida, Indiana, Maryland, Michigan, Maine, Massachusetts, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, Texas, Vermont, Virginia, West Virginia and Wisconsin are under AFORs with various levels of pricing flexibility, detariffing, and service quality standards. None of the AFORs include earnings regulation. In Idaho, Verizon has made the election under a recent statutory amendment into a deregulatory regime that phases out all price regulation.

Video

Companies that provide cable service over a cable system are typically subject to state and/or local cable television rules and regulations. As noted above, cable operators generally must obtain a local cable franchise from each local unit of government prior to providing cable service in that local area. Some states have recently enacted legislation that enables cable operators to apply for, and obtain, a single cable franchise at the state, rather than local, level. To date, Verizon has applied for and received state-issued franchises in Indiana, New Jersey and Texas. California has enacted statewide franchise reform legislation, but has not yet finalized implementing rules.

Wireless Services

The rapid growth of the wireless industry has led to an increase in efforts by some state legislatures and state public utility commissions to regulate the industry in ways that may impose additional costs on Verizon Wireless. The Communications Act generally preempts regulation by state and local governments of the entry of, or the rates charged by, wireless carriers. Although a state may petition the FCC to allow it to impose rate regulation, no state has done so. In addition, the Communications Act does not prohibit the states from regulating the other "terms and conditions" of wireless service. While numerous state commissions do not currently have jurisdiction over wireless services, state legislatures may decide to grant them such jurisdiction, and those commissions that already have authority to impose regulations on wireless carriers may adopt new rules.

State efforts to regulate wireless services have included proposals to regulate customer billing, termination of service, trial periods for service, advertising, network outages, the use of handsets while driving, and the provision of emergency or alert services. Over the past several years, only a few states have imposed regulation in one or more of these areas, and in 2006 a federal appellate court struck down one such state statute, but Verizon Wireless expects these efforts to continue. Some states also impose their own universal service support regimes on wireless and other telecommunications carriers, and other states are considering whether to create such regimes.

Verizon Wireless (as well as AT&T (formerly Cingular) and Sprint-Nextel) is a party to an Assurance of Voluntary Compliance (“AVC”) with 33 State Attorneys General. The AVC, which generally reflected Verizon Wireless’ practices at the time it was entered into in July 2004, obligates the company to disclose certain rates and terms during a sales transaction, to provide maps depicting coverage, and to comply with various requirements regarding advertising, billing, and other practices.

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At the state and local level, wireless facilities are subject to zoning and land use regulation. Under the Communications Act, neither state nor local governments may categorically prohibit the construction of wireless facilities in any community or take actions, such as indefinite moratoria, which have the effect of prohibiting service. Nonetheless, securing state and local government approvals for new tower sites has been and is likely to continue to be a difficult, lengthy and expensive process. Finally, state and local governments continue to impose new or higher fees and taxes on wireless carriers.

Recent Developments

MCI Merger

On January 6, 2006, Verizon acquired 100% of the outstanding common stock of MCI, Inc. (MCI) for a combination of Verizon common shares and cash. MCI was a global communications company that provided Internet, data and voice communication services to businesses and government entities throughout the world and consumers in the United States.

On April 9, 2005, Verizon entered into a stock purchase agreement with eight entities affiliated with Carlos Slim Helú to purchase 43.4 million shares of MCI common stock for $25.72 per share in cash plus an additional cash amount of 3% per annum from April 9, 2005, until the closing of the purchase of those shares. The transaction closed on May 17, 2005. The total cash payment was $1,121 million and the investment was accounted for as a cost investment. No payments were made under a provision that required Verizon to pay an additional amount at the end of one year to the extent that the price of Verizon’s common stock exceeded $35.52 per share. We received a special dividend of $5.60 per MCI share on these 43.4 million MCI shares, or $243 million, on October 27, 2005.

Under the terms of the merger agreement, MCI shareholders received .5743 shares of Verizon common stock ($5,050 million in the aggregate) and cash of $2.738 ($779 million in the aggregate) for each of their MCI shares. The merger consideration was equal to $20.40 per MCI share, excluding the $5.60 per share special dividend paid by MCI to its shareholders on October 27, 2005. There was no purchase price adjustment.

Price Communications

In August 2002, Verizon Wireless and Price Communications Corp. (Price) combined Price’s wireless business with a portion of Verizon Wireless. The resulting limited partnership, Verizon Wireless of the East LP (VZ East), is controlled and managed by Verizon Wireless. In exchange for its contributed assets, Price received a limited partnership interest in the new partnership which was exchangeable into the common stock of Verizon Wireless if an initial public offering of that stock occurred, or into the common stock of Verizon on the fourth anniversary of the asset contribution date. On August 15, 2006, Verizon delivered 29.5 million shares of newly-issued Verizon common stock to Price valued at $1,007 million in exchange for Price’s limited partnership interest in VZ East. As a result of acquiring Price’s limited partnership interest, Verizon recorded goodwill of $345 million in the third quarter of 2006 attributable to its Domestic Wireless segment.

Disposition of Businesses and Investments

Verizon Dominicana C. por A., Telecomunicaciones de Puerto Rico, Inc., and Compañía Anónima Nacional Teléfonos de Venezuela

During the second quarter of 2006, we reached definitive agreements to sell our interests in our Caribbean and Latin American telecommunications operations in three separate transactions to América Móvil, S.A. de C.V. (América Móvil), a wireless service provider throughout Latin America, and a company owned jointly by Teléfonos de México, S.A. de C.V. (Telmex) and América Móvil. We agreed to sell our 100 percent indirect interest in Verizon Dominicana C. por A. (Verizon Dominicana) and our 52 percent interest in Telecomunicaciones de Puerto Rico, Inc. (TELPRI) to América Móvil. An entity jointly owned by América Móvil and Telmex agreed to purchase our indirect 28.5 percent interest in Compañía Anónima Nacional Teléfonos de Venezuela (CANTV).

In accordance with SFAS No. 144, *“Accounting for the Impairment or Disposal of Long-Lived Assets,”* (SFAS No. 144) we have classified the results of operations of Verizon Dominicana and TELPRI as discontinued operations. CANTV continues to be accounted for as an equity method investment.

On December 1, 2006, we closed the sale of Verizon Dominicana. The transaction resulted in net pretax cash proceeds of $2,042 million, net of a purchase price adjustment of $373 million. The U.S. taxes that became payable and were recognized at the time the transaction closed exceeded the $30 million pretax gain resulting in an after-tax loss of $541 million.

We expect to close the sale of our interest in TELPRI in 2007 subject to the receipt of regulatory approvals and in accordance with the terms of the definitive agreement. We expect that the sale will result in approximately $900 million in net pretax cash proceeds.

During the second quarter of 2006, we entered into a definitive agreement to sell our indirect 28.5% interest in CANTV to an entity jointly owned by America Movil and Telmex for estimated pretax proceeds of $677 million. Regulatory authorities in Venezuela never commenced the formal review of that transaction and the related tender offers for the remaining equity securities of CANTV. On February 8, 2007, after two prior extensions, the parties terminated the stock purchase agreement because the parties mutually concluded that the regulatory approvals would not be granted by the Government.

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In January 2007, the Bolivarian Republic of Venezuela (the Republic) declared its intent to nationalize certain companies, including CANTV. On February 12, 2007, we entered into a Memorandum of Understanding (MOU) with the Republic. The MOU provides that the Republic will offer to purchase all of the equity securities of CANTV through public tender offers in Venezuela and the United States at a price equivalent to $17.85 per ADS. If the tender offers are completed, the aggregate purchase price for Verizon's shares would be $572 million. If the 2007 dividend that has been recommended by the CANTV Board is approved by shareholders and paid prior to the closing of the tender offers, this amount will be reduced by the amount of the dividend. Verizon has agreed to tender its shares if the offers are commenced. The Republic has agreed to commence the offers within forty-five days assuming the satisfactory completion of its due diligence investigation of CANTV. The tender offers are subject to certain conditions including that a majority of the outstanding shares are tendered to the Government and receipt of regulatory approvals. Based upon the terms of the MOU and our current investment balance in CANTV, we expect that we will record a loss on our investment in the first quarter of 2007. The ultimate amount of the loss depends on a variety of factors, including the successful completion of the tender offer and the satisfaction of other terms in the MOU.

Spin-off of Verizon Information Services

On November 17, 2006 we completed the spin-off of Idearc to shareowners of Verizon. Verizon distributed a dividend of one share of Idearc common stock for every 20 shares of Verizon common stock. Cash was paid for fractional shares. The distribution of Idearc common stock is considered a tax free transaction for us and for our shareowners, except for the cash payments for fractional shares which are generally taxable. Idearc now owns what was the Verizon domestic print and Internet yellow pages directories publishing operations, which had been the principal component of our Information Services segment. This transaction resulted in an increase of nearly $9 billion in shareowners' equity, as well as a reduction of total debt by more than $7 billion and we received approximately $2 billion in cash.

Telephone Access Lines Spin-off

On January 16, 2007, we announced a definitive agreement with FairPoint Communications, Inc. (FairPoint) that will result in Verizon establishing a separate entity for its local exchange and related business assets in Maine, New Hampshire and Vermont, spinning off that new entity to Verizon's shareowners, and immediately merging it with and into FairPoint.

Upon the closing of the transaction, Verizon shareowners will own approximately 60 percent of the new company and FairPoint stockholders will own approximately 40 percent. Verizon Communications will not own any shares in FairPoint after the merger. In connection with the merger, Verizon shareowners will receive one share of FairPoint stock for approximately every 55 shares of Verizon stock held as of the record date. Both the spin-off and merger are expected to qualify as tax-free transactions, except to the extent that cash is paid to Verizon shareowners in lieu of fractional shares.

The total value to be received by Verizon and its shareowners in exchange for these operations will be approximately $2,715 million. Verizon shareowners will receive approximately $1,015 million of FairPoint common stock in the merger, based upon FairPoint's recent stock price and the terms of the merger agreement. Verizon will receive $1,700 million in value through a combination of cash distributions to Verizon and debt securities issued to Verizon prior to the spin-off. Verizon may exchange these newly issued debt securities for certain debt that was previously issued by Verizon, which would have the effect of reducing Verizon's then-outstanding debt.

Redemption of Debt

Debt assumed from MCI merger

On January 17, 2006, Verizon announced offers to purchase two series of MCI senior notes, MCI $1,983 million aggregate principal amount of 6.688% Senior Notes Due 2009 and MCI $1,699 million aggregate principal amount of 7.735% Senior Notes Due 2014, at 101% of their par value. Due to the change in control of MCI that occurred in connection with the merger with Verizon on January 6, 2006, Verizon was required to make this offer to noteholders within 30 days of the closing of the merger of MCI and Verizon. Separately, Verizon notified noteholders that MCI was exercising its right to redeem both series of Senior Notes prior to maturity under the optional redemption procedures provided in the indentures. The 6.688% Notes were redeemed on March 1, 2006, and the 7.735% Notes were redeemed on February 16, 2006.

In addition, on January 20, 2006, Verizon announced an offer to repurchase MCI $1,983 million aggregate principal amount of 5.908% Senior Notes Due 2007 at 101% of their par value. On February 21, 2006, $1,804 million of these notes were redeemed by Verizon. Verizon satisfied and discharged the indenture governing this series of notes shortly after the close of the offer for those noteholders who did not accept this offer.

Zero-Coupon Convertible Notes

Previously, Verizon Global Funding issued approximately $5,442 million in principal amount at maturity of zero-coupon convertible notes due 2021 which were callable by Verizon on or after May 15, 2006. On May 15, 2006, we redeemed the remaining $1,375 million accreted principal of the outstanding zero-coupon convertible notes at a redemption price of $639.76 per $1,000 principal plus interest of approximately $0.5767 per $1,000 principal. The total payment on the date of redemption was approximately $1,377 million.

Other Debt Redemptions/Prepayments

Other debt redemptions/prepayments included approximately $697 million of outstanding debt issuances at various rates associated with our operating telephone companies. Original maturity dates ranged from 2010 through 2026.

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On December 15, 2006, Verizon Wireless's six year 5.375% fixed rate note of $2.5 billion matured. At December 31, 2006, Verizon Wireless had no third-party debt outstanding.

On January 8, 2007, we redeemed the remaining $1,580 million of the outstanding notes of the Verizon Communications Inc. floating rate notes due 2007.

The gain/(loss) on these redemptions and prepayments were immaterial.

Issuance of Debt

In February 2006, Verizon issued $4,000 million of floating rate and fixed rate notes maturing from 2007 through 2035.

Spectrum Purchases

On November 29, 2006, we were granted thirteen 20 MHz licenses we won in an FCC auction of Advanced Wireless Services spectrum that concluded on September 18, 2006, for which we had bid a total of $2,809 million. These licenses, which we anticipate using for the provision of advanced wireless broadband services, cover a population of nearly 200 million. We have made all required payments to the FCC for these licenses.

Environmental Matters

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

New York Recovery Funding

In August 2002, President Bush signed the Supplemental Appropriations bill that included $5.5 billion in New York recovery funding. Of that amount, approximately $750 million has been allocated to cover utility restoration and infrastructure rebuilding as a result of the September 11th terrorist attacks on lower Manhattan. These funds will be distributed through the Lower Manhattan Development Corporation following an application and audit process. As of September 2004, we had applied for reimbursement of approximately $266 million under Category One, although we did not record this amount as a receivable. We received advances totaling $88 million in connection with this application process. On December 22, 2004, we applied for reimbursement of an additional $136 million of Category Two losses, and on March 29, 2005 we amended our application seeking an additional $3 million. Category Two funding is for permanent restoration and infrastructure improvement. According to the plan, permanent restoration is reimbursed up to 75% of the loss. On November 3, 2005, we received the results of preliminary audit findings disallowing all but $44 million of our $266 million of Category One application. On December 8, 2005, we provided a detailed rebuttal to the preliminary audit findings. We received a copy of the final audit report for Verizon's Category One applications and, on January 4, 2007, we filed an appeal of the final audit report. That appeal, as well as our Category Two applications, are pending.

Employees

As of December 31, 2006, Verizon and its subsidiaries had approximately 242,000 employees. Unions represent approximately 40% of our employees.

Information on Our Internet Website

We make available, free of charge on our website, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission (SEC). Our website address is www.verizon.com. This information is included in "Investor Information" on our website.

Cautionary Statement Concerning Forward-Looking Statements

In this Annual Report on Form 10-K we have made forward-looking statements. These statements are based on our estimates and assumptions and are subject to risks and uncertainties. Forward-looking statements include the information concerning our possible or assumed future results of operations. Forward-looking statements also include those preceded or followed by the words “anticipates,” “believes,” “estimates,” “hopes” or similar expressions. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

The following important factors, along with those discussed elsewhere in this Annual Report, could affect future results and could cause those results to differ materially from those expressed in the forward-looking statements:

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- materially adverse changes in economic and industry conditions and labor matters, including workforce levels and labor negotiations, and any resulting financial and/or operational impact, in the markets served by us or by companies in which we have substantial investments;
- material changes in available technology, including disruption of our suppliers' provisioning of critical products or services;
- technology substitution;
- an adverse change in the ratings afforded our debt securities by nationally accredited ratings organizations;
- the final results of federal and state regulatory proceedings concerning our provision of retail and wholesale services and judicial review of those results;
- the effects of competition in our markets;
- the timing, scope and financial impacts of our deployment of fiber-to-the-premises broadband technology;
- the ability of Verizon Wireless to continue to obtain sufficient spectrum resources;
- changes in our accounting assumptions that regulatory agencies, including the SEC, may require or that result from changes in the accounting rules or their application, which could result in an impact on earnings;
- the timing of the closings of the sales of our Latin American and Caribbean properties; and
- the extent and timing of our ability to obtain revenue enhancements and cost savings following our business combination with MCI, Inc.

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Item 1A. Risk Factors

We face significant competition that may reduce our market share and lower our profits.

We face significant competition in our industry. The rapid development of new technologies, services and products has eliminated the traditional lines between local, long distance, wireless, cable and Internet communication services and brought new competitors to our markets, including other telephone companies, cable companies, wireless service providers, satellite providers, electric utilities, and providers of VoIP services. While these changes have enabled us to offer new types of services, they have also allowed other service providers to broaden the scope of their own competitive offerings. Our ability to compete successfully will depend on how successfully we anticipate and respond to various competitive factors, including new services that may be introduced by our competitors, changes in consumer preferences, demographic trends and pricing pressures. Because we are subject to more regulation and have higher cost structures than many of our competitors, due in part to the presence of a unionized workforce and a large retiree population in our wireline business, our competitors may be able to offer services at lower prices. The resulting pressure on the price of services provided by us may result in reduced revenues and reduction of profits. In addition, while the workforce of our wireless business is almost entirely non-union, we cannot predict what level of success unions may have in organizing this workforce or the potentially negative impact of such labor organizing on our costs.

Unless we are able to take advantage of technological developments in the telecommunications industry on a timely basis, we may experience a decline in a demand for our services or may be unable to implement our business strategy.

Our industry is experiencing rapid change as new technologies are developed that offer consumers an array of choices for their communications needs. In order to grow and remain competitive, we will need to adapt to future changes in technology, to enhance our existing offerings and introduce new offerings to address our customers' changing demands. If we are unable to meet future advances in competing technologies on a timely basis or at an acceptable cost, we could lose customers to our competitors. In general, the development of new services in our industry requires us to anticipate and respond to the varied and continually changing demands of our customers. We may not be able to accurately predict technological trends or the success of new services in the market. In addition, there could be legal or regulatory restraints to our introduction of new services. If these services fail to gain acceptance in the marketplace, or if costs associated with implementation and completion of the introduction of these services materially increase, our ability to retain and attract customers could be adversely affected.

While we believe our primary wireless technology platform, CDMA, and its upgrades offer many advantages, many competing wireless service providers have chosen GSM or other technologies as the technology platforms for their wireless networks. There are risks that current or future versions of the wireless technologies and evolutionary path that we have selected may not be demanded by existing and prospective customers or provide the advantages that we expect. In addition, there are risks that other wireless carriers on whom our customers roam may change their technology to GSM or other technologies that are incompatible with ours. As a result, the ability of our and such other carriers' customers to roam on our respective wireless networks could be adversely affected. If these risks materialize, our ability to provide national wireless service to our customers, to retain and attract customers, and to maintain and grow our customer revenues could be materially adversely affected.

We depend on key suppliers and vendors to provide equipment that we need to operate our business.

We also depend upon various key suppliers and vendors to provide us with the equipment that we need to operate our business. If these suppliers or vendors fail to provide equipment or service to us on a timely basis, it could have an adverse impact on our ability to implement our business strategy and, in addition, we might be unable to satisfy the requirements contained in our FCC licenses regarding the construction of our wireless network. These suppliers and vendors may be subject to litigation with respect to technology that we depend on for our service offerings.

Changes in the regulatory framework under which we operate could adversely affect our business prospects or results of operations.

Our operations are subject to regulation by the FCC and other federal, state and local agencies. It is impossible to predict with any certainty the outcome of pending federal and state regulatory proceedings relating to our provision of retail or wholesale services, or the reviews by federal or state courts of regulatory rulings. Unless we are able to obtain relief, existing laws and regulations may inhibit our ability to expand our business and introduce new products and services. In addition, the adoption of new laws or regulations or changes to the existing regulatory framework could adversely affect our business plans. For example, the development of new technologies, such as Internet Protocol-based services, including VoIP and super high-speed broadband and video, could be subject to conflicting regulation between the FCC and various state and local authorities, which could significantly increase the cost of implementing and introducing new services based on this technology. In addition, the rapid growth of the wireless industry has led to an increase in efforts by some state legislatures and state public utility commissions to regulate the industry in ways that may impose additional costs on Verizon Wireless. Moreover, many states have also imposed significant taxes on providers in the wireless industry.

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We are subject to a significant amount of litigation, which could require us to pay significant damages or settlements.

Our business faces a substantial amount of litigation, including patent infringement lawsuits, antitrust class actions, personal injury claims and lawsuits relating to our advertising, sales, billing and collection practices. In addition, our wireless business also faces personal injury and consumer class action lawsuits relating to alleged health effects of wireless phones or radiofrequency transmitters, and class action lawsuits that challenge marketing practices and disclosures relating to alleged adverse health effects of handheld wireless phones. We may incur significant expenses in defending these lawsuits. In addition, we may be required to pay significant awards or settlements.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

General

Our principal properties do not lend themselves to simple description by character and location. Our total investment in plant, property and equipment was approximately $204 billion at December 31, 2006 and $188 billion at December 31, 2005, including the effect of retirements, but before deducting accumulated depreciation. Our gross investment in plant, property and equipment consisted of the following at December 31:

	2006	2005
Network equipment	**80.1%**	81.2%
Land, buildings and building equipment	**9.9**	9.1
Furniture and other equipment	**6.3**	6.5
Other	**3.7**	3.2
	100.0%	100.0%

Our properties are divided among our operating segments at December 31, as follows:

	2006	2005
Wireline	**76.7%**	76.9%
Wireless	**22.7**	22.4
Corporate and Other	**0.6**	0.7
	100.0%	100.0%

Network equipment consists primarily of aerial cable, underground cable, conduit and wiring, wireless plant, telephone poles, switching equipment, transmission equipment and related facilities. Land, buildings and building equipment consists of land and land improvements and central office buildings. Furniture and other equipment consists of public telephone instruments and telephone equipment (including PBXs), furniture, office equipment, motor vehicles and other work equipment. Other property consists primarily of plant under construction, capital leases, capitalized computer software costs and leasehold improvements. A portion of our property is subject to the liens of their respective mortgages securing funded debt.

The customers of our telephone operations are served by electronic switching systems that provide a wide variety of services. At December 31, 2006, substantially all of the access lines were served by digital capability.

Capital Expenditures

We continue to make significant capital expenditures to meet the demand for telecommunications services and to further improve such services. Capital spending for Wireline was $10,259 million in 2006, $8,267 million in 2005 and $7,118 million in 2004. Capital spending for Domestic Wireless was $6,618 million in 2006, $6,484 million in 2005 and $5,633 million in 2004. In 2007, Verizon management expects capital expenditures to be in the range of $17.5 billion to $17.9 billion.

Item 3. Legal Proceedings

Verizon and a number of other telecommunications companies have been the subject of multiple class action suits concerning its alleged participation in intelligence-gathering activities allegedly carried out by the federal government, at the direction of the President of the United States, as part of the government's post-September 11 program to prevent terrorist attacks. Plaintiffs generally allege that Verizon has participated by permitting the government to gain access to the content of its subscribers' telephone calls and/or records concerning those calls and that such action violates federal and/or state constitutional and statutory law. Relief sought in the cases includes injunctive relief, attorneys' fees, and statutory and punitive damages. On August 9, 2006, the Judicial Panel on Multidistrict Litigation ("Panel") ordered that these actions be transferred, consolidated and coordinated in the U.S. District Court for the Northern District of California. The Panel subsequently ordered that a number of "tag along" actions also be transferred to the Northern District of California. Verizon has not answered or otherwise responded to any of the complaints. Verizon believes that these lawsuits are without merit.

In the Matter of Certain Baseband Processor Chips and Chipsets, Transmitter and Receiver (Radio) Chips, Power Control Chips, and Products Containing Same, Including Cellular Telephone Handsets, an action brought before the United States International Trade Commission,

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Broadcom Corporation alleges that certain chips and chipsets manufactured by respondent Qualcomm Corporation infringe three Broadcom patents. Broadcom is currently seeking a ban on the importation of certain devices containing Qualcomm's EV-DO chipsets, but not with respect to data cards, PDAs, smartphones or handheld email devices containing those chips. Verizon Wireless was granted permission to intervene in the proceeding on the issue of remedy but not on the issue of liability. The ITC staff, which is a party to the proceeding, has supported Broadcom's position with respect to liability and remedy. The trial on remedy was completed on July 11, 2006 before an ITC administrative law judge. The Administrative Law Judge issued an initial determination, finding that Qualcomm has infringed one of the three Broadcom patents and recommended that Qualcomm's chipsets should be excluded from importation into the United States. However, the Administrative Law Judge further recommended that Verizon Wireless handsets that incorporate the Qualcomm EV-DO chipsets should not be subject to an exclusion order. Broadcom and the ITC staff requested review of the initial determination by the full ITC. On December 8, 2006, the ITC affirmed in substantial part the Administrative Law Judge's initial determination with respect to liability, determining that Qualcomm infringed one Broadcom patent. The ITC will hold a public hearing on the issues of remedy and the public interest on March 21, 2007. The decision of the full ITC with respect to remedy is expected to be made by May 8, 2007. During a 60-day period following any exclusion order by the ITC, the President of the United States may disapprove the order. Further, ITC exclusion orders are reviewable by the U.S. Court of Appeals for the Federal Circuit. Disruption of the supply of handsets incorporating Qualcomm EV-DO chipsets could have a material adverse effect on the availability of handsets to sell to Verizon Wireless customers and could therefore have a material adverse effect on its business.

Item 4. Submission of Matters to a Vote of Security Holders

Not Applicable.

Executive Officers of the Registrant

Set forth below is information with respect to our executive officers.

Name	Age	Office	Held Since
Ivan G. Seidenberg	60	Chairman and Chief Executive Officer	2000
William P. Barr	56	Executive Vice President and General Counsel	2000
Thomas A. Bartlett	48	Senior Vice President and Controller	2005
John W. Diercksen	57	Executive Vice President – Strategy, Development and Planning	2003
Shaygan Kheradpir	46	Executive Vice President and Chief Information Officer	2007
John F. Killian	52	President – Verizon Business	2006
Lowell C. McAdam	52	President and Chief Executive Officer – Verizon Wireless	2007
Marc C. Reed	48	Executive Vice President – Human Resources	2004
Virginia P. Ruesterholz	45	President – Verizon Telecom	2006
John G. Stratton	45	Executive Vice President and Chief Marketing Officer	2007
Dennis F. Strigl	60	President and Chief Operating Officer	2007
Thomas J. Tauke	56	Executive Vice President – Public Affairs, Policy and Communications	2004
Doreen A. Toben	57	Executive Vice President and Chief Financial Officer	2002
Catherine T. Webster	54	Senior Vice President and Treasurer	2005

Prior to serving as an executive officer, each of the above officers held high level managerial positions with the company or one of its subsidiaries for at least five years.

Officers are not elected for a fixed term of office but are removable at the discretion of the Board of Directors.

Lawrence T. Babbio Jr. (62) served as Vice Chairman and President and as an executive officer through December 31, 2006.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The principal market for trading in the common stock of Verizon is the New York Stock Exchange. The common stock is also listed in the United States on the Boston, Chicago and Philadelphia stock exchanges. As of December 31, 2006, there were 887,678 shareowners of record.

High and low stock prices, as reported on the New York Stock Exchange composite tape of transactions, and dividend data are as follows:

		Market Price		Cash Dividend
		High	Low	Declared
2006	**First Quarter**	**$ 33.89**	**$ 28.95**	**$ .405**
	Second Quarter	**33.46**	**29.00**	**.405**
	Third Quarter	**36.62**	**30.22**	**.405**
	Fourth Quarter	**37.64**	**33.99**	**.405**
2005	First Quarter	$ 39.56	$ 33.13	$ .405
	Second Quarter	34.93	32.48	.405
	Third Quarter	33.70	30.50	.405
	Fourth Quarter	31.59	28.07	.405

* All Verizon prices have been adjusted for the spin-off of Idearc.

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The following table provides information about Verizon's common stock repurchases during the fourth quarter of 2006.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (2)
October	3,555,000	$ 37.22	3,555,000	56,020,200
November	475,000	37.65	475,000	55,545,200
December	5,611,600	35.80	5,611,600	49,933,600
	9,641,600		9,641,600	49,933,600

(1) On January 19, 2006, Verizon's Board of Directors authorized a common stock repurchase program.

(2) The program authorizes total repurchases of up to 100 million common shares terminating no later than the close of business on February 28, 2008. Under the plan, Verizon has the option to repurchase shares for the corporation over time, with the amount and timing of repurchases depending on market conditions and corporate needs.

Item 6. Selected Financial Data

Information required by this item is included in the 2006 Verizon Annual Report to Shareowners under the heading "Selected Financial Data" on page 17, which is incorporated herein by reference.

Item 7. Management's Discussion and Analysis of Results of Financial Condition and Results of Operations

Information required by this item is included in the 2006 Verizon Annual Report to Shareowners under the heading "Management's Discussion and Analysis of Results of Operations and Financial Condition" on pages 18 through 39, which is incorporated herein by reference.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Information required by this item is included in the 2006 Verizon Annual Report to Shareowners under the heading "Market Risk" on page 32, which is incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data

Information required by this item is included in the 2006 Verizon Annual Report to Shareowners on pages 40 through 79, which is incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Our chief executive officer and chief financial officer have evaluated the effectiveness of the registrant's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934), as of the end of the period covered by this annual report, that ensure that information relating to the registrant which is required to be disclosed in this report is recorded, processed, summarized and reported, within required time periods. Based on this evaluation, our chief executive officer and chief financial officer have concluded that the registrant's disclosure controls and procedures were effective as of December 31, 2006.

We completed the merger with MCI on January 6, 2006, at which time MCI became a subsidiary of Verizon. The Company has extended its Section 404 compliance program under the Sarbanes-Oxley Act of 2002 and the applicable rules and regulations under such Act to include the merged entity's internal controls over financial reporting.

There were no changes in the registrant's internal control over financial reporting during the fourth quarter of 2006 that have materially affected, or are reasonably likely to materially affect the registrant's internal control over financial reporting.

Management's report on internal control over financial reporting and the attestation report of Verizon's independent registered accounting firm is included in the 2006 Verizon Annual Report to Shareowners on pages 40 through 41 and is incorporated herein by reference.

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Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance of the Registrant

For information with respect to our executive officers, see "Executive Officers of the Registrant" at the end of Part I of this Report. For other information required by this item see the sections entitled "Election of Directors," "Structure and Practices of the Board" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement for our 2007 Annual Meeting of Shareholders filed pursuant to Regulation 14A, which is incorporated herein by reference.

Item 11. Executive Compensation

For information with respect to executive compensation, see the section entitled "Executive Compensation" in the Proxy Statement for our 2007 Annual Meeting of Shareholders filed pursuant to Regulation 14A, which is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

For information with respect to the security ownership of the Directors and Executive Officers and related stockholder matters, see the section entitled "Security Ownership of Certain Beneficial Owners and Management" in the Proxy Statement for our 2007 Annual Meeting of Shareholders filed pursuant to Regulation 14A, which is incorporated herein by reference. In addition, see the following table for other equity compensation plan information:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	185,110,937	$ 47.55	128,833,578
Equity compensation plans not approved by security holders	45,337,060	41.90	9,900,616*
Total	230,447,997	46.44	138,734,194

* Indicates the number of securities available for issuance under the Verizon Communications 2000 Broad-Based Incentive Plan, which provides for awards of nonqualified stock options, restricted stock, restricted stock units and other equity-based hypothetical stock units to employees of Verizon and its subsidiaries.

Item 13. Certain Relationships and Related Transactions, and Director Independence

For information with respect to certain relationships and related transactions, and director independence, see the "Structure and Practices of the Board" section of the Proxy Statement for our 2007 Annual Meeting of Shareholders filed pursuant to Regulation 14A, which is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

For information with respect to principal accounting fees and services, see the Proxy Statement for our 2007 Annual Meeting of Shareholders filed pursuant to Regulation 14A, which is incorporated herein by reference.

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PART IV

Item 15. Exhibits, Financial Statement Schedules

Documents filed as part of this report:

* Incorporated herein by reference to the appropriate portions of the registrant’s annual report to shareowners for the fiscal year ended December 31, 2006. (See Part II.)

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Exhibit Number

Exhibit Number	
3a	Restated Certificate of Incorporation of Verizon Communications Inc. (Verizon) (Exhibit 3a to Form 10-K for the year ended December 31, 2005).
3b	Bylaws of Verizon, as amended and restated (Exhibit 3b to Form 10-Q for the period ended September 30, 2006).
4	No instrument which defines the rights of holders of long-term debt of Verizon and its consolidated subsidiaries is filed herewith pursuant to Regulation S-K, Item 601(b)(4)(iii)(A). Pursuant to this regulation, Verizon hereby agrees to furnish a copy of any such instrument to the SEC upon request.
10a	Description of Verizon Deferred Compensation Plan for Non-Employee Directors (Exhibit 10a to Form 10-K for the year ended December 31, 2000).*
	10a(i) Description of Amendment to Plan (Exhibit 10a(i) to Form 10-K for the year ended December 31, 2004).
10b	Bell Atlantic Deferred Compensation Plan for Outside Directors, as amended and restated (Exhibit 10a to Form 10-K for the year ended December 31, 1998).*
10c	Deferred Compensation Plan for Non-Employee Members of the Board of Directors of GTE, as amended (Exhibit 10-1 to GTE's Form 10-K for the year ended December 31, 1997 and Exhibit 10.1 to GTE's Form 10-K for the year ended December 31, 1998, File No. 1-2755).*
10d	GTE's Directors' Deferred Stock Unit Plan (Exhibit 10-8 to GTE's Form 10-K for the year ended December 31, 1997, File No. 1-2755).*
10e	Description of Plan for Non-Employee Directors' Travel Accident Insurance (Exhibit 10c to Form 10-K for the year ended December 31, 1999).*
10f	Bell Atlantic Directors' Charitable Giving Program, as amended (Exhibit 10p to Form SE dated March 29, 1990 and Exhibit 10p to Form SE dated March 29, 1993).*
10g	GTE's Charitable Awards Program (Exhibit 10-10 to GTE's Form 10-K for the year ended December 31, 1992, File No. 1-2755).*
10h	NYNEX Directors' Charitable Award Program (Exhibit 10i to Form 10-K for the year ended December 31, 2000).*
10i	Verizon Communications 2000 Broad-Based Incentive Plan (Exhibit 10h to Form 10-Q for the period ended September 30, 2000).*
10j	Verizon Communications Inc. Long-Term Incentive Plan (Appendix B to Verizon's 2001 Proxy Statement filed March 12, 2001).*
	10j(i) Performance Stock Unit Agreement 2003-2005 Award Cycle (Exhibit 10j(i) to Form 10-K for the year ended December 31, 2005).*
	10j(ii) Performance Stock Unit Agreement 2004-2006 Award Cycle (Exhibit 10j(ii) to Form 10-K for the year ended December 31, 2005).*
	10j(iii) Restricted Stock Unit Agreement 2005-2007 Award Cycle (Exhibit 10a to Form 10-Q for the period ended March 31, 2005).*
	10j(iv) Performance Stock Unit Agreement 2005-2007 Award Cycle (Exhibit 10b to Form 10-Q for the period ended March 31, 2005).*
	10j(iv)(a) Addendum to Performance Stock Unit Agreement 2005-2007 Award Cycle (Exhibit 10j(iv)(a) to Form 10-K for the year ended December 31, 2005).*
	10j(v) Restricted Stock Unit Agreement 2006-2008 Award Cycle (Exhibit 10j(v) to Form 10-K for the year ended December 31, 2005).*
	10j(vi) Performance Stock Unit Agreement 2006-2008 Award Cycle (Exhibit 10j(vi) to Form 10-K for the year ended December 31, 2005).*

10k	GTE's Long-Term Incentive Plan, as amended (Exhibit B to GTE's 1997 Proxy Statement and Exhibit 10.5 to GTE's 1998 Form 10-K for the year ended December 31, 1998, File No. 1-2755); Description of Amendments (Exhibit 10l to Form 10-K for the year ended December 31, 2000).*
10m	NYNEX 1995 Stock Option Plan, as amended (Exhibit No. 1 to NYNEX's Proxy Statement dated March 20, 1995, File No. 1-8608); Description of Amendments (Exhibit 10n to Form 10-K for the year ended December 31, 2000).*

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10n	Verizon Communications Inc. Short-Term Incentive Plan (Appendix C to Verizon's 2001 Proxy Statement filed March 12, 2001).*
10o	Verizon Communications Inc. Income Deferral Plan (Exhibit 10f to Form 10-Q for the period ended June 30, 2002).*
	10o(i) Description of Amendment to Plan (Exhibit 10o(i) to Form 10-K for the year ended December 31, 2004).*
10p	Verizon Communications Inc. Excess Pension Plan (Exhibit 10p to Form 10-K for the year ended December 31, 2004).*
	10p(i) Description of Amendment to Plan (Exhibit 10p(i) to Form 10-K for the year ended December 31, 2004).*
10q	GTE's Executive Salary Deferral Plan, as amended (Exhibit 10.10 to GTE's Form 10-K for the year ended December 31, 1998, File No. 1-2755).*
10r	Bell Atlantic Senior Management Long-Term Disability and Survivor Protection Plan, as amended (Exhibit 10h to Form SE filed on March 27, 1986 and Exhibit 10b(ii) to Form 10-K for the year ended December 31, 1997).*
10s	Description of Bell Atlantic Senior Management Estate Management Plan (Exhibit 10rr to Form 10-K for year ended December 31, 1997).*
10t	GTE's Executive Retired Life Insurance Plan, as amended (Exhibits 10-6, 10-6 and 10-6 to GTE's Form 10-K for the years ended December 31, 1991, 1992 and 1993, respectively, File No. 1-2755).*
10u	NYNEX Supplemental Life Insurance Plan (Exhibit No. 10 iii 21 to NYNEX's Form 10-Q for the period ended June 30, 1996, File No. 1-8608).*
10v	Summary Plan Description of Verizon Executive Deferral Plan (Exhibit 10(v) to Form 10-K for the year ended December 31, 2005).*
10w	Description of salary increase for Ivan G. Seidenberg (Exhibit 10w to Form 10-K for the year ended December 31, 2004).*
10x	Employment Agreement between Verizon and Lawrence T. Babbio (Exhibit 10a to Form 10-Q for the period ended September 30, 2000).*
10y	Employment Agreement between Verizon and Marc C. Reed (Exhibit 10a to Form 10-Q for the period ended June 30, 2004).*
10z	Employment Agreement between Verizon and William P. Barr (Exhibit 10z to Form 10-Q for the period ended March 31, 2003).*
10cc	Employment Agreement between Verizon and Doreen A. Toben (Exhibit 10d to Form 10-Q for the period ended June 30, 2002).*
10dd	Description of the Split-Dollar Insurance Arrangements (Exhibit 10g to Form 10-Q for the period ended June 30, 2002).*
	10dd(i) Description of Changes to Arrangements (Exhibit 10dd(i) to Form 10-K for the year ended December 31, 2004).*
10ee	Employment Agreement between Verizon and Dennis F. Strigl (Exhibit 10f to Form 10-Q for the period ended September 30, 2000).*
10ff	Employment Agreement between Verizon and Thomas J. Tauke (Exhibit 10b to Form 10-Q for the period ended June 30, 2004).*
10gg	Form of Employment Agreement between Verizon and Band 1 Senior Management Employee (Exhibit 10gg to the Form 10-K for the year ended December 31, 2004).*
10hh	NYNEX Deferred Compensation Plan for Non-Employee Directors (Exhibit 10gg to NYNEX's Registration Statement No. 2-87850, File No. 1-8608).*
	10hh(i) Amendment to NYNEX Corporation Deferred Compensation Plan for Non-Employee Directors (Exhibit 10iii 5a to NYNEX's Quarterly Report on Form 10-Q for the period ended June 30, 1996, File No. 1-8608).*

10ii	U.S. Wireless Agreement, dated September 21, 1999, among Bell Atlantic and Vodafone Airtouch plc, including the forms of Amended and Restated Partnership Agreement and the Investment Agreement (Exhibit 10 to Form 10-Q for the period ended September 30, 1999).
12	Computation of Ratio of Earnings to Fixed Charges filed herewith.
13	Portions of Verizon's Annual Report to Shareowners for the fiscal year ended December 31, 2006. Only the information incorporated by reference into this Form 10-K is included in the exhibit.
21	List of principal subsidiaries of Verizon filed herewith.

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23	Consent of Ernst & Young LLP filed herewith.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Indicates management contract or compensatory plan or arrangement.

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Schedule II – Valuation and Qualifying Accounts

Verizon Communications Inc. and Subsidiaries

For the Years Ended December 31, 2006, 2005 and 2004

(dollars in millions)

Description	Balance at Beginning of Period	Additions: Charged To Expenses	Additions: Charged to Other Accounts Note (a)	Deductions Note (b)	Balance at End of Period
Allowance for Uncollectible Accounts Receivable:					
Year 2006	**$ 1,100**	**$ 1,034**	**$ 1,627**	**$ 2,622**	**$ 1,139**
Year 2005	1,363	1,076	794	2,133	1,100
Year 2004	2,382	890	1,234	3,143	1,363
Valuation Allowance for Deferred Tax Assets:					
Year 2006	**$ 815**	**$ 51**	**$ 2,234**	**$ 500**	**$ 2,600**
Year 2005	1,217	46	43	491	815
Year 2004	1,463	6	–	252	1,217
Discontinued Businesses:					
Year 2006	**$ 248**	**$ –**	**$ –**	**$ 11**	**$ 237**
Year 2005	287	5	–	44	248
Year 2004	331	39	15	98	287

(a) Allowance for Uncollectible Accounts Receivable includes: (1) amounts previously written off which were credited directly to this account when recovered, and (2) accruals charged to accounts payable for anticipated uncollectible charges on purchases of accounts receivable from others which were billed by us. Also includes amounts transferred from other accounts. The 2006 amounts charged to other accounts for the allowance for uncollectible accounts receivable and valuation allowance for deferred tax assets were primarily due to the acquisition of MCI.

(b) Amounts written off as uncollectible or transferred to other accounts or utilized.

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Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Verizon Communications Inc.

Date: March 1, 2007

By: /s/ Thomas A. Bartlett

Thomas A. Bartlett
Senior Vice President and Controller

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Principal Executive Officer:

/s/ Ivan G. Seidenberg Ivan G. Seidenberg	Chairman and Chief Executive Officer	March 1, 2007

Principal Financial Officer:

/s/ Doreen A. Toben Doreen A. Toben	Executive Vice President and Chief Financial Officer	March 1, 2007

Principal Accounting Officer:

/s/ Thomas A. Bartlett Thomas A. Bartlett	Senior Vice President and Controller	March 1, 2007

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Signatures – Continued

/s/ Ivan G. Seidenberg Ivan G. Seidenberg	Director	March 1, 2007
/s/ James R. Barker James R. Barker	Director	March 1, 2007
/s/ Richard L. Carrión Richard L. Carrión	Director	March 1, 2007
/s/ M. Frances Keeth M. Frances Keeth	Director	March 1, 2007
/s/ Robert W. Lane Robert W. Lane	Director	March 1, 2007
/s/ Sandra O. Moose Sandra O. Moose	Director	March 1, 2007
/s/ Joseph Neubauer Joseph Neubauer	Director	March 1, 2007
/s/ Donald T. Nicolaisen Donald T. Nicolaisen	Director	March 1, 2007
/s/ Thomas H. O'Brien Thomas H. O'Brien	Director	March 1, 2007
/s/ Clarence Otis, Jr. Clarence Otis, Jr.	Director	March 1, 2007
/s/ Hugh B. Price Hugh B. Price	Director	March 1, 2007
/s/ Walter V. Shipley Walter V. Shipley	Director	March 1, 2007
/s/ John W. Snow John W. Snow	Director	March 1, 2007
/s/ John R. Stafford		

______________________________ John R. Stafford	Director	March 1, 2007
/s/ Robert D. Storey ______________________________ Robert D. Storey	Director	March 1, 2007

EXHIBIT 12

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

(dollars in millions)

Years Ended December 31,	**2006**	2005	2004	2003	2002
Income before provision for income taxes, discontinued operations, extraordinary items, and cumulative effect of accounting change	**$ 8,154**	$ 8,448	$ 7,977	$ 2,681	$ 3,797
Minority interest	**4,038**	3,001	2,329	1,562	1,303
Equity in (earnings) loss of unconsolidated businesses	**(773)**	(686)	(1,690)	(1,273)	1,548
Dividends from unconsolidated businesses	**42**	2,336	162	198	96
Interest expense	**2,349**	2,129	2,336	2,741	3,072
Portion of rent expense representing interest	**530**	511	449	432	391
Amortization of capitalized interest	**112**	108	104	103	87
Income, as adjusted	**$ 14,452**	$ 15,847	$ 11,667	$ 6,444	$ 10,294
Fixed charges:					
Interest expense	**$ 2,349**	$ 2,129	$ 2,336	$ 2,741	$ 3,072
Portion of rent expense representing interest	**530**	511	449	432	391
Capitalized interest	**462**	352	177	144	185
Preferred stock dividend requirement	**2**	9	8	12	18
Fixed Charges	**$ 3,343**	$ 3,001	$ 2,970	$ 3,329	$ 3,666
Ratio of Earnings to Fixed Charges	**4.32**	5.28	3.93	1.94	2.81

EXHIBIT 13

Selected Financial Data Verizon Communications Inc. and Subsidiaries

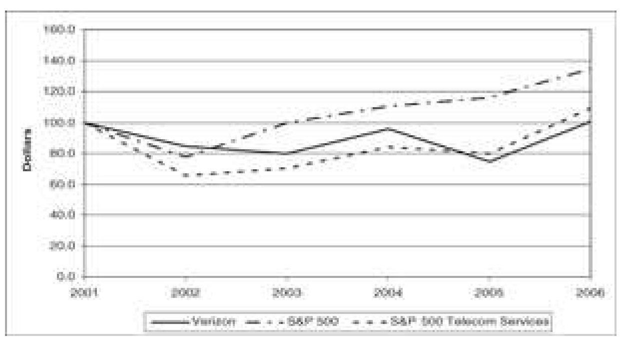
(dollars in millions, except per share amounts)

	2006	2005	2004	2003	2002
Results of Operations					
Operating revenues	**$ 88,144**	$ 69,518	$ 65,751	$ 61,754	$ 60,907
Operating income	**13,373**	12,581	10,870	5,312	12,386
Income before discontinued operations and cumulative effect of accounting change	**5,480**	6,027	5,899	2,168	3,016
Per common share – basic	**1.88**	2.18	2.13	.79	1.11
Per common share – diluted	**1.88**	2.16	2.11	.79	1.11
Net income	**6,197**	7,397	7,831	3,077	4,079
Net income available to common shareowners	**6,197**	7,397	7,831	3,077	4,079
Per common share – basic	**2.13**	2.67	2.83	1.12	1.49
Per common share – diluted	**2.12**	2.65	2.79	1.12	1.49
Cash dividends declared per common share	**1.62**	1.62	1.54	1.54	1.54
Financial Position					
Total assets	**$ 188,804**	$ 168,130	$ 165,958	$ 165,968	$ 167,468
Long-term debt	**28,646**	31,569	34,970	38,609	43,066
Employee benefit obligations	**30,779**	17,693	16,796	15,726	14,484
Minority interest	**28,337**	26,433	24,709	24,023	23,749
Shareowners' investment	**48,535**	39,680	37,560	33,466	32,616

- Significant events affecting our historical earnings trends in 2004 through 2006 are described in Management's Discussion and Analysis of Results of Operations and Financial Condition.
- 2003 data includes severance, pension and benefit charges and other special and/or non-recurring items.
- 2002 data includes gains on investments and sales of businesses and other special and/or non-recurring items.

Stock Performance Graph

COMPARISON OF FIVE-YEAR TOTAL RETURN AMONG VERIZON,
S&P 500 TELECOM SERVICES INDEX AND S&P 500 STOCK INDEX



	At December 31,					
Data Points in Dollars*	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**
Verizon	100.0	84.9	80.3	96.5	75.2	101.1
S&P 500	100.0	77.9	100.2	111.1	116.6	135.0
S&P 500 Telecom Services	100.0	65.9	70.7	84.7	80.2	109.5

* Assumes $100 invested on December 31, 2001

The graph compares the cumulative total returns of Verizon, the S&P 500 Telecommunications Services Index, and the S&P 500 Stock Index over a five-year period. It assumes $100 was invested on December 31, 2001, with dividends reinvested.

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

Overview

Verizon Communications Inc. (Verizon) is one of the world's leading providers of communications services. Verizon's wireline business, which includes the operations of the former MCI, provides telephone services, including voice, broadband data and video services, network access, nationwide long-distance and other communications products and services, and also owns and operates one of the most expansive end-to-end global Internet Protocol (IP) networks. Verizon's domestic wireless business, operating as Verizon Wireless, provides wireless voice and data products and services across the United States using one of the most extensive and reliable wireless networks. Stressing diversity and commitment to the communities in which we operate, Verizon has a highly diverse workforce of approximately 242,000 employees.

The sections that follow provide information about the important aspects of our operations and investments, both at the consolidated and segment levels, and include discussions of our results of operations, financial position and sources and uses of cash. In addition, we have highlighted key trends and uncertainties to the extent practicable. The content and organization of the financial and non-financial data presented in these sections are consistent with information used by our chief operating decision makers for, among other purposes, evaluating performance and allocating resources. We also monitor several key economic indicators as well as the state of the economy in general, primarily in the United States where the majority of our operations are located, in evaluating our operating results and analyzing and understanding business trends. While most key economic indicators, including gross domestic product, impact our operations to some degree, we have noted higher correlations to housing starts, non-farm employment, personal consumption expenditures and capital spending, as well as more general economic indicators such as inflation and unemployment rates.

Our results of operations, financial position and sources and uses of cash in the current and future periods reflect Verizon management's focus on the following four key areas:

- Revenue Growth – Our emphasis is on revenue growth, devoting more resources to higher growth markets such as wireless, including wireless data, wireline broadband connections, including fiber optics to the premises (Verizon's FiOS data and TV services), digital subscriber lines (DSL) and other data services, long distance, as well as expanded strategic services to business markets, rather than to the traditional wireline voice market, where we have been experiencing access line losses. Verizon reported consolidated revenue growth of 26.8% in 2006 compared to 2005, primarily driven by the merger with MCI and 17.8% higher revenue at Domestic Wireless. Verizon added 7,715,000 wireless customers and 1,838,000 broadband connections in 2006.
- Operational Efficiency – While focusing resources on growth, we are continually challenging our management team to lower expenses, particularly through technology-assisted productivity improvements including self-service initiatives. The effect of these and other efforts, such as real estate consolidations, call center routing improvements and the formation of Verizon Services Organization, has been to change the company's cost structure and maintain stable operating income margins. Real estate consolidations include the establishment of the Verizon Center. The Verizon Services Organization provides centralized services across our business, including procurement, finance operations and real estate services. With our deployment of the FiOS network, we expect to realize savings in annual, ongoing operating expenses as a result of efficiencies gained from fiber network facilities. As the deployment of the FiOS network gains scale and installation automation improvements occur, costs per home connected are expected to decline. Since the merger with MCI, we have gained operational benefits from sales force and product and systems integration initiatives. While workforce levels in 2006 increased to 242,000 from 206,000 primarily as a result of the acquisition of MCI, productivity improvements and merger synergy savings led to headcount reductions of about 9,200 in our wireline business.
- Capital Allocation – Our capital spending continues to be directed toward growth markets. High-speed wireless data (Evolution-Data Optimized, or EV-DO) services, replacement of copper access lines with fiber optics to the premises, as well as expanded services to business markets are examples of areas of capital spending in support of these growth markets. Excluding discontinued operations, in 2006, capital expenditures were $17,101 million compared to 2005 capital expenditures of $14,964 million. Of the increase, $1,602 million was primarily attributable to capital spending related to the former MCI, with the remainder in support of growth initiatives. In 2007, Verizon management expects capital expenditures to be in the range of $17.5 billion to $17.9 billion. In addition to capital expenditures, Verizon Wireless continues to participate in the Federal Communications Commission's (FCC) wireless spectrum auctions and continues to evaluate spectrum acquisitions in support of expanding data applications and its growing customer base. In 2006, this included participation in the FCC Auction 66 of Advanced Wireless Services spectrum (AWS auction) in which Verizon Wireless was the high bidder on thirteen 20 MHz licenses covering a population of nearly 200 million.
- Cash Flow Generation and Shareowner Value Creation – The financial statements reflect the emphasis of management on not only directing resources to growth markets, but also creating value for shareowners through the use of cash provided by our operating and investing activities for the repayment of debt, share repurchases and providing a stable dividend to our shareowners, in addition to returning value to shareowners through spin-off and other strategic transactions.

Verizon’s total debt decreased to $36,361 million as of December 31, 2006 from $38,257 million as of December 31, 2005, primarily as a result of the debt reduction resulting from the spin-off of Idearc Inc. (Idearc), formerly our U.S. print and Internet yellow pages directories business, and the use of cash acquired in the MCI merger and generated through strategic asset sales (see “Other Factors That May Affect Future Results – Recent Developments”), partially offset by debt acquired in connection with the MCI merger. Strategic asset sales included the sale of Verizon Dominicana C. por A. (Verizon Dominicana), which closed on December 1, 2006. Verizon’s ratio of debt to debt combined with shareowners’ equity was 42.8% as of December 31, 2006 compared with 49.1% as of December 31, 2005. Management has recommended to the Board of Directors that our dividend be maintained at a level no less than that immediately preceding the Idearc spin-off. In addition, we repurchased $1,700 million of our common stock as part of our previously announced program during 2006, and we plan to continue our share buyback program at similar levels in 2007. Additionally, Verizon's balance of cash and cash equivalents at December 31, 2006 of $3,219 million increased by $2,459 million from $760 million at December 31, 2005.

Supporting these key focus areas are continuing initiatives to enhance the value of our products and services through well-managed deployment of proven advanced technology and through competitive products and services packaging. At Wireline, as of December 31, 2006, we met our goal of passing six million premises with our high-capacity fiber network (FiOS), doubling the number of premises passed compared to year-end 2005. We added 517,000 new FiOS data connections in 2006. In 2005, Verizon began offering video on the FiOS network in three markets. By the end of 2006, Verizon had obtained over 600 video franchises covering 7.3 million households with service available for sale to 2.4 million premises. We had 207,000 FiOS TV customers by the end of 2006. We are also developing and marketing innovative product bundles to include local wireline, long distance, wireless and broadband services for consumer and general business retail customers. These efforts will also help counter the effects of competition and technology substitution that have resulted in access line losses, and will enable us to grow revenues by becoming a leading video provider.

Also at Wireline, we will continue to focus investments in strategic areas by rolling-out next generation global IP networks to meet the ongoing global enterprise market shift to IP-based products and services. Deployment of new strategic service offerings, including expansion of our voice over IP (VoIP) and international Ethernet capabilities, introduction of cutting edge video and web-based conferencing capabilities and enhancements to our virtual private network portfolio, will allow us to continue to gain share in the enterprise market. Additionally, we will continue to integrate the business of the former MCI to drive continued growth in synergy, supporting a focus on operational efficiency and continued creation of shareowner value.

At Verizon Wireless, we will continue to execute on the fundamentals of our network superiority and value proposition to deliver growth for the business and provide new and innovative products and services for our customers such as Broadband Access, our EV-DO service. To accomplish our goal of being the acknowledged market leader in providing wireless voice and data communication services in the U.S, we will continue to implement the following key elements of our business strategy: provide the highest network reliability through our code division multiple access (CDMA) 1XRTT technology and EV-DO (Revision A) infrastructure, which significantly increases data transmission rates; profitably acquire, satisfy and retain our customers; and increase the value of our service offerings to customers while achieving revenue and net income growth. We also continue to expand our wireless data, messaging and multi-media offerings for both consumer and business customers and take advantage of the growing demand for wireless data services and focus on operating margins and capital efficiency by driving down costs and leveraging our scale.

In January 2007, Verizon announced a definitive agreement with FairPoint Communications, Inc. (FairPoint) that will result in Verizon establishing a separate entity for its local exchange access lines and related business assets in Maine, New Hampshire and Vermont, spinning off that new entity to Verizon's shareowners, and immediately merging it with and into FairPoint. The total value to be received by Verizon and its shareowners in exchange for these operations will be approximately $2,715 million.

Consolidated Results of Operations

In this section, we discuss our overall results of operations and highlight special and non-recurring items. As a result of the spin-off of our U.S. print and Internet yellow pages directories business, which was included in the Information Services segment, as well as reaching definitive agreements to sell our interests in Telecomunicaciones de Puerto Rico, Inc. (TELPRI) and Verizon Dominicana, each of which was included in the International segment, the operations of our former U.S. print and Internet yellow pages directories business, Verizon Dominicana and TELPRI are reported as discontinued operations and assets held for sale. Accordingly, we now have two reportable segments – Wireline and Domestic Wireless. Prior period amounts and discussions are revised to reflect this change. We include in our results of operations the results of the former MCI business subsequent to the close of the merger on January 6, 2006.

This section on consolidated results of operations carries forward the segment results, which exclude the special and non-recurring items, and highlights and describes those items separately to ensure consistency of presentation in this section and the "Segment Results of Operations" section. In the following section, we review the performance of our two reportable segments. We exclude the effects of the special and non-recurring items from the segments' results of operations since management does not consider them in assessing segment performance, due primarily to their non-recurring and/or non-operational nature. We believe that this presentation will assist readers in better understanding our results of operations and trends from period to period.

Consolidated Revenues

(dollars in millions)

Years Ended December 31,	2006	2005	% Change	2005	2004	% Change
Wireline						
Verizon Telecom	**$ 33,259**	$ 32,114		$ 32,114	$ 32,261	
Verizon Business	**20,490**	7,394		7,394	7,414	
Intrasegment eliminations	**(2,955)**	(1,892)		(1,892)	(1,654)	
	50,794	37,616	35.0%	37,616	38,021	(1.1)%
Domestic Wireless	**38,043**	32,301	17.8	32,301	27,662	16.8
Corporate & Other	**(693)**	(579)	19.7	(579)	(461)	25.6
Revenues of Hawaii operations sold	**–**	180	(100.0)	180	529	(66.0)
Consolidated Revenues	**$ 88,144**	$ 69,518	26.8	$ 69,518	$ 65,751	5.7

2006 Compared to 2005

Consolidated revenues in 2006 were higher by $18,626 million, or 26.8% compared to 2005 revenues. This increase was primarily the result of significantly higher revenues at Wireline and Domestic Wireless.

Wireline's revenues in 2006 increased by $13,178 million, or 35.0% compared to 2005 due to the acquisition of MCI and growth from broadband and long distance services. We added 1.8 million new broadband connections, for a total of 7.0 million lines in service at December 31, 2006, an increase of 35.7% compared to 5.1 million lines in service at December 31, 2005. The number of Freedom service plans continue to stimulate growth in long distance services, as the number of packages reached 7.9 million as of December 31, 2006, representing a 44.1% increase from December 31, 2005. These increases were partially offset by declines in wholesale revenues at Verizon Telecom due to subscriber losses resulting from technology substitution, including wireless and VoIP. Wholesale revenues at Verizon Telecom declined by $752 million, or 8.3% in 2006 compared to similar periods in 2005 primarily due to the exclusion of affiliated access revenues billed to the former MCI mass market entities in 2006. Revenues at Verizon Business increased primarily due to the acquisition of MCI.

Domestic Wireless's revenues increased by $5,742 million, or 17.8% compared to 2005 due to increases in service revenues, including data revenues, and equipment and other revenues. Data revenues increased by $2,232 million or 99.5% compared to 2005. Domestic Wireless ended 2006 with 59.1 million customers, an increase of 15.0% over 2005. Domestic Wireless's retail customer base as of December 31, 2006 was approximately 56.8 million, a 15.9% increase over December 31, 2005, and comprised approximately 96.1% of our total customer base. Average service revenue per customer (ARPU) increased by 0.6% to $49.80 in 2006 compared to 2005, primarily attributable to increases in data revenue per customer driven by increased use of our messaging and other data services. Retail ARPU increased by 0.7% to $50.44 for 2006 compared to 2005. Increases in wireless devices sold and revenue per unit sold drove increases in equipment and other revenue in 2006 compared to 2005.

Lower revenue of Hawaii operations sold of $180 million, or 100% in 2006 compared to 2005 was the result of their sale during the second quarter of 2005.

2005 Compared to 2004

Consolidated revenues in 2005 were higher by $3,767 million, or 5.7% compared to 2004 revenues. This increase was primarily the result of significantly higher revenues at Domestic Wireless, partially offset by lower revenues at Wireline and the sale of our Hawaii wireline operations in the second quarter of 2005.

Wireline's revenues in 2005 were lower than 2004 by $405 million, or 1.1% primarily due to lower revenues from local services, partially offset by higher network access and long distance services revenues. We added 1.7 million new broadband connections, for a total of 5.1 million lines in service at December 31, 2005, an increase of 47.6% compared to 3.5 million lines in service at December 31, 2004. The introduction of our Freedom service plans stimulated growth in long distance services. As of December 31, 2005, approximately 53% of our local wireline customers chose Verizon as their long distance carrier. These increases were offset by declines in wholesale revenues at Verizon Telecom due to subscriber losses resulting from technology substitution, including wireless and VoIP.

Domestic Wireless's revenues increased by $4,639 million, or 16.8% in 2005 compared to 2004 due to increases in service revenues, including data revenues, and equipment and other revenues. Data revenues increased by $1,127 million or 101.0% compared to 2004. Domestic Wireless ended 2005 with 51.3 million customers, an increase of 17.2% over 2004. Domestic Wireless's retail customer base as of December 31, 2005 was approximately 49.0 million, a 17.2% increase over December 31, 2004, and comprised approximately 95.5% of our total customer base. ARPU decreased 1.5% to $49.49 in 2005 compared to 2004, primarily due to pricing changes in early 2005, partially offset by a 71.7% increase in data revenue per customer in 2005 compared to 2004, driven by increased use of our messaging and other data services. Increases in wireless devices sold and revenue per unit sold drove increases in equipment and other revenue in 2005 compared to 2004.

Lower revenue of Hawaii operations sold of $349 million, or 66.0% in 2005 compared to 2004 was the result of the sale during the second quarter of 2005 of our wireline and directory operations in Hawaii.

Consolidated Operating Expenses

(dollars in millions)

Years Ended December 31,	2006	2005	% Change	2005	2004	% Change
Cost of services and sales	**$ 34,994**	$ 24,200	44.6%	$ 24,200	$ 22,032	9.8%
Selling, general and administrative expense	**25,232**	19,652	28.4	19,652	19,346	1.6
Depreciation and amortization expense	**14,545**	13,615	6.8	13,615	13,503	0.8
Sales of businesses, net	**–**	(530)	(100.0)	(530)	–	nm
Consolidated Operating Expenses	**$ 74,771**	$ 56,937	31.3	$ 56,937	$ 54,881	3.7

nm – Not meaningful

2006 Compared to 2005

Cost of Services and Sales

Cost of services and sales increased by $10,794 million, or 44.6% in 2006 compared to 2005. This increase was driven by the inclusion of the former MCI operations, higher wireless network costs, increases in wireless equipment costs and increases in pension and other postretirement benefit costs, partially offset by the net impact of productivity improvement initiatives.

The higher wireless network costs were caused by increased network usage relating to both voice and data services in 2006 compared to 2005, partially offset by decreased roaming, local interconnection and long distance rates. Cost of wireless equipment sales increased in 2006 compared to 2005 primarily as a result of an increase in wireless devices sold due to an increase in gross activations and equipment upgrades, together with an increase in cost per unit.

Costs in these periods were also impacted by increased pension and other postretirement benefit costs. The overall impact of the 2006 assumptions, combined with the impact of lower than expected actual asset returns over the past several years, resulted in pension and other postretirement benefit expense of approximately $1,377 million in 2006 compared to net pension and postretirement benefit expense of $1,231 million in 2005. Special and non-recurring items recorded during 2006 included $25 million of merger integration costs.

Selling, General and Administrative Expense

Selling, general and administrative expense includes salaries and wages and benefits not directly attributable to a service or product, bad debt charges, taxes other than income, advertising and sales commission costs, customer billing, call center and information technology costs, professional service fees and rent for administrative space.

Selling, general and administrative expense increased by $5,580 million, or 28.4% in 2006 compared to 2005. This increase was driven by the inclusion of the former MCI operations, increases in the Domestic Wireless segment primarily related to increased salary and benefits expenses, and special and non-recurring charges. Special and non-recurring items in selling, general and administrative expenses in 2006 were $816 million compared to special and non-recurring items in 2005 of $311 million.

Special and non-recurring items in 2006 included $56 million related to pension settlement losses incurred in connection with our benefit plans, a net pretax charge of $369 million for employee severance and severance-related activities in connection with the involuntary separation of approximately 4,100 employees, who were separated in 2006. Special and non-recurring charges in 2006 also included $207 million of merger integration costs, primarily for advertising and other costs related to re-branding initiatives and systems integration activities, and a net pretax charge of $184 million for Verizon Center relocation costs. Special and non-recurring items in 2005 included a pretax impairment charge of $125 million pertaining to our leasing operations for aircraft leased to airlines experiencing financial difficulties, a net pretax charge of $98 million related to the restructuring of the Verizon management retirement benefit plans and a pretax charge of $59 million associated with employee severance costs and severance-related activities in connection with the voluntary separation program for surplus union-represented employees.

Depreciation and Amortization Expense

Depreciation and amortization expense increased by $930 million, or 6.8% in 2006 compared to 2005. This increase was primarily due to higher depreciable and amortizable asset bases as a result of the MCI merger and, to a lesser extent, increased capital expenditures.

2005 Compared to 2004

Cost of Services and Sales

Cost of services and sales increased by $2,168 million, or 9.8% in 2005 compared to 2004. This increase was principally due to increases in pension and other postretirement benefit costs, higher direct wireless network costs, increases in wireless equipment costs and higher costs associated with our wireline growth businesses.

The overall impact of pension and other postretirement benefit plan assumption changes, combined with lower asset returns over the last several years, increased net pension and postretirement benefit expenses by $407 million in 2005 (primarily in cost of services and sales) compared to 2004. Higher direct wireless network charges resulted from increased network usage in 2005 compared to 2004, partially offset by lower roaming, local interconnection and long distance rates. Cost of equipment sales was higher in 2005 due primarily to an increase in wireless devices sold together with an increase in cost per unit sold, driven by growth in customer additions and an increase in equipment upgrades in 2005. Higher costs associated with our wireline growth businesses, long distance and broadband connections, included a 2,400, or 1.7% increase in the number of Wireline employees as of December 31, 2005 compared to December 31, 2004. Costs in 2004 were impacted by lower interconnection expense charged by competitive local exchange carriers (CLECs) and settlements with carriers, including the MCI settlement recorded in 2004.

Selling, General and Administrative Expense

Selling, general and administrative expense increased by $306 million, or 1.6% in 2005 compared to 2004. This increase was driven by increases in salary, pension and benefits costs, including an increase in the customer care and sales channel work force and sales commissions, partially offset by gains on real estate sales in 2005 and lower bad debt costs. Special and non-recurring items in selling, general and administrative expenses in 2005 were $311 million compared to special and non-recurring items in 2004 of $971 million.

Special and non-recurring items in 2005 included a pretax impairment charge of $125 million pertaining to our leasing operations for aircraft leased to airlines experiencing financial difficulties, a net pretax charge of $98 million related to the restructuring of the Verizon management retirement benefit plans and a pretax charge of $59 million associated with employee severance costs and severance-related activities in connection with the voluntary separation program to surplus union-represented employees. Special and non-recurring items recorded in 2004 included $805 million related to pension settlement losses incurred in connection with the voluntary separation of approximately 21,000 employees in the fourth quarter of 2003 who received lump-sum distributions during 2004. Special charges in 2004 also include an expense credit of $204 million resulting from the favorable resolution of pre-bankruptcy amounts due from MCI, partially offset by a charge of $113 million related to operating asset losses.

Depreciation and Amortization Expense

Depreciation and amortization expense increased by $112 million, or 0.8% in 2005 compared to 2004. This increase was primarily due to the increase in depreciable assets and software, partially offset by lower rates of depreciation on telephone plant.

Sales of Businesses, Net

During the second quarter of 2005, we sold our wireline and directory businesses in Hawaii and recorded a net pretax gain of $530 million.

Pension and Other Postretirement Benefits

For 2006 pension and other postretirement benefit costs, the discount rate assumption remained at 5.75%, consistent with interest rate levels at the end of 2005. The expected rate of return on pension plan assets remained 8.50%, while the expected rate of return on postretirement benefit plan assets was increased to 8.25% from 7.75% in 2005. The medical cost trend rate was 10% for 2006. For 2005 pension and other postretirement benefit costs, the discount rate assumption was lowered to 5.75% from 6.25% in 2004, consistent with interest rate levels at the end of 2004. The medical cost trend rate assumption was 10% in 2005. The expected rate of return on pension and postretirement benefit plan assets for 2004 was maintained at 8.50%.

For 2007 pension and other postretirement benefit costs, we evaluated our key employee benefit plan assumptions in response to current conditions in the securities markets and medical and prescription drug cost trends. The discount rate assumption will be increased to 6.00%, consistent with interest rate levels at the end of 2006. The medical cost trend rate will be 10% for 2007. The expected rate of return on pension plan assets will remain at 8.50% and the expected rate of return on postretirement benefit plan assets will remain at 8.25% in 2007.

During 2006, we recorded net pension and postretirement benefit expense of $1,377 million, compared to net pension and postretirement benefit expense of $1,231 million in 2005 and net pension and postretirement benefit expense of $824 million in 2004.

Other Consolidated Results

Equity in Earnings of Unconsolidated Businesses

Equity in earnings of unconsolidated businesses increased by $87 million, or 12.7% in 2006 compared to 2005. The increase is primarily due to additional pension liabilities that Compañía Anónima Nacional Teléfonos de Venezuela (CANTV) recognized in 2005, as well as the effect of favorable operating results and lower taxes in 2006. In addition, the increase reflects our proportionate share, or $85 million, of a tax benefit at Vodafone Omnitel N.V. (Vodafone Omnitel) in the third quarter of 2006. A similar benefit was recorded in the third quarter of 2005 of $76 million.

Equity in earnings of unconsolidated businesses decreased by $1,004 million, or 59.4% in 2005 compared to 2004. The decrease is primarily due to a pretax gain of $787 million recorded on the sale of our 20.5% interest in TELUS Corporation (TELUS) in the fourth quarter of 2004 and the sale of another investment in 2004, lower equity income resulting from the sale of TELUS and estimated additional pension liabilities at CANTV, partially offset by higher tax benefits and operational results at Vodafone Omnitel.

Other Income and (Expense), Net

		(dollars in millions)	
Years Ended December 31,	**2006**	2005	2004
Interest income	**$ 201**	$ 103	$ 97
Foreign exchange gains (losses), net	**(3)**	11	(7)
Other, net	**197**	197	(8)
Total	**$ 395**	$ 311	$ 82

Other Income and (Expense), Net in 2006 increased $84 million, or 27% compared to 2005. The increase was primarily due to increased interest income as a result of higher average cash balances coupled with higher interest rates in 2006 compared to 2005, partially offset by foreign exchange losses. Other, net in 2006 includes pretax gains on sales of investments, as well as leased asset gains.

Other, net in 2005 includes a pretax gain on the sale of a small international business and investment gains. Other Income and (Expense), Net in 2005 and 2004 include expenses of $14 million and $55 million, respectively, related to the early retirement of debt.

Interest Expense

		(dollars in millions)	
Years Ended December 31,	**2006**	2005	2004
Interest expense	**$ 2,349**	$ 2,129	$ 2,336
Capitalized interest costs	**462**	352	177
Total interest costs on debt balances	**$ 2,811**	$ 2,481	$ 2,513
Weighted average debt outstanding	**$ 41,500**	$ 39,152	$ 41,781
Effective interest rate	**6.8%**	6.3%	6.0%

In 2006, interest costs increased $330 million compared to 2005 primarily due to an increase in average debt level of $2,348 million and increased interest rates compared to 2005. Higher capital expenditures in 2006 contributed to higher capitalized interest costs.

In 2005, the decrease in interest costs was primarily due to a reduction in average debt level of $2,629 million compared to 2004, partially offset by higher average interest rates. Higher capital expenditures in 2005 contributed to higher capitalized interest costs.

Minority Interest

Years Ended December 31,		2006		2005		2004
						(dollars in millions)
Minority interest	**$**	**4,038**	$	3,001	$	2,329

The increase in minority interest expense in 2006 compared to 2005, and in 2005 compared to 2004 was attributable to higher earnings at Domestic Wireless, which is 45% owned by Vodafone Group Plc (Vodafone).

Provision for Income Taxes

Years Ended December 31,		2006		2005		2004
						(dollars in millions)
Provision for income taxes	**$**	**2,674**	$	2,421	$	2,078
Effective income tax rate		**32.8%**		28.7%		26.1%

The effective income tax rate is the provision for income taxes as a percentage of income from continuing operations before the provision for income taxes. Our effective income tax rate in 2006 was higher than 2005 primarily as a result of favorable tax settlements and the recognition of capital loss carryforwards in 2005. These increases were partially offset by tax benefits from foreign operations and lower state taxes in 2006 compared to 2005.

Our effective income tax rate in 2005 was higher than 2004 due to taxes on overseas earnings repatriated during the year, lower foreign-related tax benefits and lower favorable deferred tax reconciliation adjustments. Included in the provision of income taxes in 2005 are capital gains realized in connection with the sale of our Hawaii business, which resulted in the realization of tax benefits of $336 million primarily related to capital loss carryforwards. This was largely offset by a tax provision of $206 million related to the repatriation of foreign earnings under the provisions of the American Jobs Creation Act of 2004. The effective income tax rate in 2004 was favorably impacted by the reversal of a valuation allowance relating to investments, tax benefits related to deferred tax balance adjustments and expense credits that are not taxable.

A reconciliation of the statutory federal income tax rate to the effective rate for each period is included in Note 16 to the consolidated financial statements.

Discontinued Operations

Discontinued operations represents the results of operations of TELPRI for all years presented in the consolidated statements of income and Verizon Dominicana, Verizon Information Services and Verizon Information Services Canada Inc. prior to their sale or spin-off in December 2006, November 2006 and the fourth quarter of 2004, respectively.

In the second quarter of 2006, we announced our decision to sell Verizon Dominicana and TELPRI and, in accordance with Statement of Financial Accounting Standards (SFAS) No. 144*, Accounting for the Impairment or Disposal of Long-Lived Assets,* (SFAS No. 144) we have classified the results of operations of Verizon Dominicana and TELPRI as discontinued operations. The sale of Dominicana closed in December 2006 and, primarily due to taxes on previously unremitted earnings, a pretax gain of $30 million resulted in an after-tax loss of $541 million (or $.18 per diluted share).

We completed the spin-off of Idearc to our shareholders on November 17, 2006, which resulted in an $8,695 million increase to contributed capital in shareowners' investment.

Discontinued operations also include the results of operations of Verizon Information Services Canada Inc. prior to its sale in the fourth quarter of 2004. The sale resulted in a pretax gain of $1,017 million ($516 million after-tax, or $.18 per diluted share).

Income from discontinued operations, net of tax decreased by $611 million, or 44.6% in 2006 compared to 2005. This decrease was primarily due to the after-tax loss recorded in 2006 on the sale of Verizon Dominicana, partially offset by cessation of depreciation on fixed assets held for sale. Income from discontinued operations, net of tax decreased by $562 million, or 29.1% in 2005 compared to 2004. The decrease was primarily driven by the after-tax gain recorded on the sale of Verizon Information Services Canada Inc. in 2004.

Cumulative Effect of Accounting Change

In December 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 123(R), *Share-Based Payment* , (SFAS No. 123(R)) which revises SFAS No. 123, *Accounting for Stock-Based Compensation* (SFAS No. 123). SFAS No. 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized as compensation expense based on their fair value. Effective January 1, 2003, we adopted the fair value recognition provisions of SFAS No. 123, using the prospective method (as permitted under SFAS No. 148, *Accounting for Stock-Based Compensation – Transition and Disclosure* (SFAS No. 148)) for all new awards granted, modified or settled after January 1, 2003. Under the prospective method, employee compensation expense in the first year is recognized for new awards granted, modified, or settled. The options generally vest over a term of three years, therefore, the expenses related to stock-based employee compensation included in the determination of net income for 2006, 2005 and 2004 are less than what would have been recorded if the fair value method had been applied to previously issued awards.

Effective January 1, 2006, we adopted SFAS No. 123(R) utilizing the modified prospective method. SFAS No. 123(R) requires the measurement of stock-based compensation expense based on the fair value of the award on the date of grant. Under the modified prospective method, the provisions of SFAS No. 123(R) apply to all awards granted or modified after the date of adoption. SFAS No. 123(R) is supplemented by Staff Accounting Bulletin (SAB) No. 107, “Share-Based Payments” (SAB No. 107). This SAB, which was issued by the Securities and Exchange Commission (SEC) in March 2005, expresses the views of the SEC staff regarding the relationship between SFAS No. 123(R) and certain SEC rules and regulations. In particular, this SAB provides guidance related to valuation methods, the classification of compensation expense, non-GAAP financial measures, the accounting for income tax effects of share-based payment arrangements, disclosures in Management’s Discussion and Analysis subsequent to adoption of SFAS No. 123(R), and interpretations of other share-based payment arrangements. We also adopted SAB No. 107 on January 1, 2006.

We recorded a $42 million cumulative effect of accounting change as of January 1, 2006, net of taxes and after minority interest, to recognize the effect of initially measuring the outstanding liability awards (VARs) of the Verizon Wireless joint venture at fair value utilizing a Black-Scholes model. We do not expect SFAS No. 123(R) to have a material effect on our consolidated financial statements in future periods.

Segment Results of Operations

On November 17, 2006, we completed the spin-off to our shareowners of our U.S. print and Internet yellow pages directories, which was included in the Information Services segment. The spin-off resulted in a new company, named Idearc Inc. In addition, on April 2, 2006, we reached definitive agreements to sell our interests in TELPRI and Verizon Dominicana, each of which was included in the International segment. In accordance with SFAS No. 144, we have classified the results of operations for our U.S. print and Internet yellow pages directories business, Verizon Dominicana and TELPRI as discontinued operations and assets held for sale. Accordingly, we now have two reportable segments and prior period amounts and discussions are revised to reflect this change. Our segments are Wireline and Domestic Wireless. You can find additional information about our segments in Note 17 to the consolidated financial statements.

We measure and evaluate our reportable segments based on segment income. Corporate, eliminations and other includes unallocated corporate expenses, intersegment eliminations recorded in consolidation, the results of other businesses such as our investments in unconsolidated businesses, primarily Omnitel and CANTV, lease financing, and asset impairments and expenses that are not allocated in assessing segment performance due to their non-recurring nature. These adjustments include transactions that the chief operating decision makers exclude in assessing business unit performance due primarily to their non-recurring and/or non-operational nature. Although such transactions are excluded from the business segment results, they are included in reported consolidated earnings. Gains and losses that are not individually significant are included in all segment results, since these items are included in the chief operating decision makers’ assessment of unit performance.

Wireline

The Wireline segment, which includes the operations of the former MCI, consists of the operations of Verizon Telecom, a provider of telephone services, including voice, broadband video and data, network access, long distance, and other services to consumer and small business customers and carriers, and Verizon Business, a provider of next-generation IP network services globally to medium and large businesses and government customers. As discussed earlier under “Consolidated Results of Operations,” in the second quarter of 2005, we sold wireline properties in Hawaii representing approximately 700,000 access lines or 1% of the total Verizon Telecom switched access lines in service. For comparability purposes, the results of operations shown in the tables below exclude the Hawaii properties that have been sold.

Operating Revenues

			(dollars in millions)
Years Ended December 31,	**2006**	2005	2004
Verizon Telecom			
Mass Markets	**$ 22,528**	$ 20,446	$ 20,447
Wholesale	**8,323**	9,075	9,128
Other	**2,408**	2,593	2,686
Verizon Business			
Enterprise Business	**13,999**	6,018	6,196
Wholesale	**3,381**	1,376	1,218
International and Other	**3,110**	–	–

Intrasegment Eliminations	**(2,955)**	(1,892)	(1,654)
Total Wireline Operating Revenues	**$ 50,794**	$ 37,616	$ 38,021

In connection with the completion of the MCI merger, our product lines were realigned to be reflective of the Line of Business structure in which the product lines are currently being managed. Prior period amounts and discussions were reclassified to conform to the current presentation.

Verizon Telecom

Mass Markets

Verizon Telecom's Mass Markets revenue includes local exchange (basic service and end-user access), value-added services, long distance, broadband services for residential and certain small business accounts and FiOS TV services. Value-added services are a family of services that expand the utilization of the network, including products such as Caller ID, Call Waiting, Home Voicemail and Return Call. Long distance includes both regional toll services and long distance services. Broadband services include DSL and FiOS.

Our Mass Market revenues increased by $2,082 million, or 10.2% in 2006, and decreased by $1 million, or 0.0% in 2005. The increase in 2006 was principally due to the inclusion of revenues from the former MCI and, in 2006 and 2005, growth from broadband and long distance. In both years revenue increases were offset by lower demand and usage of our basic local exchange and accompanying services attributable to subscriber losses due to technology substitution, including wireless and VoIP.

We added 1,838,000 new broadband connections, including 517,000 for FiOS in 2006, for a total of 6,982,000 lines at December 31, 2006, an increase of 35.7% compared to 5,144,000 lines in service at December 31, 2005. We have achieved a FiOS data penetration rate of 14% across all markets where we have been selling this service. Our Freedom service plans continue to stimulate growth in long distance services, as the number of plans reached 7.9 million as of December 31, 2006, representing a 44.1% increase from December 31, 2005. As of December 31, 2006, approximately 58% of our legacy Verizon wireline customers have chosen Verizon as their long distance carrier.

Declines in switched access lines in service of 7.6% in 2006 and 6.7% in 2005 were mainly driven by the effects of competition and technology substitution. Demand for legacy Verizon residential access lines declined 7.1% in 2006 and 6.3% in 2005, as customers substituted wireless, broadband and cable services for traditional landline services. At the same time, legacy Verizon business access lines declined 3.2% in 2006, and 4.2% in 2005, primarily reflecting competition and a shift to high-speed, high-volume special access lines.

We continue to seek opportunities to retain and win back customers. Our Freedom service plans offer local services with various combinations of long distance and Internet access services in a discounted bundle available on one bill. We have introduced our Freedom service plans in nearly all of our key markets.

Wholesale

Wholesale revenues are earned from long distance and other competing carriers who use our local exchange facilities to provide usage services to their customers. Switched access revenues are derived from fixed and usage-based charges paid by carriers for access to our local network. Special access revenues originate from carriers that buy dedicated local exchange capacity to support their private networks. Wholesale services also include local wholesale revenues from unbundled network elements (UNEs), interconnection revenues from CLECs and wireless carriers, and some data transport revenues.

Wholesale revenues decreased by $752 million, or 8.3% in 2006 and by $53 million, or 0.6% in 2005, due to the exclusion, in 2006, of affiliated access revenues billed to the former MCI mass market entities, and, in 2006 and 2005, to declines in legacy Verizon switched access revenues and local wholesale revenues, offset by increases in special access revenues.

Switched minutes of use declined in 2006 and 2005, reflecting the impact of access line loss and technology substitution. Wholesale lines decreased by 17.1% in 2006 due to the impact of a decision by a major competitor to deemphasize their local market initiatives in 2005. Special access revenue growth reflects continuing demand in the business market for high-capacity, high-speed digital services, partially offset by lessening demand for older, low-speed data products and services. As of December 31, 2006, customer demand for high capacity and digital data services increased 8.9% compared to 2005.

The FCC regulates the rates that we charge customers for interstate access services. See "Other Factors That May Affect Future Results – Regulatory and Competitive Trends – FCC Regulation" for additional information on FCC rulemaking concerning federal access rates, universal service and certain broadband services.

Other

Other revenues include services such as operator services (including deaf relay services), public (coin) telephone, card services and supply sales, as well as former MCI dial-around services including 10-10-987, 10-10-220, 1-800-COLLECT and Prepaid Cards.

Verizon Telecom's revenues from other services decreased by $185 million, or 7.1% in 2006, and by $93 million, or 3.5% in 2005. These revenue decreases were mainly due to the discontinuation of non-strategic businesses, including the termination of a large commercial inventory management contract in 2005, and reduced business volumes, which were partially offset by the inclusion of revenues from the former MCI in 2006.

Verizon Business

Enterprise Business

Our Enterprise Business market provides voice, data and internet communications services to medium and large business customers, multi-national corporations, and state and federal government customers. In addition, the Enterprise Business market also provides value-added services that make communications more secure, reliable and efficient managed network services for customers that outsource all or portions of their communications and information processing operations. Traditional local and long distance services comprise $6,551 million, or 47% of revenue in 2006, $4,110 million, or 68% of revenue in 2005, and $4,447 million, or 72% of total Enterprise Business revenue in 2004. Enterprise Business also provides data services such as Private Line, Frame Relay and ATM services, both domestically and internationally, as well as managed network services to its customers.

Enterprise Business 2006 revenues of $13,999 million, increased $7,981 million, or 132.6% compared to 2005 primarily due to the acquisition of MCI, and declined $178 million, or 2.9% in 2005 compared to 2004. Data services revenue was $5,430, or 39% of Enterprise Business's revenue stream in 2006, $1,908 million, or 32% in 2005, and $1,749 million, or 28% in 2004. Internet services revenue was $2,018 million in 2006, or 14% of Enterprise Business's revenues, the first year Enterprise Business offered Internet services. The Internet suite of products is Enterprise Business's fastest growing and includes Private IP, IP VPN, Web Hosting and VoIP.

Enterprise Business 2005 revenues of $6,018 million declined $178 million compared to 2004, primarily due to a 3.5% decline in business access lines, reflecting competition and a shift to high-speed, high volume special access lines.

Wholesale

Our Wholesale revenues relate to domestic wholesale services, which include all wholesale traffic sold in the United States, as well as international traffic that originates in the United States.

In the year ended December 31, 2006, our Verizon Business Wholesale revenues of $3,381 million, increased $2,005 million, or 145.7%, compared to 2005, primarily due to the MCI acquisition. Local and long distance voice products, including transport, represented $1,601 million or 47% of the market's total revenue in 2006, the first year the Wholesale business group has offered voice products. Wholesale revenue is influenced by aggressive competitive pricing, in particular long distance voice services. Wholesale data and Internet revenues were $1,780 million, or 52% of total Wholesale revenue for the year ended December 31, 2006, $1,376 million, or 100% of total Wholesale revenue in 2005 and $1,218 million, or 100% of total Wholesale revenues in 2004.

International and Other

Our International operations serve businesses, government entities and telecommunication carriers outside of the United States. Other operations include our Skytel paging business.

Our revenues from International and Other in the year ended December 31, 2006 were $3,110 million. This market represents a new revenue stream to Verizon resulting from the MCI acquisition. International and Other had voice revenue of $1,822 million in the year ended December 31, 2006, or 58% of the total International and Other revenues. Internet revenue represented $894 million, or 29% of total revenue in the period. Data revenue was $394 million, or 13% of total International and Other revenue in the year ended December 31, 2006.

Operating Expenses

(dollars in millions)

Years Ended December 31,	2006	2005	2004
Cost of services and sales	**$ 24,522**	$ 15,604	$ 14,830
Selling, general and administrative expense	**12,116**	8,419	8,621
Depreciation and amortization expense	**9,590**	8,801	8,910
	$ 46,228	$ 32,824	$ 32,361

Cost of Services and Sales

Cost of services and sales includes the following costs directly attributable to a service or product: salaries and wages, benefits, materials and supplies, contracted services, network access and transport costs, customer provisioning costs, computer systems support, costs to support our outsourcing contracts and technical facilities, contributions to the universal service fund, customer provisioning costs and cost of products sold. Aggregate customer care costs, which include billing and service provisioning, are allocated between cost of services and sales and selling, general and administrative expense.

Cost of services and sales increased by $8,918 million, or 57.2% in 2006 compared to 2005. These increases were primarily due to the MCI merger in 2006 partially offset by the net impact of other cost changes. Higher costs associated with our growth businesses and annual wage increases were partially offset by productivity improvement initiatives, which reduced cost of services and sales expenses in 2006. Expenses were also impacted by increased net pension and other postretirement benefit costs. The overall impact of the 2006 assumption changes combined with the impact of lower than expected actual asset returns over the past several years, resulted in pension and other postretirement benefit expense of $1,408 million (primarily in cost of services and sales) in 2006 compared to net pension and postretirement benefit expense of $1,248 million in 2005. Further, expenses decreased in both years due to the discontinuation of non-strategic businesses, including the termination of a large commercial inventory management contract in 2005.

In 2005, our cost of services and sales increased by $774 million, or 5.2% compared to 2004. Costs in 2005 were impacted by increased pension and other postretirement benefit costs. At December 31, 2004, in connection with an evaluation of key employee benefit plan assumptions, the discount rate assumption was lowered from 6.25% in 2004 to 5.75% in 2005, consistent with interest rate levels at the end of 2004. Further, there was an increase in the retiree health care cost trend rates. The overall impact of these assumption changes, combined with the impact of lower than expected actual asset returns over the last several years, resulted in net pension and other postretirement benefit expense (primarily in cost of services and sales) of $1,248 million in 2005, compared to net pension and postretirement benefit expense of $803 million in 2004. Also contributing to expense increases in cost of services and sales were higher costs associated with our growth businesses. Further, the expense increase was impacted by favorable adjustments to our interconnection expense in 2004, as a result of our ongoing reviews of local interconnection expense charged by CLECs and settlements with carriers.

Selling , General and Administrative Expense

Selling, general and administrative expenses in 2006 increased by $3,697 million or 43.9% compared to 2005. These increases were primarily due to the inclusion of expenses from the former MCI in 2006 partially offset by synergy savings resulting from our merger integration efforts, the impact of gains from real estate sales and lower bad debt costs.

In 2005, our selling, general and administrative expense decreased by $202 million, or 2.3% compared to 2004. This decrease was attributable to gains on the sale of real estate in 2005, lower property and gross receipts taxes and reduced bad debt costs, partially offset by higher net pension and benefit costs, as described above, and a prior year gain on the sale of two small business units.

Depreciation and Amortization Expense

The increase in depreciation and amortization expense of $789 million, or 9.0% in 2006 was mainly driven by the acquisition of MCI's depreciable property and equipment and finite-lived intangibles, including its customer lists and capitalized non-network software, measured at fair value and by growth in depreciable telephone plant and non-network software assets. The decrease in depreciation and amortization expense of $109 million or 1.2%, in 2005 compared to 2004 was mainly driven by lower rates of depreciation, partially offset by higher plant, property and equipment balances and software amortization costs.

Segment Income

			(dollars in millions)
Years Ended December 31,	**2006**	2005	2004
Segment Income	**$ 1,634**	$ 1,906	$ 2,652

Segment income decreased by $272 million, or 14.3% in 2006 and by $746 million, or 28.1% in 2005, due to the after-tax impact of operating revenues and operating expenses described above, along with the impact of favorable income tax adjustments in 2005.

Special and non-recurring items not included in Verizon Wireline's segment income totaled $407 million, ($168) million and $346 million in 2006, 2005, and 2004 respectively. Special and non-recurring items in 2006 included costs associated with severance activity, pension settlement losses, Verizon Center relocation-related costs, and merger integration costs. Merger integration costs primarily included costs related to advertising and re-branding initiatives, and labor and contractor costs related to information technology integration initiatives. Special and non-recurring items in 2005 related to the Hawaii results of operations and gain on the sale of the Hawaii wireline operations, the net gain on the sale of a New York City office building, changes to management retirement benefit plans, severance costs, and Verizon Center relocation-related costs. Special and non-recurring items in 2004 primarily included pension settlement losses, operating asset losses, and costs associated with the early retirement of debt, partially offset by an expense credit resulting from the favorable resolution of pre-bankruptcy amounts due from MCI as well as a gain on the sale of an investment.

Domestic Wireless

Our Domestic Wireless segment provides wireless voice and data services and equipment sales across the United States. This segment primarily represents the operations of the Verizon Wireless joint venture with Vodafone. Verizon owns a 55% interest in the joint venture and Vodafone owns the remaining 45%. All financial results included in the tables below reflect the consolidated results of Verizon Wireless.

Operating Revenues

(dollars in millions)

Years Ended December 31,	2006	2005	2004
Wireless sales and services	**$ 38,043**	$ 32,301	$ 27,662

Domestic Wireless's total revenues of $38,043 million were $5,742 million, or 17.8% higher in 2006 compared to 2005. Service revenues of $32,796 million were $4,665 million, or 16.6% higher than 2005. The service revenue increase was primarily due to a 15.0% increase in customers as of December 31, 2006 compared to December 31, 2005, and increased average revenue per customer. Equipment and other revenue increased $1,077 million, or 25.8% in 2006 compared to 2005 principally as a result of increases in the number and price of wireless devices sold. Other revenue also increased due to increases in regulatory fees, primarily the universal service fund, and cost recovery surcharges.

Our Domestic Wireless segment ended 2006 with 59.1 million customers, an increase of 7.7 million net new customers, or 15.0% compared to December 31, 2005. Substantially all of the net customers added during 2006 were retail customers. The overall composition of our Domestic Wireless customer base as of December 31, 2006 was 92.6% retail postpaid, 3.6% retail prepaid and 3.8% resellers. Total average monthly churn, the rate at which customers disconnect service, decreased to 1.17% in 2006 compared to 1.26% in 2005. Retail postpaid churn decreased to 0.9% in 2006 compared to 1.1% in 2005.

Average revenue per customer per month increased 0.6% to $49.80 in 2006 compared to 2005. Average service revenue per customer reflected a 72% increase in data revenue per customer in 2006, compared to 2005, driven by increased use of our messaging, *VZAccess* and other data services. Retail service revenue per retail customer of $50.44 also grew in 2006, compared to 2005. However, Domestic Wireless continued to experience an increase in the proportion of customers on its Family Share price plans, which put downward pressure on average service revenue per customer during 2006. Data revenues were $4,475 million and accounted for 13.6% of service revenue in 2006, compared to $2,243 million and 8.0% of service revenue in 2005.

Domestic Wireless's total revenues of $32,301 million were $4,639 million, or 16.8% higher in 2005 compared to 2004. Service revenues of $28,131 million were $3,731 million, or 15.3% higher than 2004. This revenue growth was primarily due to increased customers, partially offset by a decrease in average revenue per customer per month, and increases in equipment and other revenue, principally as a result of an increase in wireless devices sold together with an increase in revenue per unit sold. At December 31, 2005, customers totaled 51.3 million, an increase of 17.2% compared to December 31, 2004. Retail net additions accounted for 7.2 million, or 95.8% of the total net additions. Total churn decreased to 1.3% in 2005, compared to 1.5% in 2004. Retail postpaid churn decreased to 1.1% in 2005 compared to 1.3% in 2004.

Average revenue per customer per month decreased 1.5% to $49.49 in 2005 compared to 2004, primarily due to pricing changes to our America's Choice and Family Share plans earlier in the year. Partially offsetting the impact of these pricing changes was a 71.7% increase in data revenue per customer in 2005 compared to 2004, driven by increased use of our messaging and other data services. Data revenues were $2,243 million and accounted for 8.0% of service revenue in 2005, compared to $1,116 million and 4.6% of service revenue in 2004.

Operating Expenses

(dollars in millions)

Years Ended December 31,	**2006**	2005	2004
Cost of services and sales	**$ 11,491**	$ 9,393	$ 7,747
Selling, general and administrative expense	**12,039**	10,768	9,591
Depreciation and amortization expense	**4,913**	4,760	4,486
	$ 28,443	$ 24,921	$ 21,824

Cost of Services and Sales

Cost of services and sales, which are costs to operate the wireless network as well as the cost of roaming, long distance and equipment sales, increased by $2,098 million, or 22.3% in 2006 compared to 2005. Cost of services increased due to higher wireless network costs in 2006 caused by increased network usage relating to both voice and data services, partially offset by lower rates for long distance, roaming and local interconnection. Cost of equipment sales grew by 29.7% in 2006 compared to 2005. The increase was primarily attributed to an increase in wireless devices sold, resulting from an increase in equipment upgrades and gross retail activations, together with an increase in cost per unit driven by increased sales of higher cost advanced wireless devices, in 2006, compared to 2005.

Cost of services and sales increased by $1,646 million, or 21.2% in 2005 compared to 2004. This increase was primarily due to higher network charges resulting from increased network usage in 2005 compared to 2004, and an increase in cost of equipment sales driven by increased wireless devices sold and equipment upgrades in 2005 compared to 2004.

Selling, General and Administrative Expense

Selling, general and administrative expense increased by $1,271 million, or 11.8% in 2006 compared to 2005. This increase was primarily due to an increase in salary and benefits expense of $632 million, resulting from an increase in employees, primarily in the sales and customer care areas, and higher per employee salary and benefit costs. Advertising and promotion expense increased $207 million in 2006, compared to 2005. Also contributing to the increase were higher costs associated with regulatory fees, primarily the universal service fund, which increased by $167 million in 2006 compared to 2005.

Selling, general and administrative expense increased by $1,177 million, or 12.3% in 2005 compared to 2004. This increase was primarily due to increased salary and benefits expense and higher sales commissions, related to an increase in customer additions and renewals during 2005 compared to 2004.

Depreciation and Amortization Expense

Depreciation and amortization expense increased by $153 million, or 3.2% in 2006 compared to 2005 and increased by $274 million, or 6.1% in 2005 compared to 2004. These increases were primarily due to increased depreciation expense related to the increases in depreciable assets. The increase in 2006 was partially offset by a decrease in amortization expense due to fully amortized customer lists.

Segment Income

			(dollars in millions)
Years Ended December 31,	**2006**	2005	2004
Segment Income	**$ 2,976**	$ 2,219	$ 1,645

Segment income increased by $757 million, or 34.1% in 2006 compared to 2005 and increased by $574 million, or 34.9% in 2005 compared to 2004, primarily as a result of the after-tax impact of operating revenues and operating expenses described above, partially offset by higher minority interest expense. Special and non-recurring items of $42 million after-tax were due to the adoption of SFAS 123 (R). There were no special items affecting this segment in 2005 or 2004.

Increases in minority interest expense in 2006 and 2005 were principally due to the increased income of the wireless joint venture and the significant minority interest attributable to Vodafone.

Special Items

Disposition of Businesses and Investments

Sale of Discontinued Operations

On December 1, 2006, we closed the sale of Verizon Dominicana. The transaction resulted in net pretax cash proceeds of $2,042 million. The U.S. taxes that became payable and were recognized at the time the transaction closed significantly exceeded the amount of the pretax gain of $30 million. The sale resulted in an after-tax loss of $541 million (or $.18 per diluted share). There were no similar items in 2005. In 2004, we closed on the sale of Verizon Information Services Canada Inc. and recorded a gain of $1,017 million ($516 million after-tax, or $.18 per diluted share).

Sales of Businesses, Net

During 2005, we sold our wireline and directory businesses in Hawaii, including Verizon Hawaii Inc. which operated approximately 700,000 switched access lines, as well as the services and assets of Verizon Long Distance, Verizon Online, Verizon Information Services and Verizon Select Services Inc. in Hawaii, to an affiliate of The Carlyle Group for $1,326 million in cash proceeds. In connection with this sale, we recorded a net pretax gain of $530 million ($336 million after-tax, or $.12 per diluted share). There were no similar items in 2006 and 2004.

Sales of Investments, Net

During 2004, we recorded a pretax gain of $787 million ($565 million after-tax, or $.20 per diluted share) on the sale of our 20.5% interest in TELUS in an underwritten public offering in the U.S. and Canada. In connection with this sale transaction, Verizon recorded a contribution of $100 million to Verizon Foundation to fund its charitable activities and increase its self-sufficiency. Consequently, we recorded a net gain of $500 million after taxes, or $.18 per diluted share related to this transaction and the accrual of the Verizon Foundation contribution.

Also during 2004, we sold all of our investment in Iowa Telecom preferred stock, which resulted in a pretax gain of $43 million ($43 million after-tax, or $.02 per diluted share). This preferred stock was received in 2000 in connection with the sale of access lines in Iowa. There were no similar items in 2006 and 2005.

Spin-off Related Charges

In 2006, we recorded pretax charges of $117 million ($101 million after-tax, or $.03 per diluted share) for costs related to the spin-off of Idearc. These costs primarily consisted of banking and legal fees, as well as filing fees, printing and mailing costs. There were no similar charges in 2005 and 2004.

Merger Integration Costs

In 2006, we recorded pretax charges of $232 million ($146 million after-tax, or $.05 per diluted share) related to integration costs associated with the MCI acquisition that closed on January 6, 2006. These costs are primarily comprised of advertising and other costs related to re-branding initiatives and systems integration activities. There were no similar charges incurred in 2005 and 2004.

Facility and Employee-Related Items

During 2006, we recorded pretax charges of $184 million ($118 million after-tax) in connection with the continued relocation of employees and business operations to Verizon Center located in Basking Ridge, New Jersey. During 2005, we recorded a net pretax gain of $18 million ($8 million after-tax) in connection with this relocation of our new operations center, Verizon Center, including a pretax gain of $120 million ($72 million after-tax) related to the sale of a New York City office building, partially offset by a pretax charge of $102 million ($64 million after-tax) primarily associated with relocation, employee severance and related activities. There were no similar charges incurred in 2004.

During 2006, we recorded net pretax severance, pension and benefits charges of $425 million ($258 million after-tax, including $3 million of income recorded to discontinued operations, or $.09 per diluted share). These charges included net pretax pension settlement losses of $56 million ($26 million after-tax, or $.01 per diluted share) related to employees that received lump-sum distributions primarily resulting from our separation plans. These charges were recorded in accordance with SFAS No. 88, *Employ ers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits* (SFAS No. 88), which requires that settlement losses be recorded once prescribed payment thresholds have been reached. Also included are pretax charges of $369 million ($228 million after-tax, or $.08 per diluted share), for employee severance and severance-related costs in connection with the involuntary separation of approximately 4,100 employees. In addition, during 2005 we recorded a charge of $59 million ($36 million after-tax, or $.01 per diluted share) associated with employee severance costs and severance-related activities in connection with the voluntary separation program for surplus union-represented employees.

During 2005, we recorded a net pretax charge of $98 million ($59 million after-tax) related to the restructuring of the Verizon management retirement benefit plans. This pretax charge was recorded in accordance with SFAS No. 88, and SFAS No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions* (SFAS No. 106) and includes the unamortized cost of prior pension enhancements of $430 million offset partially by a pretax curtailment gain of $332 million related to retiree medical benefits. In connection with this restructuring, management employees: no longer earn pension benefits or earn service towards the company retiree medical subsidy after June 30, 2006; received an 18-month enhancement of the value of their pension and retiree medical subsidy; and receive a higher savings plan matching contribution.

During 2004, we recorded pretax pension settlement losses of $805 million ($492 million after-tax) related to employees that received lump-sum distributions during 2004 in connection with the voluntary separation plan under which more than 21,000 employees accepted the separation offer in the fourth quarter of 2003. These charges were recorded in accordance with SFAS No. 88. In addition, we recorded a $7 million after-tax charge in income from discontinued operations, related to the 2003 separation plan.

Tax Matters

During 2005, we recorded tax benefits of $336 million in connection with capital gains and prior year investment losses. As a result of the capital gain realized in 2005 in connection with the sale of our Hawaii businesses, we recorded a tax benefit of $242 million related to capital losses incurred in previous years. The investment losses pertain to Iusacell, CTI Holdings, S.A. (CTI) and TelecomAsia.

Also during 2005, we recorded a net tax provision of $206 million related to the repatriation of foreign earnings under the provisions of the American Jobs Creation Act of 2004, for two of our foreign investments.

As a result of the capital gain realized in 2004 in connection with the sale of Verizon Information Services Canada, we recorded tax benefits of $234 million in the fourth quarter of 2004 pertaining to prior year investment impairments. The investment impairments primarily related to debt and equity investments in CTI, Cable & Wireless plc and NTL Incorporated.

Other Special Items

During 2006, we recorded pretax charges of $26 million ($16 million after-tax, or $.01 per diluted share) resulting from the extinguishment of debt assumed in connection with the completion of the MCI merger.

As discussed in the "Cumulative Effect of Accounting Change" section, during 2006, we recorded after-tax charges of $42 million ($.01 per diluted share) to recognize the adoption of SFAS No. 123 (R).

During 2005, we recorded pretax charges of $139 million ($133 million after-tax, or $.05 per diluted share) including a pretax impairment charge of $125 million ($125 million after-tax, or $.04 per diluted share) pertaining to aircraft leased to airlines involved in bankruptcy proceedings and a pretax charge of $14 million ($8 million after-tax, or less than $.01 per diluted share) in connection with the early extinguishment of debt.

In the second quarter of 2004, we recorded an expense credit of $204 million ($123 million after-tax, or $.04 per diluted share) resulting from the favorable resolution of pre-bankruptcy amounts due from MCI that were recovered upon the emergence of MCI from bankruptcy.

Also during 2004, we recorded a charge of $113 million ($87 million after-tax, or $.03 per diluted share) related to operating asset losses pertaining to our international long distance and data network. In addition, we recorded pretax charges of $55 million ($34 million after-tax, or $.01 per diluted share) in connection with the early extinguishment of debt.

Consolidated Financial Condition

			(dollars in millions)
Years Ended December 31,	**2006**	2005	2004
Cash Flows Provided By (Used In)			
Operating activities	**$ 24,106**	$ 22,025	$ 21,791
Investing activities	**(15,616)**	(18,492)	(10,343)
Financing activities	**(6,031)**	(5,034)	(9,856)
Increase (Decrease) In Cash and Cash Equivalents	**$ 2,459**	$ (1,501)	$ 1,592

We use the net cash generated from our operations to fund network expansion and modernization, repay external financing, pay dividends and invest in new businesses. Additional external financing is utilized when necessary. While our current liabilities typically exceed current assets, our sources of funds, primarily from operations and, to the extent necessary, from readily available external financing arrangements, are sufficient to meet ongoing operating and investing requirements. We expect that capital spending requirements will continue to be financed primarily through internally generated funds. Additional debt or equity financing may be needed to fund additional development activities or to maintain our capital structure to ensure our financial flexibility.

Cash Flows Provided By Operating Activities

Our primary source of funds continues to be cash generated from operations. In 2006, the increase in cash from operating activities compared to 2005 was primarily due to higher earnings at Domestic Wireless, which included higher minority interest earnings, and lower dividends paid to minority partners. Total minority interest earnings, net of dividends paid to minority interest partners, was $3.2 billion in 2006 compared to $1.7 billion in 2005. In addition, higher operating cash flow in 2006 compared to 2005 was due to lower cash taxes paid in 2006, resulting from 2005 tax payments related to foreign operations and investments sold during the fourth quarter of 2004. Partially offsetting these increases were significant 2005 repatriations of foreign earnings of unconsolidated businesses.

In 2005, the increase in cash from operations compared to 2004 was primarily driven higher by the repatriation of $2.2 billion of foreign earnings from unconsolidated businesses, higher minority interest earnings, net of dividends paid to minority partners of $1.0 billion and lower severance payments in 2005. These increases were largely offset by higher cash income tax payments, including taxes paid in 2005 related to the 2004 sales of Verizon Information Services Canada and TELUS shares, and higher pension fund contributions.

Operating cash flows from discontinued operations decreased $505 million to $1,076 million in 2006 due to the completion of the Idearc spin-off on November 17, 2006 and the close of the sale of Verizon Dominicana on December 1, 2006, partially offset by the operating activities of the remaining assets held for sale. Operating cash flows from discontinued operations decreased $34 million from $1,615 million in 2004 to $1,581 million in 2005 due to the completion of the sale of Verizon Information Services Canada in the fourth quarter of 2004, partially offset by operating activities of the remaining assets held for sale.

Cash Flows Used In Investing Activities

Capital expenditures continue to be our primary use of capital resources as they facilitate the introduction of new products and services, enhance responsiveness to competitive challenges and increase the operating efficiency and productivity of our networks. Including capitalized software, we invested $10,259 million in our Wireline business in 2006, compared to $8,267 million and $7,118 million in 2005 and 2004, respectively. We also invested $6,618 million in our Verizon Wireless business in 2006, compared to $6,484 million and $5,633 million in 2005 and 2004, respectively. The increase in capital spending at Wireline is mainly driven by the acquisition of MCI, coupled with increased spending in high growth areas such as broadband. Capital spending at Verizon Wireless represents our continuing effort to invest in this high growth business.

In 2007, capital expenditures including capitalized software are expected to be in the range of $17.5 billion to $17.9 billion.

In 2006, we invested $1,422 million in acquisitions and investments in businesses, including $2,809 million to acquire thirteen 20 MHz licenses in connection with the FCC Advanced Wireless Services auction and $57 million to acquire other wireless properties. This was offset by MCI's cash balances of $2,361 million at the date of the merger, of which $779 million was used for a cash payment to MCI shareholders. In 2005, we invested $4,684 million in acquisitions and investments in businesses, including $3,003 million to acquire NextWave Telecom Inc. (NextWave) personal communications services licenses, $641 million to acquire 63 broadband wireless licenses in connection with FCC auction 58, $419 million to purchase Qwest Wireless, LLC’s spectrum licenses and wireless network assets in several existing and new markets, $230 million to purchase spectrum from MetroPCS, Inc. and $297 million for other wireless properties and licenses. In 2004, we invested $1,196 million in acquisitions and investments in businesses, including $1,052 million for wireless licenses and businesses, including a NextWave license covering the New York metropolitan area, and $144 million related to Verizon’s limited partnership investments in entities that invest in affordable housing projects.

In 2005, we received cash proceeds of $1,326 million in connection with the sale of Verizon's wireline operations in Hawaii. In 2004, we received cash proceeds of $117 million from the sale of a small business unit.

Our short-term investments include principally cash equivalents held in trust accounts for payment of employee benefits. In 2006, 2005 and 2004, we invested $1,915 million, $1,955 million and $1,801 million, respectively, in short-term investments, primarily to pre-fund active employees' health and welfare benefits. Proceeds from the sales of all short-term investments, principally for the payment of these benefits, were $2,205 million, $1,609 million and $1,711 million in the years 2006, 2005 and 2004, respectively.

Other, net investing activities for 2006 include cash proceeds of $283 million from property sales. Other, net investing activities for 2005 includes a net investment of $913 million for the purchase of 43.4 million shares of MCI common stock from eight entities affiliated with Carlos Slim Helú, offset by cash proceeds of $713 million from property sales, including a New York City office building, and $349 million of repatriated proceeds from the sales of European investments in prior years. Other, net investing activities for 2004 includes net cash proceeds of $1,632 million received in connection with the sale of our 20.5% interest in TELUS and $650 million in connection with sales of our interests in various other investments, including a partnership venture with Crown Castle International Corp., EuroTel Bratislava, a.s. and Iowa Telecom preferred stock.

In 2006, investing activities of discontinued operations include net pretax cash proceeds of $2,042 million in connection with the sale of Verizon Dominicana. In 2005, investing activities of discontinued operations are primarily related to capital expenditures related to discontinued operations. In 2004, investing activities of discontinued operations include cash proceeds of $1,603 million from the sale of Verizon Information Services Canada, partially offset by capital expenditures related to discontinued operations.

Under the terms of an investment agreement, Vodafone had the right to require Verizon Wireless to purchase up to an aggregate of $20 billion worth of Vodafone's interest in Verizon Wireless at designated times (put windows) at its then fair market value, not to exceed $10 billion in any one put window. Vodafone had the right to require the purchase of up to $10 billion during a 61-day period which opened on June 10 and closed on August 9 in 2006, and did not exercise that right. As of December 31, 2006, Vodafone only has the right to require the purchase of up to $10 billion worth of its interest, during a 61-day period opening on June 10 and closing on August 9 in 2007, under its one remaining put window. Vodafone also may require that Verizon Wireless pay for up to $7.5 billion of the required repurchase through the assumption or incurrence of debt. In the event Vodafone exercises its one remaining put right, we (instead of Verizon Wireless) have the right, exercisable at our sole discretion, to purchase up to $2.5 billion of Vodafone's interest for cash or Verizon stock at our option.

Cash Flows Used In Financing Activities

Our total debt was reduced by $1,896 million during 2006. We repaid $6,838 million of Wireline debt, including premiums associated with the retirement of $5,665 million of aggregate principal amount of long-term debt assumed in connection with the MCI merger. The Wireline repayments also included the early retirement/prepayment of $697 million of long-term debt and $155 million of other long-term debt at maturity. We repaid $2.5 billion of Domestic Wireless 5.375% fixed rate notes that matured on December 15, 2006. At December 31, 2006, Verizon Wireless had no third-party debt. Also, we redeemed the $1,375 million accreted principal of our remaining zero-coupon convertible notes and retired $482 million of other corporate long-term debt at maturity. These repayments were partially offset by our issuance of long-term debt with a total aggregate principal amount of $4,000 million, resulting in cash proceeds of $3,958 million, net of discounts, issuance costs and the receipt of cash proceeds related to hedges on the interest rate of an anticipated financing. In connection with the spin-off of Idearc, we received net cash proceeds of approximately $2 billion and retired debt in the aggregate principal amount of approximately $7 billion (see Other Consolidated Results – Discontinued Operations – Verizon Information Services).

Cash of $240 million was used to reduce our total debt during 2005. We repaid $1,533 million of Domestic Wireless, $1,183 million of Wireline and $1,109 million of Verizon corporate long-term debt. The Wireline debt repayment included the early retirement of $350 million of long-term debt and $806 million of other long-term debt at maturity. This decrease was largely offset by the issuance by Verizon corporate of long-term debt with a total principal amount of $1,500 million, resulting in total cash proceeds of $1,478 million, net of discounts and costs, and an increase in our short-term borrowings of $2,098 million.

Cash of $5,401 million was used to reduce our total debt during 2004. We repaid $2,315 million and $2,769 million of Wireline and Verizon corporate long-term debt, respectively. The Wireline debt repayment includes the early retirement of $1,275 million of long-term debt and $950 million of other long-term debt at maturity. The corporate debt repayment includes $1,984 million of zero-coupon convertible notes redeemed by Verizon corporate and $723 million of other corporate long-term debt at maturity. Also, during 2004, we decreased our short-term borrowings by $747 million and Verizon corporate issued $500 million of long-term debt.

Our ratio of debt to debt combined with shareowners' equity was 42.8% at December 31, 2006 compared to 49.1% at

December 31, 2005.

As of December 31, 2006, we had no bank borrowings outstanding. We also had approximately $6.2 billion of unused bank lines of credit (including a $6.0 billion three-year committed facility that expires in September 2009 and various other facilities totaling approximately $400 million) and we had shelf registrations for the issuance of up to $4.5 billion of unsecured debt securities. The debt securities of Verizon and our telephone subsidiaries continue to be accorded high ratings by primary rating agencies. In order to simplify and streamline our financing entities, Verizon Global Funding merged into Verizon Communications on February 1, 2006. Verizon Communications is now the primary issuer of all long-term and short-term debt for Verizon. The short-term ratings of Verizon Communications are: Moody's P-2;

S&P A-1; and Fitch F1. The long-term ratings of Verizon Communications are: Moody's A3 with stable outlook; S&P A with negative outlook; and Fitch A+ with stable outlook. In June 2006, the long-term debt rating of Verizon Wireless was upgraded by Moody's to A2 from A3 and assigned a stable outlook and the long-term debt rating of Verizon Communications was affirmed at A3 with a stable outlook. In December 2006, Fitch affirmed the long-term debt rating of Verizon Communications at A+ with a stable outlook. Following the maturity of its remaining external debt in December 2006, Moody's and Fitch withdrew the rating on Verizon Wireless.

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

As in prior years, dividend payments were a significant use of capital resources. We determine the appropriateness of the level of our dividend payments on a periodic basis by considering such factors as long-term growth opportunities, internal cash requirements and the expectations of our shareowners. In 2006 and 2005, Verizon declared quarterly cash dividends of $.405 per share. In 2004, we declared quarterly cash dividends of $.385 per share.

Common stock has been used from time to time to satisfy some of the funding requirements of employee and shareowner plans. On January 19, 2006, the Board of Directors determined that no additional common shares could be purchased under previously authorized share repurchase programs and gave authorization to repurchase of up to 100 million common shares terminating no later than the close of business on February 28, 2008. We repurchased $1,700 million of our common stock as part of this program.

Increase (Decrease) In Cash and Cash Equivalents

Our cash and cash equivalents at December 31, 2006 totaled $3,219 million, a $2,459 increase compared to cash and cash equivalents at December 31, 2005 of $760 million. The increase in cash and cash equivalents in 2006 was primarily driven by proceeds from the disposition of Verizon Dominicana and the spin-off of Idearc, cash acquired in connection with the merger of MCI and higher debt borrowings, partially offset by increased capital expenditures and higher repayments of borrowings. Our cash and cash equivalents at December 31, 2005 totaled $760 million, a $1,501 million decrease compared to cash and cash equivalents at December 31, 2004 of $2,261 million. The decrease in cash and cash equivalents in 2005 was primarily driven by increased capital expenditures and higher acquisitions and investments, partially offset by proceeds from the sale of businesses and lower repayments of borrowings.

Employee Benefit Plan Funded Status and Contributions

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106, and 132(R)* (SFAS No. 158). SFAS No. 158 requires the recognition of a defined benefit postretirement plan's funded status as either an asset or liability on the balance sheet. SFAS No. 158 also requires the immediate recognition of the unrecognized actuarial gains and losses and prior service costs and credits that arise during the period as a component of Other Accumulated Comprehensive Income, net of applicable income taxes. Additionally, the fair value of plan assets must be determined as of the company's year-end. We adopted SFAS No. 158 effective December 31, 2006 which resulted in a net decrease to shareowners' investment of $6,883 million. This included a net increase in pension obligations of $2,403 million, an increase in Other Postretirement Benefits Obligations of $10,828 million and an increase in Other Employee Benefit Obligations of $31 million, partially offset by a net decrease of $1,205 million to reverse the Additional Minimum Pension Liability and an increase in deferred taxes of $5,174 million.

Prior to the adoption of SFAS No. 158 we evaluated each pension plan to determine whether an additional minimum pension liability was required or whether any adjustment was necessary as determined by the provisions of SFAS No. 87, *Employers' Accounting for Pensions* . In 2005, we recorded a benefit of $51 million, net of tax, primarily in Employee Benefit Obligations in the consolidated balance sheets. The changes in the assets and liabilities were recorded in Accumulated Other Comprehensive Loss, net of a tax benefit, in shareowners' investment in the consolidated balance sheets.

We operate numerous qualified and nonqualified pension plans and other postretirement benefit plans. These plans primarily relate to our domestic business units. The majority of Verizon's pension plans are adequately funded. We contributed $451 million, $593 million and $145 million in 2006, 2005 and 2004, respectively, to our qualified pension trusts. We also contributed $117 million, $105 million and $114 million to our nonqualified pension plans in 2006, 2005 and 2004, respectively.

Based on the funded status of the plans at December 31, 2006, we anticipate qualified pension trust contributions of $510 million in 2007. Our estimate of required qualified pension trust contributions for 2008 is approximately $300 million. Nonqualified pension contributions are estimated to be approximately $120 million and $180 million for 2007 and 2008, respectively.

Contributions to our other postretirement benefit plans generally relate to payments for benefits primarily on an as-incurred basis since the other postretirement benefit plans do not have funding requirements similar to the pension plans. We contributed $1,099 million, $1,040 million and $1,099 million to our other postretirement benefit plans in 2006, 2005 and 2004, respectively. Contributions to our other postretirement benefit plans are estimated to be approximately $1,210 million in 2007 and $1,580 million in 2008, prior to anticipated receipts related to Medicare subsidies.

Leasing Arrangements

We are the lessor in leveraged and direct financing lease agreements under which commercial aircraft and power generating facilities, which comprise the majority of the portfolio, along with industrial equipment, real estate, telecommunications and other equipment are leased for remaining terms of less than 1 year to 49 years as of December 31, 2006. Minimum lease payments receivable represent unpaid rentals, less principal and interest on third-party nonrecourse debt relating to leveraged lease transactions. Since we have no general liability for this debt, which holds a senior security interest in the leased assets and rentals, the related principal and interest have been offset against the minimum lease payments receivable in accordance with generally accepted accounting principles. All recourse debt is reflected in our consolidated balance sheets. See “Special Items” for a discussion of lease impairment charges.

Off Balance Sheet Arrangements and Contractual Obligations

Contractual Obligations and Commercial Commitments

The following table provides a summary of our contractual obligations and commercial commitments at December 31, 2006. Additional detail about these items is included in the notes to the consolidated financial statements.

(dollars in millions)

	Payments Due By Period				
Contractual Obligations	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt (see Note 11)	$ 32,425	$ 4,084	$ 3,784	$ 5,316	$ 19,241
Capital lease obligations (see Note 10)	360	55	101	81	123
Total long-term debt	32,785	4,139	3,885	5,397	19,364
Interest on long-term debt (see Note 11)	23,300	1,915	3,449	2,965	14,971
Operating leases (see Note 10)	6,843	1,739	2,192	1,183	1,729
Purchase obligations (see Note 21)	812	566	217	16	13
Other long-term liabilities (see Note 15)	3,600	1,720	1,880	–	–
Total contractual obligations	$ 67,340	$ 10,079	$ 11,623	$ 9,561	$ 36,077

Guarantees

In connection with the execution of agreements for the sales of businesses and investments, Verizon ordinarily provides representations and warranties to the purchasers pertaining to a variety of nonfinancial matters, such as ownership of the securities being sold, as well as financial losses.

As of December 31, 2006, letters of credit totaling $223 million had been executed in the normal course of business, which support several financing arrangements and payment obligations to third parties.

Market Risk

We are exposed to various types of market risk in the normal course of business, including the impact of interest rate changes, foreign currency exchange rate fluctuations, changes in equity investment prices and changes in corporate tax rates. We employ risk management strategies using a variety of derivatives, including interest rate swap agreements, interest rate locks, foreign currency forwards and collars and equity options. We do not hold derivatives for trading purposes.

It is our general policy to enter into interest rate, foreign currency and other derivative transactions only to the extent necessary to achieve our desired objectives in limiting our exposures to the various market risks. Our objectives include maintaining a mix of fixed and variable rate debt to lower borrowing costs within reasonable risk parameters and to protect against earnings and cash flow volatility resulting from changes in market conditions. We do not hedge our market risk exposure in a manner that would completely eliminate the effect of changes in interest rates, equity prices and foreign exchange rates on our earnings. We do not expect that our net income, liquidity and cash flows will be materially affected by these risk management strategies.

Interest Rate Risk

The table that follows summarizes the fair values of our long-term debt and interest rate derivatives as of December 31, 2006 and 2005. The table also provides a sensitivity analysis of the estimated fair values of these financial instruments assuming 100-basis-point upward and downward parallel shifts in the yield curve. Our sensitivity analysis did not include the fair values of our commercial paper and bank loans because they are not significantly affected by changes in market interest rates.

(dollars in millions)

At December 31, 2006	Fair Value	Fair Value assuming +100 basis point shift	Fair Value assuming –100 basis point shift
Long-term debt and interest rate derivatives	**$ 33,569**	**$ 31,724**	**$ 35,607**
At December 31, 2005			
Long-term debt and interest rate derivatives	$ 37,340	$ 35,421	$ 39,478

Foreign Currency Translation

The functional currency for our foreign operations is primarily the local currency. The translation of income statement and balance sheet amounts of our foreign operations into U.S. dollars are recorded as cumulative translation adjustments, which are included in Accumulated Other Comprehensive Loss in our consolidated balance sheets. The translation gains and losses of foreign currency transactions and balances are recorded in the consolidated statements of income in Other Income and (Expense), Net and Income from Discontinued Operations, Net of Tax. At December 31, 2006, our primary translation exposure was to the Venezuelan bolivar, British pound and the euro. During 2005, we entered into zero cost euro collars to hedge a portion of our net investment in Vodafone Omnitel. In accordance with the provisions of SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* and related amendments and interpretations, changes in the fair value of these contracts due to exchange rate fluctuations are recognized in Accumulated Other Comprehensive Loss and offset the impact of foreign currency changes on the value of our net investment in the operation being hedged. As of December 31, 2005, our positions in the zero cost euro collars have been settled. We have not hedged our accounting translation exposure to foreign currency fluctuations relative to the carrying value of our other investments.

Significant Accounting Policies and Recent Accounting Pronouncements

Significant Accounting Policies

A summary of the significant accounting policies used in preparing our financial statements are as follows:

- Special and non-recurring items generally represent revenues and gains as well as expenses and losses that are non-operational and/or non-recurring in nature. Special and non-recurring items include asset impairment losses, which were determined in accordance with our policy of comparing the fair value of the asset with its carrying value. The fair value is determined by quoted market prices or by estimates of future cash flows. There is inherent subjectivity involved in estimating future cash flows, which can have a significant impact on the amount of any impairment.
- Verizon’s plant, property and equipment balance represents a significant component of our consolidated assets. Depreciation expense on Verizon’s local telephone operations is principally based on the composite group remaining life method and straight-line composite rates, which provides for the recognition of the cost of the remaining net investment in telephone plant, less anticipated net salvage value, over the remaining asset lives. We depreciate other plant, property and equipment generally on a straight-line basis over the estimated useful life of the assets. Changes in the remaining useful lives of assets as a result of technological change or other changes in circumstances, including competitive factors in the markets where we operate, can have a significant impact on asset balances and depreciation expense.
- We maintain benefit plans for most of our employees, including pension and other postretirement benefit plans. In the aggregate, the fair value of pension plan assets exceeds benefit obligations, which contributes to pension plan income. Other postretirement benefit plans have larger benefit obligations than plan assets, resulting in expense. Significant benefit plan assumptions, including the discount rate used, the long-term rate of return on plan assets and health care trend rates are periodically updated and impact the amount of benefit plan income, expense, assets and obligations (see “Consolidated Results of Operations – Consolidated Operating Expenses – Pension and Other Postretirement Benefits”). A sensitivity analysis of the impact of changes in these assumptions on the benefit obligations and expense (income) recorded as of December 31, 2006 and for the year then ended pertaining to Verizon’s pension and postretirement benefit plans is provided in the tables below. Note that some of these sensitivities are not symmetrical as the calculations were based on all of the actuarial assumptions as of year-end.

	Percentage point change	Benefit obligation increase (decrease) at December 31, 2006	(dollars in millions) Expense increase (decrease) for the year ended December 31, 2006
Pension plans discount rate	+ 1.00	$ (3,844)	$ (130)
	- 1.00	4,597	266
Long-term rate of return on pension plan assets	+ 1.00	–	(378)
	- 1.00	–	378
Postretirement plans discount rate	+ 1.00	(3,245)	(209)
	- 1.00	3,693	236
Long-term rate of return on postretirement plan assets	+ 1.00	–	(40)
	- 1.00	–	40
Health care trend rates	+ 1.00	3,339	472
	- 1.00	(2,731)	(357)

- Our accounting policy concerning the method of accounting applied to investments (consolidation, equity or cost) involves an evaluation of all significant terms of the investments that explicitly grant or suggest evidence of control or influence over the operations of the entity in which we have invested. Where control is determined, we consolidate the investment. If we determine that we have significant influence over the operating and financial policies of an entity in which we have invested, we apply the equity method. We apply the cost method in situations where we determine that we do not have significant influence.
- Our current and deferred income taxes, and associated valuation allowances, are impacted by events and transactions arising in the normal course of business as well as in connection with the adoption of new accounting standards, acquisitions of businesses and special and non-recurring items. Assessment of the appropriate amount and classification of income taxes is dependent on several factors, including estimates of the timing and realization of deferred income tax assets and the timing of income tax payments. Actual collections and payments may materially differ from these estimates as a result of changes in tax laws as well as unanticipated future transactions impacting related income tax balances.
- Goodwill and other intangible assets are a significant component of our consolidated assets. Wireline goodwill of $5,310 million represents the largest component of our goodwill and, as required by SFAS No. 142, *Goodwill and Other Intangible Assets* (SFAS No. 142), is periodically evaluated for impairment. The evaluation of Wireline goodwill for impairment is primarily based on a discounted cash flow model that includes estimates of future cash flows. There is inherent subjectivity involved in estimating future cash flows, which can have a material impact on the amount of any potential impairment. Wireless licenses of $50,959 million represent the largest component of our intangible assets. Our wireless licenses are indefinite-lived intangible assets, and as required by SFAS No. 142, are not amortized but are periodically evaluated for impairment. Any impairment loss would be determined by comparing the fair value of the wireless licenses with their carrying value. For 2004 and 2003, we used a residual method, which determined fair value by estimating future cash flows of the wireless business. Beginning in 2005, we began using a direct value approach in accordance with a September 29, 2004 Staff Announcement from the staff of the Securities and Exchange Commission (SEC), "Use of the Residual Method to Value Acquired Assets Other Than Goodwill." The direct value approach also determines fair value by estimating future cash flows. There is inherent subjectivity involved in estimating future cash flows, which can have a material impact on the amount of any impairment.

Other Recent Accounting Pronouncements

Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans

In September 2006, the FASB issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106, and 132(R)* (SFAS No. 158). SFAS No. 158 requires the recognition of a defined benefit postretirement plan's funded status as either an asset or liability on the balance sheet. SFAS No. 158 also requires the immediate recognition of the unrecognized actuarial gains and losses and prior service costs and credits that arise during the period as a component of Other Accumulated Comprehensive Income, net of applicable income taxes. Additionally, the fair value of plan assets must be determined as of the company's year-end. We adopted SFAS No. 158 effective December 31, 2006, which resulted in a net decrease to shareowners' investment of $6,883 million.

Uncertainty in Income Taxes

In July 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48). FIN 48 requires the use of a two-step approach for recognizing and measuring tax benefits taken or expected to be taken in a tax return and disclosures regarding uncertainties in income tax positions. We are required to adopt FIN 48 effective January 1, 2007. The cumulative effect of initially adopting FIN 48 will be recorded as an adjustment to opening retained earnings (or to goodwill, in certain cases for a prior acquisition) in the year of adoption and will be presented separately. Only tax positions that meet the more likely than not recognition threshold at the effective date may be recognized upon adoption of FIN 48. We anticipate that as a result of the adoption of FIN 48, we will record an adjustment to our opening retained earnings. We are also reviewing the potential impact of FIN 48 on prior purchase accounting. Any such purchase accounting adjustment will not impact retained earnings or current earnings. We are reviewing the final impact of the adoption of FIN 48. We anticipate that any required adjustment under the adoption of FIN 48 will not be material.

Leveraged Leases

In July 2006, the FASB issued Staff Position No. FAS 13-2, "Accounting for a Change or Projected Change in the Timing of Cash Flows Relating to Income Taxes Generated by a Leveraged Lease Transaction" (FSP 13-2). FSP 13-2 requires that changes in the projected timing of income tax cash flows generated by a leveraged lease transaction be recognized as a gain or loss in the year in which change occurs. We are required to adopt FSP 13-2 effective January 1, 2007. The cumulative effect of initially adopting this FSP will be recorded as an adjustment to opening retained earnings in the year of adoption. We anticipate that any required adjustment under the adoption of FSP 13-2 will not be material.

Fair Value Measurements

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurement* (SFAS No. 157). SFAS No. 157 expands disclosures about fair value measurements. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and establishes a hierarchy that categorizes and prioritizes the sources to be used to estimate fair value. We are required to adopt SFAS No. 157 effective January 1, 2008 on a prospective basis. We are currently evaluating the impact this new standard will have on our future results of operations and financial position.

Other Factors That May Affect Future Results

Recent Developments

MCI Merger

On January 6, 2006, Verizon acquired 100% of the outstanding common stock of MCI, Inc. (MCI) for a combination of Verizon common shares and cash. MCI was a global communications company that provided Internet, data and voice communication services to businesses and government entities throughout the world and consumers in the United States.

On April 9, 2005, Verizon entered into a stock purchase agreement with eight entities affiliated with Carlos Slim Helú to purchase 43.4 million shares of MCI common stock for $25.72 per share in cash plus an additional cash amount of 3% per annum from April 9, 2005, until the closing of the purchase of those shares. The transaction closed on May 17, 2005. The total cash payment was $1,121 million and the investment was originally accounted for as a cost investment. No payments were made under a provision that required Verizon to pay an additional amount at the end of one year to the extent that the price of Verizon's common stock exceeded $35.52 per share. We received a special dividend of $5.60 per MCI share on these 43.4 million MCI shares, or $243 million, on October 27, 2005.

Under the terms of the merger agreement, MCI shareholders received .5743 shares of Verizon common stock ($5,050 million in the aggregate) and cash of $2.738 ($779 million in the aggregate) for each of their MCI shares. The merger consideration was equal to $20.40 per MCI share, excluding the $5.60 per share special dividend paid by MCI to its shareholders on October 27, 2005. There was no purchase price adjustment.

Price Communications

In August 2002, Verizon Wireless and Price Communications Corp. (Price) combined Price's wireless business with a portion of Verizon Wireless. The resulting limited partnership, Verizon Wireless of the East LP (VZ East), is controlled and managed by Verizon Wireless. In exchange for its contributed assets, Price received a limited partnership interest in the new partnership which was exchangeable into the common stock of Verizon Wireless if an initial public offering of that stock occurred, or into the common stock of Verizon on the fourth anniversary of the asset contribution date. On August 15, 2006, Verizon delivered 29.5 million shares of newly-issued Verizon common stock to Price valued at $1,007 million in exchange for Price's limited partnership interest in VZ East. As a result of acquiring Price's limited partnership interest, Verizon recorded goodwill of $345 million in the third quarter of 2006 attributable to its Domestic Wireless segment.

Disposition of Businesses and Investments

Verizon Dominicana C. por A., Telecomunicaciones de Puerto Rico, Inc., and Compañía Anónima Nacional Teléfonos de Venezuela

During the second quarter of 2006, we reached definitive agreements to sell our interests in our Caribbean and Latin American telecommunications operations in three separate transactions to América Móvil, S.A. de C.V. (América Móvil), a wireless service provider throughout Latin America, and a company owned jointly by Teléfonos de México, S.A. de C.V. (Telmex) and América Móvil. We agreed to sell our 100 percent indirect interest in Verizon Dominicana and our 52 percent interest in Telecomunicaciones de Puerto Rico, Inc. (TELPRI) to América Móvil. An entity jointly owned by América Móvil and Telmex agreed to purchase our indirect 28.5 percent interest in CANTV.

In accordance with SFAS No. 144 we have classified the results of operations of Verizon Dominicana and TELPRI as discontinued operations. CANTV continues to be accounted for as an equity method investment.

On December 1, 2006, we closed the sale of Verizon Dominicana. The transaction resulted in net pretax cash proceeds of $2,042 million, net of a purchase price adjustment of $373 million. The U.S. taxes that became payable and were recognized at the time the transaction closed exceeded the $30 million pretax gain resulting in an after-tax loss of $541 million (or $.18 per diluted share).

We expect to close the sale of our interest in TELPRI in 2007 subject to the receipt of regulatory approvals and in accordance with the terms of the definitive agreement. We expect that the sale will result in approximately $900 million in net pretax cash proceeds.

During the second quarter of 2006, we entered into a definitive agreement to sell our indirect 28.5% interest in CANTV to an entity jointly owned by América Móvil and Telmex for estimated pretax proceeds of $677 million. Regulatory authorities in Venezuela never commenced the formal review of that transaction and the related tender offers for the remaining equity securities of CANTV. On February 8, 2007, after two prior extensions, the parties terminated the stock purchase agreement because the parties mutually concluded that the regulatory approvals would not be granted by the Government.

In January 2007, the Bolivarian Republic of Venezuela (the Republic) declared its intent to nationalize certain companies, including CANTV. On February 12, 2007, we entered into a Memorandum of Understanding (MOU) with the Republic. The MOU provides that the Republic will offer to purchase all of the equity securities of CANTV through public tender offers in Venezuela and the United States at a price equivalent to $17.85 per ADS. If the tender offers are completed, the aggregate purchase price for Verizon's shares would be $572 million. If the 2007 dividend that has been recommended by the CANTV Board is approved by shareholders and paid prior to the closing of the tender offers, this amount will be reduced by the amount of the dividend. Verizon has agreed to tender its shares if the offers are commenced. The Republic has agreed to commence the offers within forty-five days assuming the satisfactory completion of its due diligence investigation of CANTV. The tender offers are subject to certain conditions including that a majority of the outstanding shares are tendered to the Government and receipt of regulatory approvals. Based upon the terms of the MOU and our current investment balance in CANTV, we expect that we will record a loss on our investment in the first quarter of 2007. The ultimate amount of the loss depends on a variety of factors, including the successful completion of the tender offer and the satisfaction of other terms in the MOU.

Spin-off of Idearc

On November 17, 2006 we completed the spin-off of Idearc to shareowners of Verizon. Verizon distributed a dividend of one share of Idearc common stock for every 20 shares of Verizon common stock. Cash was paid for fractional shares. The distribution of Idearc common stock is considered a tax free transaction for us and for our shareowners, except for the cash payments for fractional shares which are generally taxable. Idearc now owns what was the Verizon domestic print and Internet yellow pages directories publishing operations, which had been the principal component of our Information Services segment. This transaction resulted in an increase of nearly $9 billion in shareowners' equity, as well as a reduction of total debt by more than $7 billion and we received approximately $2 billion in cash.

Telephone Access Lines Spin-off

On January 16, 2007, we announced a definitive agreement with FairPoint Communications, Inc. (FairPoint) that will result in Verizon establishing a separate entity for its local exchange and related business assets in Maine, New Hampshire and Vermont, spinning off that new entity to Verizon shareowners, and immediately merging it with and into FairPoint.

Upon the closing of the transaction, Verizon shareowners will own approximately 60 percent of the new company and FairPoint stockholders will own approximately 40 percent. Verizon Communications will not own any shares in FairPoint after the merger. In connection with the merger, Verizon shareowners will receive one share of FairPoint stock for approximately every 55 shares of Verizon stock held as of the record date. Both the spin-off and merger are expected to qualify as tax-free transactions, except to the extent that cash is paid to Verizon shareowners in lieu of fractional shares.

The total value to be received by Verizon and its shareowners in exchange for these operations will be approximately $2,715 million. Verizon shareowners will receive approximately $1,015 million of FairPoint common stock in the merger, based upon FairPoint's recent stock price and the terms of the merger agreement. Verizon will receive $1,700 million in value through a combination of cash distributions to Verizon and debt securities issued to Verizon prior to the spin-off. Verizon may exchange these newly issued debt securities for certain debt that was previously issued by Verizon, which would have the effect of reducing Verizon's then-outstanding debt.

Redemption of Debt

Debt assumed from MCI merger

On January 17, 2006, Verizon announced offers to purchase two series of MCI senior notes, MCI $1,983 million aggregate principal amount of 6.688% Senior Notes Due 2009 and MCI $1,699 million aggregate principal amount of 7.735% Senior Notes Due 2014, at 101% of their par value. Due to the change in control of MCI that occurred in connection with the merger with Verizon on January 6, 2006, Verizon was required to make this offer to noteholders within 30 days of the closing of the merger of MCI and Verizon. Separately, Verizon notified noteholders that MCI was exercising its right to redeem both series of Senior Notes prior to maturity under the optional redemption procedures provided in the indentures. The 6.688% Notes were redeemed on March 1, 2006, and the 7.735% Notes were redeemed on February 16, 2006.

In addition, on January 20, 2006, Verizon announced an offer to repurchase MCI $1,983 million aggregate principal amount of 5.908% Senior Notes Due 2007 at 101% of their par value. On February 21, 2006, $1,804 million of these notes were redeemed by Verizon. Verizon satisfied and discharged the indenture governing this series of notes shortly after the close of the offer for those noteholders who did not accept this offer.

Zero-Coupon Convertible Notes

Previously, Verizon Global Funding issued approximately $5,442 million in principal amount at maturity of zero-coupon convertible notes due 2021 which were callable by Verizon on or after May 15, 2006. On May 15, 2006, we redeemed the remaining $1,375 million accreted principal of the outstanding zero-coupon convertible notes at a redemption price of $639.76 per $1,000 principal plus interest of approximately $0.5767 per $1,000 principal. The total payment on the date of redemption was approximately $1,377 million.

Other Debt Redemptions/Prepayments

Other debt redemptions/prepayments included approximately $697 million of outstanding debt issuances at various rates associated with our operating telephone companies. Original maturity dates ranged from 2010 through 2026. On December 15, 2006, Verizon Wireless' six year 5.375% fixed rate note of $2.5 billion matured. At December 31, 2006, Verizon Wireless had no third-party debt outstanding. On January 8, 2007, we redeemed the remaining $1,580 million of the outstanding notes of the Verizon Communications Inc. floating rate notes due 2007. The gain/(loss) on these redemptions and prepayments were immaterial.

Issuance of Debt

In February 2006, Verizon issued $4,000 million of floating rate and fixed rate notes maturing from 2007 through 2035.

Spectrum Purchases

On November 29, 2006, we were granted thirteen 20 MHz licenses we won in an FCC auction of Advanced Wireless Services spectrum that concluded on September 18, 2006, for which we had bid a total of $2,809 million. These licenses, which we anticipate using for the provision of advanced wireless broadband services, cover a population of nearly 200 million. We have made all required payments to the FCC for these licenses.

Environmental Matters

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

New York Recovery Funding

In August 2002, President Bush signed the Supplemental Appropriations bill that included $5.5 billion in New York recovery funding. Of that amount, approximately $750 million has been allocated to cover utility restoration and infrastructure rebuilding as a result of the September 11th terrorist attacks on lower Manhattan. These funds will be distributed through the Lower Manhattan Development Corporation following an application and audit process. As of September 2004, we had applied for reimbursement of approximately $266 million under Category One, although we did not record this amount as a receivable. We received advances totaling $88 million in connection with this application process. On December 22, 2004, we applied for reimbursement of an additional $136 million of Category Two losses, and on March 29, 2005 we amended our application seeking an additional $3 million. Category Two funding is for permanent restoration and infrastructure improvement. According to the plan, permanent restoration is reimbursed up to 75% of the loss. On November 3, 2005, we received the results of preliminary audit findings disallowing all but $44 million of our $266 million of Category One application. On December 8, 2005, we provided a detailed rebuttal to the preliminary audit findings. We received a copy of the final audit report for Verizon's Category One applications and, on January 4, 2007, we filed an appeal of the final audit report. That appeal, as well as our Category Two applications, are pending.

Regulatory and Competitive Trends

Competition and Regulation

Technological, regulatory and market changes have provided Verizon both new opportunities and challenges. These changes have allowed Verizon to offer new types of services in this increasingly competitive market. At the same time, they have allowed other service providers to broaden the scope of their own competitive offerings. Current and potential competitors for network services include other telephone companies, cable companies, wireless service providers, foreign telecommunications providers, satellite providers, electric utilities, Internet Service Providers, providers of VoIP services, and other companies that offer network services using a variety of technologies. Many of these companies have a strong market presence, brand recognition and existing customer relationships, all of which contribute to intensifying competition and may affect our future revenue growth. Many of our competitors also remain subject to fewer regulatory constraints than Verizon.

We are unable to predict definitively the impact that the ongoing changes in the telecommunications industry will ultimately have on our business, results of operations or financial condition. The financial impact will depend on several factors, including the timing, extent and success of competition in our markets, the timing and outcome of various regulatory proceedings and any appeals, and the timing, extent and success of our pursuit of new opportunities.

FCC Regulation

Our services are subject to the jurisdiction of the FCC with respect to interstate telecommunications services and other matters for which the FCC has jurisdiction under the Communications Act of 1934, as amended (Communications Act). The Communications Act generally obligates us not to charge unjust or unreasonable rates nor engage in unreasonable discrimination when we are providing services as a common carrier, and regulates some of the rates, terms and conditions under which we provide certain services. The FCC also has adopted regulations governing various aspects of our business, such as the following: (i) use and disclosure of customer proprietary network information; (ii) telemarketing; (iii) assignment of telephone numbers to customers; (iv) provision to law enforcement agencies of the capability to obtain call identifying information and call content information from calls pursuant to lawful process; (v) accessibility of services and equipment to individuals with disabilities if readily achievable; (vi) interconnection with the networks of other carriers; and (vii) customers' ability to keep (or "port") their telephone numbers when switching to another carrier. In addition, we pay various fees to support other FCC programs, such as the universal service program discussed below. Changes to these mandates, or the adoption of additional mandates, could require us to make changes to our operations or otherwise increase our costs of compliance.

Broadband

The FCC has adopted a series of orders that recognize the competitive nature of the broadband market, and impose lesser regulatory requirements on broadband services and facilities than apply to narrowband. With respect to facilities, the FCC has determined that certain unbundling requirements that apply to narrowband facilities do not apply to broadband facilities such as fiber to the premise loops and packet switches. With respect to services, the FCC has concluded that broadband Internet access services offered by telephone companies and their affiliates qualify as largely deregulated information services. The same order also concluded that telephone companies may offer the underlying broadband transmission services that are used as an input to Internet access services through private carriage arrangements on negotiated commercial terms. In addition, a Verizon petition asking the FCC to forbear from applying common carrier regulation to certain broadband services sold primarily to larger business customers when those services are not used for Internet access was deemed granted by operation of law on March 19, 2006 when the FCC did not deny the petition by the statutory deadline. Both the FCC's order addressing the appropriate regulatory treatment of broadband Internet access services and the relief obtained through the forbearance petition are the subject of pending appeals.

Video

The FCC has a body of rules that apply to cable operators under Title VI of the Communications Act, and these rules also generally apply to telephone companies that provide cable services over their networks. In addition, companies that provide cable service over a cable system generally must obtain a local cable franchise. On December 21, 2006, the FCC announced the adoption of rules under Section 621 of the Communications Act to set parameters consistent with federal law, on the timing and scope of franchise negotiations by local franchising authorities.

Interstate Access Charges and Intercarrier Compensation

The current framework for interstate access rates was established in the Coalition for Affordable Local and Long Distance Services (CALLS) plan, which the FCC adopted on May 31, 2000. The CALLS plan has three main components. First, it establishes portable interstate access universal service support of $650 million for the industry that replaces implicit support previously embedded in interstate access charges. Second, the plan simplifies the patchwork of common line charges into one subscriber line charge (SLC) and provides for de-averaging of the SLC by zones and class of customers. Third, the plan set into place a mechanism to transition to a set target of $.0055 per minute for switched access services. Once that target rate is reached, local exchange carriers are no longer required to make further annual price cap reductions to their switched access prices. As a result of tariff adjustments which became effective in July 2003, virtually all of our switched access lines reached the $.0055 benchmark.

The FCC currently is conducting a broad rulemaking proceeding to consider new rules governing intercarrier compensation including, but not limited to, access charges, compensation for Internet traffic, and reciprocal compensation for local traffic. The FCC has sought comments about intercarrier compensation in general, and has requested input on several specific reform proposals.

The FCC also has pending before it issues relating to intercarrier compensation for dial-up Internet-bound traffic. The FCC previously found that this traffic is not subject to reciprocal compensation under Section 251(b)(5) of the Telecommunications Act of 1996. Instead, the FCC established federal rates per minute for this traffic that declined from $.0015 to $.0007 over a three-year period, established caps on the total minutes of this traffic subject to compensation in a state, and required incumbent local exchange carriers to offer to both bill and pay reciprocal compensation for local traffic at the same rate as they are required to pay on Internet-bound traffic. The U.S. Court of Appeals for the D.C. Circuit rejected part of the FCC's rationale, but declined to vacate the order while it is on remand. As a result, pending further action by the FCC, the FCC's underlying order remains in effect. The FCC subsequently denied a petition to discontinue the $.0007 rate cap on this traffic, but removed the caps on the total minutes of Internet-bound traffic subject to compensation. That decision has been upheld on appeal. Disputes also remain pending in a number of forums relating to the appropriate compensation for Internet-bound traffic during previous periods under the terms of our interconnection agreements with other carriers.

The FCC also is conducting a rulemaking proceeding to address the regulation of services that use Internet protocol, including whether access charges should apply to voice or other Internet protocol services. The FCC also considered several petitions asking whether, and under what circumstances, services that employ Internet protocol are subject to access charges. The FCC previously has held that one provider's peer-to-peer Internet protocol service that does not use the public switched network is an interstate information service and is not subject to access charges, while a service that utilizes Internet protocol for only one intermediate part of a call's transmission is a telecommunications service that is subject to access charges. Another petition asking the FCC to forbear from applying access charges to voice over Internet protocol services that are terminated on switched local exchange networks was withdrawn by the carrier that filed that petition. The FCC also declared the services offered by one provider of a voice over Internet protocol service to be jurisdictionally interstate on the grounds that it was impossible to separate that carrier's Internet protocol service into interstate and intrastate components. The FCC also stated that its conclusion would apply to other services with similar characteristics. That order has been appealed.

The FCC also has adopted rules for special access services that provide for pricing flexibility and ultimately the removal of services from price regulation when prescribed competitive thresholds are met. More than half of special access revenues are now removed from price regulation. The FCC currently has a rulemaking proceeding underway to evaluate experience under its pricing flexibility rules, and to determine whether any changes to those rules are warranted.

Universal Service

The FCC also has a body of rules implementing the universal service provisions of the Telecommunications Act of 1996, including rules governing support to rural and non-rural high-cost areas, support for low income subscribers, and support for schools, libraries and rural health care. The FCC's current rules for support to high-cost areas served by larger "non-rural" local telephone companies were previously remanded by U.S. Court of Appeals for the Tenth Circuit, which had found that the FCC had not adequately justified these rules. The FCC has initiated a rulemaking proceeding in response to the court's remand, but its rules remain in effect pending the results of the rulemaking. The FCC also has proceedings underway to evaluate possible changes to its current rules for assessing contributions to the universal service fund. As an interim step, in June 2006, the FCC ordered that providers of VoIP services are subject to federal universal service obligations. The FCC also increased the percentage of revenues subject to federal universal service obligations that wireless providers may use as a safe harbor. These decisions are the subject of a pending appeal. Any further change in the current assessment mechanism could result in a change in the contribution that local telephone companies, wireless carriers or others must make and that would have to be collected from customers.

Unbundling of Network Elements

Under Section 251 of the Telecommunications Act of 1996, incumbent local exchange carriers were required to provide competing carriers with access to components of their network on an unbundled basis, known as UNEs, where certain statutory standards are satisfied. The Telecommunications Act of 1996 also adopted a cost-based pricing standard for these UNEs, which the FCC interpreted as allowing it to impose a pricing standard known as "total element long run incremental cost" or "TELRIC." The FCC's rules defining the unbundled network elements that must be made available at TELRIC prices have been overturned on multiple occasions by the courts. In its most recent order issued in response to these court decisions, the FCC eliminated the requirement to unbundle mass market local switching on a nationwide basis, with the obligation to accept new orders ending as of the effective date of the order (March 11, 2005). The FCC also established a one year transition for existing UNE switching arrangements. For high capacity transmission facilities, the FCC established criteria for determining whether high capacity loops, transport or dark fiber transport must be unbundled in individual wire centers, and stated that these standards were only expected to affect a small number of wire centers. The FCC also eliminated the obligation to provide dark fiber loops and found that there is no obligation to provide UNEs exclusively for wireless or long distance service. In any instance where a particular high capacity facility no longer has to be made available as a UNE, the FCC established a similar one year transition for any existing high capacity loop or transport UNEs, and an 18 month transition for any existing dark fiber UNEs. This decision has been upheld on appeal.

As noted above, the FCC has concluded that the requirement under Section 251 of the Telecommunications Act of 1996 to provide unbundled network elements at TELRIC prices generally does not apply with respect to broadband facilities, such as fiber to the premises loops, the packet-switched capabilities of hybrid loops and packet switching. The FCC also has held that any separate unbundling obligations that may be imposed by Section 271 of the Telecommunications Act of 1996 do not apply to these same facilities. The decision with respect to Section 271 has been upheld on appeal and a petition for rehearing of that appellate order was denied.

Wireless Services

The FCC regulates the licensing, construction, operation, acquisition and transfer of wireless communications systems, including the systems that Verizon Wireless operates, pursuant to the Communications Act, other legislation, and the FCC's rules. The FCC and Congress continuously consider changes to these laws and rules. Adoption of new laws or rules may raise the cost of providing service or require modification of Verizon Wireless's business plans or operations.

To use the radio frequency spectrum, wireless communications systems must be licensed by the FCC to operate the wireless network and mobile devices in assigned spectrum segments. Verizon Wireless holds FCC licenses to operate in several different radio services, including the cellular radiotelephone service, personal communications service, advanced wireless service, and point-to-point radio service. The technical and service rules, the specific radio frequencies and amounts of spectrum we hold, and the sizes of the geographic areas we are authorized to operate in, vary for each of these services. However, all of the licenses Verizon Wireless holds allow it to use spectrum to provide a wide range of mobile and fixed communications services, including both voice and data services, and Verizon Wireless operates a seamless network that utilizes those licenses to provide services to customers. Because the FCC issues licenses for only a fixed time, generally 10 years, Verizon Wireless must periodically seek renewal of those licenses. Although the FCC has routinely renewed all of Verizon Wireless's licenses that have come up for renewal to date, challenges could be brought against the licenses in the future. If a wireless license were revoked or not renewed upon expiration, Verizon Wireless would not be permitted to provide services on the licensed spectrum in the area covered by that license.

The FCC has also imposed specific mandates on carriers that operate wireless communications systems, which increase Verizon Wireless's costs. These mandates include requirements that Verizon Wireless: (i) meet specific construction and geographic coverage requirements during the license term; (ii) meet technical operating standards that, among other things, limit the radio frequency radiation from mobile devices and antennas; (iii) deploy "Enhanced 911" wireless services that provide the wireless caller's number, location and other information upon request by a state or local public safety agency that handles 911 calls; and (iv) comply with regulations for the construction of transmitters and towers that, among other things, restrict siting of towers in environmentally sensitive locations and in places where the towers would affect a site listed or eligible for listing on the National Register of Historic Places. Changes to these mandates could require Verizon Wireless to make changes to operations or increase its costs of compliance.

The Communications Act imposes restrictions on foreign ownership of U.S. wireless systems. The FCC has approved the interest that Vodafone Group Plc holds, through various of its subsidiaries, in Verizon Wireless. The FCC may need to approve any increase in Vodafone's interest or the acquisition of an ownership interest by other foreign entities. In addition, as part of the FCC's approval of Vodafone's ownership interest, Verizon Wireless, Verizon and Vodafone entered into an agreement with the U.S. Department of Defense, Department of Justice and Federal Bureau of Investigation which imposes national security and law enforcement-related obligations on the ways in which Verizon Wireless stores information and otherwise conducts its business.

Verizon Wireless anticipates that it will need additional spectrum to meet future demand. It can meet spectrum needs by purchasing licenses or leasing spectrum from other licensees, or by acquiring new spectrum licenses from the FCC. Under the Communications Act, before Verizon Wireless can acquire a license from another licensee in order to expand its coverage or its spectrum capacity in a particular area, it must file an application with the FCC, and the FCC can grant the application only after a period for public notice and comment. This review process can delay acquisition of spectrum needed to expand services. The Communications Act also requires the FCC to award new licenses for most commercial wireless services through a competitive bidding process in which spectrum is awarded to bidders in an auction. Verizon Wireless has participated in spectrum auctions to acquire licenses in the personal communication service and most recently the advanced wireless service. However, the timing of future auctions, and the spectrum being sold, may not match Verizon Wireless's needs, and the company may not be able to secure the spectrum in the auction.

The FCC is also conducting several proceedings to explore whether and how to use spectrum more intensively by, for example, allowing unlicensed wireless devices to operate in licensed spectrum bands. These proceedings could increase radio interference to Verizon Wireless's operations from other spectrum users, or allow other users to share its spectrum. These changes may adversely impact the ways in which it uses spectrum, the capacity of that spectrum to carry traffic, and the value of that spectrum.

State Regulation and Local Approvals

Telephone Operations

State public utility commissions regulate our telephone operations with respect to certain telecommunications intrastate rates and services and other matters. Our competitive local exchange carrier and long distance operations are generally classified as nondominant and lightly regulated the same as other similarly situated carriers. Our incumbent local exchange operations are generally classified as dominant. These latter operations predominantly are subject to alternative forms of regulation (AFORs) in the various states, although they remain subject to rate of return regulation in a few states. Arizona, Illinois, Nevada, New Hampshire, Oregon and Washington are rate of return regulated with various levels of pricing flexibility for competitive services. California, Connecticut, Delaware, the District of Columbia, Florida, Indiana, Maryland, Michigan, Maine, Massachusetts, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, Texas, Vermont, Virginia, West Virginia and Wisconsin are under AFORs with various levels of pricing flexibility, detariffing, and service quality standards. None of the AFORs include earnings regulation. In Idaho, Verizon has made the election under a recent statutory amendment into a deregulatory regime that phases out all price regulation.

Video

Companies that provide cable service over a cable system are typically subject to state and/or local cable television rules and regulations. As noted above, cable operators generally must obtain a local cable franchise from each local unit of government prior to providing cable service in that local area. Some states have recently enacted legislation that enables cable operators to apply for, and obtain, a single cable franchise at the state, rather than local, level. To date, Verizon has applied for and received state-issued franchises in Indiana, New Jersey and Texas. California has enacted statewide franchise reform legislation, but has not yet finalized implementing rules.

Wireless Services

The rapid growth of the wireless industry has led to an increase in efforts by some state legislatures and state public utility commissions to regulate the industry in ways that may impose additional costs on Verizon Wireless. The Communications Act generally preempts regulation by state and local governments of the entry of, or the rates charged by, wireless carriers. Although a state may petition the FCC to allow it to impose rate regulation, no state has done so. In addition, the Communications Act does not prohibit the states from regulating the other “terms and conditions” of wireless service. While numerous state commissions do not currently have jurisdiction over wireless services, state legislatures may decide to grant them such jurisdiction, and those commissions that already have authority to impose regulations on wireless carriers may adopt new rules.

State efforts to regulate wireless services have included proposals to regulate customer billing, termination of service, trial periods for service, advertising, network outages, the use of handsets while driving, and the provision of emergency or alert services. Over the past several years, only a few states have imposed regulation in one or more of these areas, and in 2006 a federal appellate court struck down one such state statute, but Verizon Wireless expects these efforts to continue. Some states also impose their own universal service support regimes on wireless and other telecommunications carriers, and other states are considering whether to create such regimes.

Verizon Wireless (as well as AT&T (formerly Cingular) and Sprint-Nextel) is a party to an Assurance of Voluntary Compliance (“AVC”) with 33 State Attorneys General. The AVC, which generally reflected Verizon Wireless’s practices at the time it was entered into in July 2004, obligates the company to disclose certain rates and terms during a sales transaction, to provide maps depicting coverage, and to comply with various requirements regarding advertising, billing, and other practices.

At the state and local level, wireless facilities are subject to zoning and land use regulation. Under the Communications Act, neither state nor local governments may categorically prohibit the construction of wireless facilities in any community or take actions, such as indefinite moratoria, which have the effect of prohibiting service. Nonetheless, securing state and local government approvals for new tower sites has been and is likely to continue to be a difficult, lengthy and expensive process. Finally, state and local governments continue to impose new or higher fees and taxes on wireless carriers.

Cautionary Statement Concerning Forward-Looking Statements

In this Annual Report on Form 10-K we have made forward-looking statements. These statements are based on our estimates and assumptions and are subject to risks and uncertainties. Forward-looking statements include the information concerning our possible or assumed future results of operations. Forward-looking statements also include those preceded or followed by the words “anticipates,” “believes,” “estimates,” “hopes” or similar expressions. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

The following important factors, along with those discussed elsewhere in this Annual Report, could affect future results and could cause those results to differ materially from those expressed in the forward-looking statements:

- materially adverse changes in economic and industry conditions and labor matters, including workforce levels and labor negotiations, and any resulting financial and/or operational impact, in the markets served by us or by companies in which we have substantial investments;
- material changes in available technology, including disruption of our suppliers’ provisioning of critical products or services;
- technology substitution;
- an adverse change in the ratings afforded our debt securities by nationally accredited ratings organizations;
- the final results of federal and state regulatory proceedings concerning our provision of retail and wholesale services and judicial review of those results;
- the effects of competition in our markets;

- the timing, scope and financial impacts of our deployment of fiber-to-the-premises broadband technology;
- the ability of Verizon Wireless to continue to obtain sufficient spectrum resources;
- changes in our accounting assumptions that regulatory agencies, including the SEC, may require or that result from changes in the accounting rules or their application, which could result in an impact on earnings;
- the timing of the sales of our Latin American and Caribbean properties; and
- the extent and timing of our ability to obtain revenue enhancements and cost savings following our business combination with MCI, Inc.

Report of Management on Internal Control Over Financial Reporting

We, the management of Verizon Communications Inc., are responsible for establishing and maintaining adequate internal control over financial reporting of the company. Management has evaluated internal control over financial reporting of the company using the criteria for effective internal control established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Management has assessed the effectiveness of the company's internal control over financial reporting as of December 31, 2006. Based on this assessment, we believe that the internal control over financial reporting of the company is effective as of December 31, 2006. In connection with this assessment, there were no material weaknesses in the company's internal control over financial reporting identified by management.

The company's financial statements included in this annual report have been audited by Ernst & Young LLP, independent registered public accounting firm. Ernst & Young LLP has also issued an attestation report on management's assessment of the company's internal control over financial reporting.

/s/ Ivan G. Seidenberg

Ivan G. Seidenberg
Chairman and Chief Executive Officer

/s/ Doreen A. Toben

Doreen A. Toben
Executive Vice President and Chief Financial Officer

/s/ Thomas A. Bartlett

Thomas A. Bartlett
Senior Vice President and Controller

Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting

To The Board of Directors and Shareowners of Verizon Communications Inc.:

We have audited management's assessment, included in the accompanying Report of Management on Internal Control Over Financial Reporting, that Verizon Communications Inc. and subsidiaries (Verizon) maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Verizon's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Verizon maintained effective internal control over financial reporting, as of December 31, 2006, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Verizon maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Verizon as of December 31, 2006 and 2005, and the related consolidated statements of income, cash flows and changes in shareowners' investment for each of the three years in the period ended December 31, 2006 of Verizon and our report dated February 23, 2007 expressed an unqualified opinion thereon.

Ernst & Young LLP

Ernst & Young LLP
New York, New York

February 23, 2007

Report of Independent Registered Public Accounting Firm on Financial Statements

To The Board of Directors and Shareowners of Verizon Communications Inc.:

We have audited the accompanying consolidated balance sheets of Verizon Communications Inc. and subsidiaries (Verizon) as of December 31, 2006 and 2005, and the related consolidated statements of income, cash flows and changes in shareowners' investment for each of the three years in the period ended December 31, 2006. These financial statements are the responsibility of Verizon's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Verizon at December 31, 2006 and 2005, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2006, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, Verizon changed its methods of accounting for stock-based compensation effective January 1, 2006 and pension and other post-retirement obligations effective December 31, 2006.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Verizon's internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 23, 2007 expressed an unqualified opinion thereon.

Ernst & Young LLP

Ernst & Young LLP
New York, New York

February 23, 2007

Consolidated Statements of Income Verizon Communications Inc. and Subsidiaries

(dollars in millions, except per share amounts)

Years Ended December 31,	2006	2005	2004
Operating Revenues	**$ 88,144**	$ 69,518	$ 65,751
Operating Expenses			
Cost of services and sales (exclusive of items shown below)	**34,994**	24,200	22,032
Selling, general & administrative expense	**25,232**	19,652	19,346
Depreciation and amortization expense	**14,545**	13,615	13,503
Sales of businesses, net	**–**	(530)	–
Total Operating Expenses	**74,771**	56,937	54,881
Operating Income	**13,373**	12,581	10,870
Equity in earnings of unconsolidated businesses	**773**	686	1,690
Other income and (expense), net	**395**	311	82
Interest expense	**(2,349)**	(2,129)	(2,336)
Minority interest	**(4,038)**	(3,001)	(2,329)
Income Before Provision for Income Taxes, Discontinued Operations and Cumulative Effect of Accounting Change	**8,154**	8,448	7,977
Provision for income taxes	**(2,674)**	(2,421)	(2,078)
Income Before Discontinued Operations and Cumulative Effect of Accounting Change	**5,480**	6,027	5,899
Income on discontinued operations, net of tax	**759**	1,370	1,932
Cumulative effect of accounting change, net of tax	**(42)**	–	–
Net Income	**$ 6,197**	$ 7,397	$ 7,831
Basic Earnings Per Common Share (1)			
Income before discontinued operations and cumulative effect of accounting change	**$ 1.88**	$ 2.18	$ 2.13
Income on discontinued operations, net of tax	**.26**	.50	.70
Cumulative effect of accounting change, net of tax	**(.01)**	–	–
Net Income	**$ 2.13**	$ 2.67	$ 2.83
Weighted-average shares outstanding (in millions)	**2,912**	2,766	2,770
Diluted Earnings Per Common Share (1)			
Income before discontinued operations and cumulative effect of accounting change	**$ 1.88**	$ 2.16	$ 2.11
Income on discontinued operations, net of tax	**.26**	.49	.68
Cumulative effect of accounting change, net of tax	**(.01)**	–	–
Net Income	**$ 2.12**	$ 2.65	$ 2.79
Weighted-average shares outstanding (in millions)	**2,938**	2,817	2,831

(1) Total per share amounts may not add due to rounding.

See Notes to Consolidated Financial Statements.

Consolidated Balance Sheets Verizon Communications Inc. and Subsidiaries

(dollars in millions, except per share amounts)

At December 31,	2006	2005
Assets		
Current assets		
Cash and cash equivalents	**$ 3,219**	$ 760
Short-term investments	**2,434**	2,146
Accounts receivable, net of allowances of $1,139 and $1,100	**10,891**	8,534
Inventories	**1,514**	1,522
Assets held for sale	**2,592**	4,233
Prepaid expenses and other	**1,888**	2,125
Total current assets	**22,538**	19,320
Plant, property and equipment	**204,109**	187,761
Less accumulated depreciation	**121,753**	114,774
	82,356	72,987
Investments in unconsolidated businesses	**4,868**	4,602
Wireless licenses	**50,959**	47,781
Goodwill	**5,655**	315
Other intangible assets, net	**5,140**	4,068
Other assets	**17,288**	19,057
Total assets	**$ 188,804**	$ 168,130
Liabilities and Shareowners' Investment		
Current liabilities		
Debt maturing within one year	**$ 7,715**	$ 6,688
Accounts payable and accrued liabilities	**14,320**	11,747
Liabilities related to assets held for sale	**2,154**	2,870
Other	**8,091**	5,395
Total current liabilities	**32,280**	26,700
Long-term debt	**28,646**	31,569
Employee benefit obligations	**30,779**	17,693
Deferred income taxes	**16,270**	22,831
Other liabilities	**3,957**	3,224
Minority interest	**28,337**	26,433
Shareowners' investment		
Series preferred stock ($.10 par value; none issued)	**–**	–
Common stock ($.10 par value; 2,967,652,438 shares and 2,774,865,381 shares issued)	**297**	277
Contributed capital	**40,124**	25,369
Reinvested earnings	**17,324**	15,905
Accumulated other comprehensive loss	**(7,530)**	(1,783)
Common stock in treasury, at cost	**(1,871)**	(353)
Deferred compensation-employee stock ownership plans and other	**191**	265
Total shareowners' investment	**48,535**	39,680
Total liabilities and shareowners' investment	**$ 188,804**	$ 168,130

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows Verizon Communications Inc. and Subsidiaries

(dollars in millions)

Years Ended December 31,	2006	2005	2004
Cash Flows from Operating Activities			
Net Income	**$ 6,197**	$ 7,397	$ 7,831
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense	**14,545**	13,615	13,503
Sales of businesses, net	**–**	(530)	–
(Gain) loss on sale of discontinued operations	**541**	–	–
Employee retirement benefits	**1,923**	1,695	1,836
Deferred income taxes	**(252)**	(1,093)	1,721
Provision for uncollectible accounts	**1,034**	1,076	890
Equity in earnings of unconsolidated businesses	**(773)**	(686)	(1,690)
Cumulative effect of accounting change, net of tax	**42**	–	–
Changes in current assets and liabilities, net of effects from acquisition/disposition of businesses:			
Accounts receivable	**(1,312)**	(788)	(1,293)
Inventories	**8**	(236)	(226)
Other assets	**52**	(176)	539
Accounts payable and accrued liabilities	**(383)**	(899)	(1,820)
Other, net	**1,408**	1,069	(1,115)
Net cash provided by operating activities – continuing operations	**23,030**	20,444	20,176
Net cash provided by operating activities – discontinued operations	**1,076**	1,581	1,615
Net cash provided by operating activities	**24,106**	22,025	21,791
Cash Flows from Investing Activities			
Capital expenditures (including capitalized software)	**(17,101)**	(14,964)	(12,794)
Acquisitions, net of cash acquired, and investments	**(1,422)**	(4,684)	(1,196)
Proceeds from disposition of businesses	**–**	1,326	117
Net change in short-term and other current investments	**290**	(346)	(90)
Other, net	**811**	532	2,474
Net cash used in investing activities – continuing operations	**(17,422)**	(18,136)	(11,489)
Net cash provided by (used in) investing activities – discontinued operations	**1,806**	(356)	1,146
Net cash used in investing activities	**(15,616)**	(18,492)	(10,343)
Cash Flows from Financing Activities			
Proceeds from long-term borrowings	**3,983**	1,487	514
Repayments of long-term borrowings and capital lease obligations	**(11,233)**	(3,825)	(5,168)
Increase (decrease) in short-term obligations, excluding current maturities	**7,944**	2,098	(747)
Dividends paid	**(4,719)**	(4,427)	(4,262)
Proceeds from sale of common stock	**174**	37	320
Purchase of common stock for treasury	**(1,700)**	(271)	(370)
Other, net	**(201)**	(57)	(125)
Net cash used in financing activities – continuing operations	**(5,752)**	(4,958)	(9,838)
Net cash used in financing activities – discontinued operations	**(279)**	(76)	(18)
Net cash used in financing activities	**(6,031)**	(5,034)	(9,856)
Increase (decrease) in cash and cash equivalents	**2,459**	(1,501)	1,592
Cash and cash equivalents, beginning of year	**760**	2,261	669
Cash and cash equivalents, end of year	**$ 3,219**	$ 760	$ 2,261

See Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Shareowners' Investment Verizon Communications Inc. and Subsidiaries

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

Years Ended December 31,	2006 Shares	2006 Amount	2005 Shares	2005 Amount	2004 Shares	2004 Amount
Common Stock						
Balance at beginning of year	**2,774,865**	**$ 277**	2,774,865	$ 277	2,772,314	$ 277
Shares issued						
Employee plans	**–**	**–**	–	–	2,501	–
Shareowner plans	**–**	**–**	–	–	50	–
Shares issued MCI/Price acquisitions	**192,787**	**20**	–	–	–	–
Balance at end of year	**2,967,652**	**297**	2,774,865	277	2,774,865	277
Contributed Capital						
Balance at beginning of year		**25,369**		25,404		25,363
Shares issued-employee and shareowner plans		**–**		(24)		2
Shares issued-MCI/Price acquisitions		**6,009**		–		–
Net tax benefit from employee stock compensation		**(2)**		–		41
Idearc Inc. spin-off		**8,695**		–		–
Other		**53**		(11)		(2)
Balance at end of year		**40,124**		25,369		25,404
Reinvested Earnings						
Balance at beginning of year		**15,905**		12,984		9,409
Net income		**6,197**		7,397		7,831
Dividends declared ($1.62, $1.62 and $1.54 per share)		**(4,781)**		(4,479)		(4,265)
Other		**3**		3		9
Balance at end of year		**17,324**		15,905		12,984
Accumulated Other Comprehensive Loss						
Balance at beginning of year		**(1,783)**		(1,053)		(1,250)
Foreign currency translation adjustment		**1,196**		(755)		548
Unrealized gains on net investment hedges		**–**		2		–
Unrealized gains (losses) on marketable securities		**54**		(21)		7
Unrealized gains on cash flow hedges		**14**		10		17
Minimum pension liability adjustment		**788**		51		(332)
Adoption of SFAS No. 158		**(7,671)**		–		–
Other		**(128)**		(17)		(43)
Other comprehensive income (loss)		**(5,747)**		(730)		197
Balance at end of year		**(7,530)**		(1,783)		(1,053)
Treasury Stock						
Balance at beginning of year	**(11,456)**	**(353)**	(5,213)	(142)	(4,554)	(115)
Shares purchased	**(50,066)**	**(1,700)**	(7,859)	(271)	(9,540)	(370)
Shares distributed						
Employee plans	**5,355**	**181**	1,594	59	8,881	343
Shareowner plans	**20**	**1**	22	1	–	–
Balance at end of year	**(56,147)**	**(1,871)**	(11,456)	(353)	(5,213)	(142)
Deferred Compensation – ESOPs and Other						
Balance at beginning of year		**265**		90		(218)
Amortization		**(74)**		174		301
Other		**–**		1		7
Balance at end of year		**191**		265		90
Total Shareowners' Investment		**$ 48,535**		$ 39,680		$ 37,560
Comprehensive Income						
Net income		**$6,197**		$7,397		$7,831
Other comprehensive income (loss) per above		**(5,747)**		(730)		197

Total Comprehensive Income (Loss)	**$ 450**	$ 6,667	$ 8,028

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements Verizon Communications Inc. and Subsidiaries

Note 1

Description of Business and Summary of Significant Accounting Policies

Description of Business

Verizon Communications Inc. (Verizon) is one of the world's leading providers of communications services. Our wireline business provides telephone services, including voice, broadband video and data, network access, nationwide long-distance and other communications products and services, and also owns and operates one of the most expansive end-to-end global Internet Protocol (IP) networks. We continue to deploy advanced broadband network technology, with our fiber-to-the-premises network (FiOS) creating a platform with sufficient bandwidth and capabilities to meet customers' current and future needs. FiOS allows Verizon to offer our customers a wide array of broadband services including advanced data and television offerings. Our IP network includes over 446,000 route miles of fiber optic cable and provides access to over 150 countries across six continents, enabling us to provide next-generation IP network products and Information Technology (IT) services to medium and large businesses and government customers worldwide.

Verizon's domestic wireless business, operating as Verizon Wireless, provides wireless voice and data products and other value added services and equipment across the United States using one of the most extensive wireless networks. Verizon Wireless continues to expand our wireless data, messaging and multi-media offerings for both consumer and business customers. NationalAccess is our national wireless Internet service that offers customers access to the internet, email and business applications with a laptop computer. VCAST is a consumer wireless broadband multimedia service that brings high-quality video, 3D games and music to a wide array of new phones.

We have two reportable segments, Wireline and Domestic Wireless, which we operate and manage as strategic business units and organize by products and services. For further information concerning our business segments, see Note 17.

Consolidation

The method of accounting applied to investments, whether consolidated, equity or cost, involves an evaluation of all significant terms of the investments that explicitly grant or suggest evidence of control or influence over the operations of the investee. The consolidated financial statements include our controlled subsidiaries. Investments in businesses which we do not control, but have the ability to exercise significant influence over operating and financial policies, are accounted for using the equity method. Investments in which we do not have the ability to exercise significant influence over operating and financial policies are accounted for under the cost method. Equity and cost method investments are included in Investments in Unconsolidated Businesses in our consolidated balance sheets. Certain of our cost method investments are classified as available-for-sale securities and adjusted to fair value pursuant to the Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 115, *Accounting for Certain Investments in Debt and Equity Securities* .

All significant intercompany accounts and transactions have been eliminated.

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

Discontinued Operations, Assets Held for Sale, and Sales of Businesses and Investments

We classify as discontinued operations for all periods presented any component of our business that we hold for sale or dispose of that has operations and cash flows that are clearly distinguishable operationally and for financial reporting purposes from the rest of Verizon. For those components, Verizon has no significant continuing involvement after disposal and their operations and cash flows are eliminated from Verizon's ongoing operations. Sales of significant components of our business not classified as discontinued operations are reported as either Sales of Businesses, Net, Equity in Earnings of Unconsolidated Businesses or Other Income and (Expense), Net in our consolidated statements of income.

Use of Estimates

We prepare our financial statements using generally accepted accounting principles (GAAP), which require management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates.

Examples of significant estimates include the allowance for doubtful accounts, the recoverability of plant, property and equipment, intangible assets and other long-lived assets, valuation allowances on tax assets and pension and postretirement benefit assumptions.

Revenue Recognition

Wireline

Our Wireline segment earns revenue based upon usage of our network and facilities and contract fees. In general, fixed monthly fees for local telephone, long distance and certain other services are billed one month in advance and recognized the following month when earned. Revenue from services that are not fixed in amount and are based on usage are recognized when such services are provided.

We recognize equipment revenue for services, in which we bundle the equipment with maintenance and monitoring services, when the equipment is installed in accordance with contractual specifications and ready for the customer's use. The maintenance and monitoring services are recognized monthly over the term of the contract as we provide the services. Long-term contracts are accounted for using the percentage of completion method. We use the completed contract method if we cannot estimate the costs with a reasonable degree of reliability.

Customer activation fees, along with the related costs up to but not exceeding the activation fees, are deferred and amortized over the customer relationship period.

Domestic Wireless

Our Domestic Wireless segment earns revenue by providing access to and usage of our network, which includes roaming revenue. In general, access revenue is billed one month in advance and recognized when earned. Access revenue, usage revenue and roaming revenue are recognized when service is rendered. Equipment sales revenue associated with the sale of wireless handsets and accessories is recognized when the products are delivered to and accepted by the customer, as this is considered to be a separate earnings process from the sale of wireless services. Customer activation fees are considered additional consideration when handsets are sold to customers at a discount and are recorded as equipment sales revenue.

Maintenance and Repairs

We charge the cost of maintenance and repairs, including the cost of replacing minor items not constituting substantial betterments, principally to Cost of Services and Sales as these costs are incurred.

Earnings Per Common Share

Basic earnings per common share are based on the weighted-average number of shares outstanding during the period. Diluted earnings per common share include the dilutive effect of shares issuable under our stock-based compensation plans, an exchangeable equity interest (see Note 9), and the zero-coupon convertible notes (see Note 11), which represent the only potentially dilutive common shares. As of December 31, 2006, the exchangeable equity interest and zero-coupon convertible notes are no longer outstanding.

Cash and Cash Equivalents

We consider all highly liquid investments with a maturity of 90 days or less when purchased to be cash equivalents, except cash equivalents held as short-term investments. Cash equivalents are stated at cost, which approximates market value.

Short-Term Investments

Our short-term investments consist primarily of cash equivalents held in trust to pay for certain employee benefits. Short-term investments are stated at cost, which approximates market value.

Marketable Securities

We continually evaluate our investments in marketable securities for impairment due to declines in market value considered to be other than temporary. That evaluation includes, in addition to persistent, declining stock prices, general economic and company-specific evaluations. In the event of a determination that a decline in market value is other than temporary, a charge to earnings is recorded for the loss, and a new cost basis in the investment is established. These investments are included in the accompanying consolidated balance sheets in Investments in Unconsolidated Businesses or Other Assets.

Inventories

We include in inventory new and reusable supplies and network equipment of our local telephone operations, which are stated principally at average original cost, except that specific costs are used in the case of large individual items. Inventories of our other subsidiaries are stated at the lower of cost (determined principally on either an average cost or first-in, first-out basis) or market.

Plant and Depreciation

We record plant, property and equipment at cost. Our local telephone operations' depreciation expense is principally based on the composite group remaining life method and straight-line composite rates. This method provides for the recognition of the cost of the remaining net investment in telephone plant, less anticipated net salvage value, over the remaining asset lives. This method requires the periodic revision of depreciation rates.

The asset lives used by our Wireline operations are presented in the following table:

Average Lives (in years)	
Buildings	15 - 42
Central office equipment	5 - 11
Outside communications plant	
Copper cable	13 - 18
Fiber cable	11 - 20
Microwave towers	30
Poles and conduit	30 - 50
Furniture, vehicles and other	3 - 20

When we replace or retire depreciable plant used in our local telephone network, we deduct the carrying amount of such plant from the respective accounts and charge it to accumulated depreciation.

Plant, property and equipment of our other subsidiaries are generally depreciated on a straight-line basis over the following estimated useful lives: buildings, 8 to 40 years; plant equipment, 3 to 15 years; and other equipment, 3 to 5 years.

When the depreciable assets of our other subsidiaries are retired or otherwise disposed of, the related cost and accumulated depreciation are deducted from the plant accounts, and any gains or losses on disposition are recognized in income.

We capitalize network software purchased or developed along with related plant assets. We also capitalize interest associated with the acquisition or construction of network-related assets. Capitalized interest is reported as part of the cost of the network-related assets and as a reduction in interest expense.

In connection with our ongoing review of the estimated remaining useful lives of plant, property and equipment and associated depreciation rates, we determined that, effective January 1, 2005, the remaining useful lives of three categories of telephone assets would be shortened by 1 to 2 years. These changes in asset lives were based on Verizon's plans, and progress to date on those plans, to deploy fiber optic cable to homes, replacing copper cable. While the timing and extent of current deployment plans are subject to modification, Verizon management believes that current estimates of reductions in impacted asset lives is reasonable and subject to ongoing analysis as deployment of fiber optic lines continues. The asset categories impacted and useful life changes are as follows:

Average Lives (in years)	From	To
Central office equipment		
Digital switches	12	11
Circuit equipment	9	8 - 9
Outside plant		
Copper cable	15 - 19	13 - 18

In connection with our ongoing review noted above, we determined that, effective January 1, 2006, the remaining useful lives of circuit equipment would be shortened from 8-9 years to 8 years.

Computer Software Costs

We capitalize the cost of internal-use network and non-network software which has a useful life in excess of one year in accordance with Statement of Position (SOP) No. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." Subsequent additions, modifications or upgrades to internal-use network and non-network software are capitalized only to the extent that they allow the software to perform a task it previously did not perform. Software maintenance and training costs are expensed in the period in which they are incurred. Also, we capitalize interest associated with the development of non-network internal-use software. Capitalized non-network internal-use software costs are amortized using the straight-line method over a period of 1 to 7 years and are included in Other Intangible Assets, Net in our consolidated balance sheets. For a discussion of our impairment policy for capitalized software costs under SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, see "Goodwill and Other Intangibles" below. Also, see Note 7 for additional detail of non-network internal-use software reflected in our consolidated balance sheets.

Goodwill and Other Intangible Assets

Goodwill

Goodwill is the excess of the acquisition cost of businesses over the fair value of the identifiable net assets acquired. Impairment testing for goodwill is performed annually, and more frequently if indications of impairment exist. The impairment test for goodwill uses a two-step approach, which is performed at the reporting unit level. We have determined that, in our case, the reporting units are our operating segments since that is the lowest level at which discrete, reliable financial and cash flow information is available. Step one compares the fair value of the reporting unit (calculated using a discounted cash flow method) to its carrying value. If the carrying value exceeds the fair value, there is a potential impairment and step two must be performed. Step two compares the carrying value of the reporting unit's goodwill to its implied fair value (i.e., fair value of reporting unit less the fair value of the unit's assets and liabilities, including identifiable intangible assets). If the carrying value of goodwill exceeds its implied fair value, the excess is required to be recorded as an impairment.

Intangible Assets Not Subject to Amortization

A significant portion of our intangible assets are Domestic Wireless licenses that provide our wireless operations with the exclusive right to utilize designated radio frequency spectrum to provide cellular communication services. While licenses are issued for only a fixed time, generally ten years, such licenses are subject to renewal by the Federal Communications Commission (FCC). Renewals of licenses have occurred routinely and at nominal cost. Moreover, we have determined that there are currently no legal, regulatory, contractual, competitive, economic or other factors that limit the useful life of our wireless licenses. As a result, we treat the wireless licenses as an indefinite-lived intangible asset under the provisions of SFAS No. 142, *Goodwill and Other Intangible Assets* (SFAS No. 142). We reevaluate the useful life determination for wireless licenses each reporting period to determine whether events and circumstances continue to support an indefinite useful life.

We test our Domestic Wireless licenses for impairment annually, and more frequently if indications of impairment exist. Beginning in 2005, we began using a direct value approach in performing our annual impairment test on our Domestic Wireless licenses. The direct value approach determines fair value using estimates of future cash flows associated specifically with the licenses. Previously, we used a residual method, which determined the fair value of the wireless licenses by subtracting from the fair value of the wireless business the fair value of all of the other net tangible and intangible (primarily recognized and unrecognized customer relationship intangible assets) assets of our wireless operations. We began using the direct value approach in 2005 in accordance with a September 29, 2004 Staff Announcement from the staff of the Securities and Exchange Commission (SEC), "Use of the Residual Method to Value Acquired Assets Other Than Goodwill." Under either the direct method or the residual method, if the fair value of the aggregated wireless licenses is less than the aggregated carrying amount of the licenses, an impairment is recognized.

Intangible Assets Subject to Amortization

Our intangible assets that do not have indefinite lives (primarily customer lists and non-network internal-use software) are amortized over their useful lives and reviewed for impairment in accordance with SFAS No. 144, whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If any indications were present, we would test for recoverability by comparing the carrying amount of the asset to the net undiscounted cash flows expected to be generated from the asset. If those net undiscounted cash flows do not exceed the carrying amount (i.e., the asset is not recoverable), we would perform the next step which is to determine the fair value of the asset and record an impairment, if any. We reevaluate the useful life determination for these intangible assets each reporting period to determine whether events and circumstances warrant a revision in their remaining useful life.

For information related to the carrying amount of goodwill by segment as well as the major components and average useful lives of our other acquired intangible assets, see Note 7.

Income Taxes

Verizon and its domestic subsidiaries file a consolidated federal income tax return.

Stock-Based Compensation

Effective January 1, 2006, we adopted SFAS No. 123(R), *Share-Based Payment* utilizing the modified prospective method. SFAS No. 123(R) requires the measurement of stock-based compensation expense based on the fair value of the award on the date of grant. Under the modified prospective method, the provisions of SFAS No. 123(R) apply to all awards granted or modified after the date of adoption. The impact to Verizon primarily resulted from Verizon Wireless, for which we recorded a $42 million cumulative effect of accounting change as of January 1, 2006, net of taxes and after minority interest, to recognize the effect of initially measuring the outstanding liability for Value Appreciation Rights (VARs) granted to Domestic Wireless employees at fair value utilizing a Black-Scholes model. We have been expensing stock options since adopting SFAS No. 123, *Accounting for Stock-Based Compensation* effective January 1, 2003.

Foreign Currency Translation

The functional currency for all of our foreign operations is generally the local currency. For these foreign entities, we translate income statement amounts at average exchange rates for the period, and we translate assets and liabilities at end-of-period exchange rates. We record these translation adjustments in Accumulated Other Comprehensive Loss, a separate component of Shareowners' Investment, in our consolidated balance sheets. We report exchange gains and losses on intercompany foreign currency transactions of a long-term nature in Accumulated Other Comprehensive Loss. Other exchange gains and losses are reported in income.

Employee Benefit Plans

Pension and postretirement health care and life insurance benefits earned during the year as well as interest on projected benefit obligations are accrued currently. Prior service costs and credits resulting from changes in plan benefits are amortized over the average remaining service period of the employees expected to receive benefits.

As of July 1, 2006, Verizon management employees no longer earn pension benefits or earn service towards the company retiree medical subsidy (See Note 15).

In September 2006, the FASB issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106, and 132(R)* (SFAS No. 158). SFAS No. 158 requires the recognition of a defined benefit postretirement plan's funded status as either an asset or liability on the balance sheet. SFAS No. 158 also requires the immediate recognition of the unrecognized actuarial gains and losses and prior service costs and credits that arise during the period as a component of other accumulated comprehensive income, net of applicable income taxes. Additionally, the fair value of plan assets must be determined as of the company's year-end. We adopted SFAS No. 158 effective December 31, 2006, which resulted in a net decrease to shareowners' investment of $6,883 million (see Note 15).

Derivative Instruments

We have entered into derivative transactions to manage our exposure to fluctuations in foreign currency exchange rates, interest rates and equity prices. We employ risk management strategies using a variety of derivatives including foreign currency forwards and collars, equity options, interest rate swap agreements and interest rate locks. We do not hold derivatives for trading purposes.

In accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS No. 133) and related amendments and interpretations, we measure all derivatives, including derivatives embedded in other financial instruments, at fair value and recognize them as either assets or liabilities on our consolidated balance sheets. Changes in the fair values of derivative instruments not qualifying as hedges or any ineffective portion of hedges are recognized in earnings in the current period. Changes in the fair values of derivative instruments used effectively as fair value hedges are recognized in earnings, along with changes in the fair value of the hedged item. Changes in the fair value of the effective portions of cash flow hedges are reported in other comprehensive income (loss) and recognized in earnings when the hedged item is recognized in earnings.

Other Recent Accounting Pronouncements

Uncertainty in Income Taxes

In July 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48). FIN 48 requires the use of a two-step approach for recognizing and measuring tax benefits taken or expected to be taken in a tax return and disclosures regarding uncertainties in income tax positions. We are required to adopt FIN 48 effective January 1, 2007. The cumulative effect of initially adopting FIN 48 will be recorded as an adjustment to opening retained earnings (or to goodwill, in certain cases for a prior acquisition) in the year of adoption and will be presented separately. Only tax positions that meet the more likely than not recognition threshold at the effective date may be recognized upon adoption of FIN 48. We anticipate that as a result of the adoption of FIN 48, we will record an adjustment to our opening retained earnings. We are also reviewing the potential impact of FIN 48 on prior purchase accounting. Any such purchase accounting adjustment will not impact retained earnings or current earnings. We are reviewing the final impact of the adoption of FIN 48. We anticipate that any required adjustment under the adoption of FIN 48 will not be material.

Leveraged Leases

In July 2006, the FASB issued Staff Position No. FAS 13-2, "Accounting for a Change or Projected Change in the Timing of Cash Flows Relating to Income Taxes Generated by a Leveraged Lease Transaction" (FSP 13-2). FSP 13-2 requires that changes in the projected timing of income tax cash flows generated by a leveraged lease transaction be recognized as a gain or loss in the year in which change occurs. We are required to adopt FSP 13-2 effective January 1, 2007. The cumulative effect of initially adopting this FSP will be recorded as an adjustment to opening retained earnings in the year of adoption and will be presented separately. We anticipate that any required adjustment under the adoption of FSP 13-2 will not be material.

Fair Value Measurements

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurement* (SFAS No. 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, establishes a hierarchy that categorizes and prioritizes the sources to be used to estimate fair value and expands disclosures about fair value measurements. We are required to adopt SFAS No. 157 effective January 1, 2008 on a prospective basis. We are currently evaluating the impact this new standard will have on our future results of operations and financial position.

Note 2

Acquisitions

Completion of Merger with MCI

On February 14, 2005, Verizon announced that it agreed to acquire 100% of the outstanding common stock of MCI, Inc. (MCI) for a combination of Verizon common shares and cash. MCI was a global communications company that provided Internet, data and voice communication services to businesses and government entities throughout the world and consumers in the United States. After receiving the required state, federal and international regulatory approvals, Verizon and MCI closed the merger on January 6, 2006.

On April 9, 2005, Verizon entered into a stock purchase agreement with eight entities affiliated with Carlos Slim Helú to purchase 43.4 million shares of MCI common stock for $25.72 per share in cash plus an additional cash amount of 3% per annum from April 9, 2005, until the closing of the purchase of those shares. The transaction closed on May 17, 2005. The total cash payment was $1,121 million and the investment was accounted for as a cost investment. No payments were made under a provision that required Verizon to pay an additional amount at the end of one year to the extent that the price of Verizon’s common stock exceeded $35.52 per share. We received the special dividend of $5.60 per MCI share on these 43.4 million MCI shares, or $243 million, on October 27, 2005.

Under the terms of the merger agreement, MCI shareholders received .5743 shares of Verizon common stock ($5,050 million in the aggregate) and cash of $2.738 ($779 million in the aggregate) for each of their MCI shares. The merger consideration was equal to $20.40 per MCI share, excluding the $5.60 per share special dividend paid by MCI to its shareholders on October 27, 2005. There was no purchase price adjustment.

The merger was accounted for using the purchase method in accordance with the SFAS No. 141, *Business Combinations* (SFAS No. 141), and the aggregate transaction value was $6,890 million, consisting of the cash and common stock issued at closing ($5,829 million), the consideration for the shares acquired from the Carlos Slim Helú entities, net of the portion of the special dividend paid by MCI that was treated as a return of our investment ($973 million) and closing and other direct merger-related costs. The number of shares issued was based on the “Average Parent Stock Price,” as defined in the merger agreement. The consolidated financial statements include the results of MCI’s operations from the date of the close of the merger.

Prior to the merger, there were commercial transactions between us and the former MCI entities for telecommunications services at rates comparable to similar transactions with other third parties. Subsequent to the merger, these transactions are eliminated in consolidation.

Reasons for the Merger

We believe that the merger will make us a more efficient competitor in providing a broad range of communications services and will result in several significant strategic benefits to us, including the following:

- Strategic Position. Following the merger, it is expected that our core strengths in communication services will be enhanced by MCI’s employee and business customer base, portfolio of advanced data and IP services and network assets.
- Growth Platform. MCI’s presence in the U.S. and international enterprise sector and its long haul fiber network infrastructure are expected to provide us with a stronger platform from which we can market our products and services.
- Operational Benefits. We believe that we will achieve operational benefits through, among other things, eliminating duplicative staff and information and operating systems and to a lesser extent overlapping network facilities; reducing procurement costs; using the existing networks more efficiently; reducing line support functions; reducing general and administrative expenses; improving information systems; optimizing traffic flow; eliminating planned or potential Verizon capital expenditures for new long-haul network capability; and offering wireless capabilities to MCI’s customers.

Allocation of the cost of the merger

In accordance with SFAS No. 141, the cost of the merger was allocated to the assets acquired and liabilities assumed based on their fair values as of the close of the merger, with the amounts exceeding the fair value being recorded as goodwill. The process to identify and record the fair value of assets acquired and liabilities assumed included an analysis of the acquired fixed assets, including real and personal property; various contracts, including leases, contractual commitments, and other business contracts; customer relationships; investments; and contingencies.

The fair values of the assets acquired and liabilities assumed were determined using one or more of three valuation approaches: market, income and cost. The selection of a particular method for a given asset depended on the reliability of available data and the nature of the asset, among other considerations. The market approach, which indicates value for a subject asset based on available market pricing for comparable assets, was utilized for certain acquired real property and investments. The income approach, which indicates value for a subject asset based on the present value of cash flow projected to be generated by the asset, was used for certain intangible assets such as customer relationships, as well as for favorable/unfavorable contracts. Projected cash flow is discounted at a required rate of return that reflects the relative risk of achieving the cash flow and the time value of money. Projected cash flows for each asset considered multiple factors, including current revenue from existing customers; distinct analysis of expected price, volume, and attrition trends; reasonable contract renewal assumptions from the perspective of a marketplace participant; expected profit margins giving consideration to marketplace synergies; and required returns to contributory assets. The cost approach, which estimates value by determining the current cost of replacing an asset with another of equivalent economic utility, was used for the majority of personal property. The cost to replace a given asset reflects the estimated reproduction or replacement cost for the property, less an allowance for loss in value due to depreciation or obsolescence, with specific consideration given to economic obsolescence if indicated.

The following table summarizes the allocation of the cost of the merger to the assets acquired, including cash of $2,361 million, and liabilities assumed as of the close of the merger. Certain of the amounts in the following table have been revised since the initial allocation to reflect information that has since become available.

	(dollars in millions)
Assets acquired	
Current assets	$ 6,001
Property, plant & equipment	6,453
Intangible assets subject to amortization	
Customer relationships	1,162
Rights of way and other	176
Deferred income taxes and other assets	1,995
Goodwill	5,085
Total assets acquired	$ 20,872
Liabilities assumed	
Current liabilities	$ 6,093
Long-term debt	6,169
Deferred income taxes and other non-current liabilities	1,720
Total liabilities assumed	13,982
Purchase price	$ 6,890

The goodwill resulting from the merger with MCI was assigned to the Wireline segment, which includes the operations of the former MCI. The customer relationships are being amortized on a straight-line basis over 3-8 years based on whether the relationship is with a consumer or a business customer since this correlates to the pattern in which the economic benefits are expected to be realized.

In connection with the merger, we recorded $193 million of severance and severance-related costs and $427 million of contract termination costs in the above allocation of the cost of the merger in accordance with the Emerging Issues Task Force Issue (EITF) No. 95-3, "Recognition of Liabilities in Connection with a Purchase Business Combination." We paid $116 million of the severance and severance-related costs in 2006 with the remaining costs to be paid in 2007. We paid $128 million of contract termination costs in 2006 and the remaining costs will be paid over the remaining contract periods through 2009. The following table summarizes the obligations recognized in connection with the MCI merger and the activity to date:

(dollars in millions)

	Initial Allocation	Other Increases	Payments	Ending Balance
Severance costs and contract termination costs	$ 459	$ 161	$ (244)	$ 376

Pro Forma Information

The following unaudited pro forma consolidated results of operations assume that the MCI merger was completed as of January 1 for the periods shown below:

(dollars in millions, except per share amounts)		
Years Ended December 31,	**2006**	2005
Revenues	**$ 88,371**	$ 85,739
Income before discontinued operations and cumulative effect of accounting change	**5,480**	6,724
Net income	**6,197**	8,176
Basic earnings per common share:		
Income before discontinued operations and cumulative effect of accounting change	**1.88**	2.30
Net income	**2.13**	2.79
Diluted earnings per common share:		
Income before discontinued operations and cumulative effect of accounting change	**1.88**	2.28
Net income	**2.12**	2.76

The unaudited pro forma information presents the combined operating results of Verizon and the former MCI, with the results prior to the acquisition date adjusted to include the pro forma impact of: the elimination of transactions between Verizon and the former MCI; the adjustment of amortization of intangible assets and depreciation of fixed assets based on the purchase price allocation; the elimination of merger expenses incurred by the former MCI; the elimination of the loss on the early redemption of MCI's debt; the adjustment of interest expense reflecting the redemption of all of MCI's debt and the replacement of that debt with $4 billion of new debt issued in February 2006 at Verizon's weighted average borrowing rate; and to reflect the impact of income taxes on the pro forma adjustments utilizing Verizon's statutory tax rate of 40%. The unaudited pro forma results for 2005 include $82 million for discontinued operations that were sold by MCI during the first quarter of 2005. The unaudited pro forma results for 2005 include approximately $300 million of net tax benefits resulting from tax reserve adjustments recognized by the former MCI primarily during the third and fourth quarters of 2005, including audit settlements and other activity.

The unaudited pro forma consolidated basic and diluted earnings per share for 2006 and 2005 are based on the consolidated basic and diluted weighted average shares of Verizon and the former MCI. The historical basic and diluted weighted average shares of the former MCI were converted for the actual number of shares issued upon the closing of the merger.

The unaudited pro forma results are presented for illustrative purposes only and do not reflect the realization of potential cost savings, or any related integration costs. Certain cost savings may result from the merger; however, there can be no assurance that these cost savings will be achieved. Cost savings, if achieved, could result from, among other things, the reduction of overhead expenses, including employee levels and the elimination of duplicate facilities and capital expenditures. These pro forma results do not purport to be indicative of the results that would have actually been obtained if the merger occurred as of the beginning of each of the periods presented, nor does the pro forma data intend to be a projection of results that may be obtained in the future.

Other Acquisitions

In August 2002, Verizon Wireless and Price Communications Corp. (Price) combined Price's wireless business with a portion of Verizon Wireless. The resulting limited partnership, Verizon Wireless of the East LP (VZ East), is controlled and managed by Verizon Wireless. In exchange for its contributed assets, Price received a limited partnership interest in the new partnership which was exchangeable into the common stock of Verizon Wireless if an initial public offering of that stock occurred, or into the common stock of Verizon on the fourth anniversary of the asset contribution date. On August 15, 2006, Verizon delivered 29.5 million shares of newly-issued Verizon common stock to Price valued at $1,007 million in exchange for Price's limited partnership interest in VZ East. As a result of acquiring Price's limited partnership interest, Verizon recorded goodwill of $345 million in the third quarter of 2006 attributable to its Domestic Wireless segment.

On November 29, 2006, we were granted thirteen 20MHz licenses we won in an FCC auction that concluded on September 18, 2006. We paid a total of $2,809 million for the licenses, which cover a population of nearly 200 million.

Note 3

Discontinued Operations and Sales of Businesses, Net

Verizon Information Services

In October, 2006, we announced our intention to spin-off our domestic print and Internet yellow pages directories publishing operations, which have been organized into a newly formed company known as Idearc Inc. (Idearc). On October 18, 2006, the Verizon Board of Directors declared a dividend consisting of 1 share of Idearc for each 20 shares of Verizon owned. In making its determination to effect the spin-off, Verizon's Board of Directors considered, among other things, that the spin-off may allow each company to separately focus on its core business, which may facilitate the potential expansion and growth of Verizon and Idearc, and allow each company to determine its own capital structure.

On November 17, 2006, we completed the spin-off of Idearc. Cash was paid for fractional shares. The distribution of Idearc common stock to our shareholders is considered a tax free transaction for us and for our shareowners, except for the cash payments for fractional shares which are generally taxable.

At the time of the spin-off, the exercise price of and number of shares of Verizon common stock underlying options to purchase shares of Verizon common stock, restricted stock units (RSU's) and performance stock units (PSU's) were adjusted pursuant to the terms of the applicable Verizon equity incentive plans, taking into account the change in the value of Verizon common stock as a result of the spin-off.

In connection with the spin-off, Verizon received approximately $2.0 billion in cash from the proceeds of loans under an Idearc term loan facility and transferred to Idearc debt obligations in the aggregate principal amount of approximately $7.1 billion thereby reducing Verizon's outstanding debt at that time. We incurred pretax charges of approximately $117 million ($101 million after-tax), including debt retirement costs, costs associated with accumulated vesting benefits of Idearc employees, investment banking fees and other transaction costs related to the spin-off, which are included in discontinued operations.

In connection with the spin-off, we named Idearc the exclusive official publisher of Verizon print directories of wireline listings in markets where Verizon is the current incumbent local exchange carrier. We also entered into other agreements that defined responsibility for obligations arising before or that may arise after the spin-off, including, among others, obligations relating to Idearc employees, certain transition services and taxes. In general, the agreements governing the exchange of services between us and Idearc are for specified periods at cost-based or commercial rates.

Verizon Dominicana C. por A., Telecomunicaciones de Puerto Rico, Inc. and Compañía Anónima Nacional Teléfonos de Venezuela

During the second quarter of 2006, we reached definitive agreements to sell our interests in our Caribbean and Latin American telecommunications operations in three separate transactions to América Móvil, S.A. de C.V. (América Móvil), a wireless service provider throughout Latin America, and a company owned jointly by Teléfonos de México, S.A. de C.V. (Telmex) and América Móvil. We agreed to sell our 100 percent indirect interest in Verizon Dominicana C. por A. (Verizon Dominicana) and our 52 percent interest in Telecomunicaciones de Puerto Rico, Inc. (TELPRI) to América Móvil. An entity jointly owned by América Móvil and Telmex agreed to purchase our indirect 28.5 percent interest in Compañía Anónima Nacional Teléfonos de Venezuela (CANTV).

In accordance with SFAS No. 144, *"Accounting for the Impairment or Disposal of Long-Lived Assets,"* (SFAS No. 144) we have classified the results of operations of Verizon Dominicana and TELPRI as discontinued operations. CANTV continues to be accounted for as an equity method investment.

On December 1, 2006, we closed the sale of Verizon Dominicana. The transaction resulted in net pretax cash proceeds of $2,042 million, net of a purchase price adjustment of $373 million. The U.S. taxes that became payable and were recognized at the time the transaction closed exceeded the $30 million pretax gain resulting in an after-tax loss of $541 million.

We expect to close the sale of our interest in TELPRI in 2007 subject to the receipt of regulatory approvals and in accordance with the terms of the definitive agreement. We expect that the sale will result in approximately $900 million in net pretax cash proceeds.

During the second quarter of 2006, we entered into a definitive agreement to sell our indirect 28.5% interest in CANTV to an entity jointly owned by América Móvil and Telmex for estimated pretax proceeds of $677 million. Regulatory authorities in Venezuela never commenced the formal review of that transaction and the related tender offers for the remaining equity securities of CANTV. On February 8, 2007, after two prior extensions, the parties terminated the stock purchase agreement because the parties mutually concluded that the regulatory approvals would not be granted by the Government.

In January 2007, the Bolivarian Republic of Venezuela (the Republic) declared its intent to nationalize certain companies, including CANTV. On February 12, 2007, we entered into a Memorandum of Understanding (MOU) with the Republic. The MOU provides that the Republic will offer to purchase all of the equity securities of CANTV through public tender offers in Venezuela and the United States at a price equivalent to $17.85 per ADS. If the tender offers are completed, the aggregate purchase price for Verizon's shares would be $572 million. If the 2007 dividend that has been recommended by the CANTV Board is approved by shareholders and paid prior to the closing of the tender offers, this amount will be reduced by the amount of the dividend. Verizon has agreed to tender its shares if the offers are commenced. The Republic has agreed to commence the offers within forty-five days assuming the satisfactory completion of its due diligence investigation of CANTV. The tender offers are subject to certain conditions including that a majority of the outstanding shares are tendered to the Government and receipt of regulatory approvals. Based upon the terms of the MOU and our current investment balance in CANTV, we expect that we will record a loss on our investment in the first quarter of 2007. The ultimate amount of the loss depends on a variety of factors, including the successful completion of the tender offer and the satisfaction of other terms in the MOU.

Verizon Information Services Canada

During 2004, we announced our decision to sell Verizon Information Services Canada Inc. to an affiliate of Bain Capital, a global private investment firm, for $1,540 million (Cdn. $1,985 million). The sale closed during the fourth quarter of 2004 and resulted in a gain of $1,017 million ($516 million after-tax).

In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (SFAS No. 144), we have classified the results of operation of the U.S. print and Internet yellow pages directories business, Verizon Dominicana and Verizon Information Services Canada as discontinued operations in the consolidated statements of income for all years presented through the date of the spin-off or sale. We have also classified the results of operations of TELPRI, which we continued to own at December 31, 2006, as discontinued operations in the consolidated statements of income. Our investment in CANTV continues to be accounted for as an equity method investment in continuing operations.

The assets and liabilities of the U.S print and Internet yellow pages directories business, Verizon Information Services Canada, Verizon Dominicana and TELPRI are disclosed as current assets and current liabilities held for sale in the consolidated balance sheets for all years presented through the date of their spin-off or divestiture. Additional detail related to those assets and liabilities are as follows:

		(dollars in millions)
	At December 31, 2006	At December 31, 2005
Current assets	**$ 303**	$ 995
Plant, property and equipment, net	**1,436**	2,318
Other non-current assets	**853**	920
Total assets	**$ 2,592**	$ 4,233
Current liabilities	**$ 181**	$ 1,369
Long-term debt	**575**	300
Other non-current liabilities	**1,398**	1,201
Total liabilities	**$ 2,154**	$ 2,870

Related to the assets and liabilities above is $241 million and $898 million included as Accumulated Other Comprehensive Loss in the condensed consolidated balance sheets as of December 31, 2006 and December 31, 2005, respectively.

Income from discontinued operations, net of tax presented in the consolidated statements of income included the following:

			(dollars in millions)
Years Ended December 31,	**2006**	2005	2004
Operating Revenues	**$ 5,077**	$ 5,595	$ 5,812
Income before provision for income taxes	**2,041**	2,159	3,251
Provision for income taxes	**(1,282)**	(789)	(1,319)
Income on discontinued operations, net of tax	**$ 759**	$ 1,370	$ 1,932

Verizon Hawaii Inc.

During the second quarter of 2004, we entered into an agreement to sell our wireline and directory businesses in Hawaii, including Verizon Hawaii Inc. which operated approximately 700,000 switched access lines, as well as the services and assets of Verizon Long Distance, Verizon Online, Verizon Information Services and Verizon Select Services Inc. in Hawaii, to an affiliate of The Carlyle Group. This transaction closed during the second quarter of 2005. In connection with this sale, we received net proceeds of $1,326 million and recorded a net pretax gain of $530 million ($336 million after-tax).

Note 4

Other Strategic Actions

Spin-off Transaction Charges

In 2006, we recorded pretax charges of $117 million ($101 million after-tax) for costs related to the spin-off of Idearc. These costs primarily consisted of banking and legal fees; as well as filing fees, printing and mailing costs. There were no similar charges in 2005 and 2004.

Merger Integration Costs

In 2006, we recorded pretax charges of $232 million ($146 million after-tax) related to integration costs associated with the MCI acquisition that closed on January 6, 2006. These costs are primarily comprised of advertising and other costs related to re-branding initiatives and systems integration activities. There were no similar charges incurred in 2005 and 2004.

Facility and Employee-Related Items

During 2006, we recorded pretax charges of $184 million ($118 million after-tax) in connection with the continued relocation of employees and business operations to Verizon Center located in Basking Ridge, New Jersey. During 2005, we recorded a net pretax gain of $18 million ($8 million after-tax) in connection with this relocation of our new operations center, Verizon Center, including a pretax gain of $120 million ($72 million after-tax) related to the sale of a New York City office building, partially offset by a pretax charge of $102 million ($64 million after-tax) primarily associated with relocation, employee severance and related activities. There were no similar charges incurred in 2004.

During 2006, we recorded net pretax severance, pension and benefits charges of $425 million ($258 million after-tax, including $3 million of income recorded to discontinued operations). These charges included net pretax pension settlement losses of $56 million ($26 million after-tax) related to employees that received lump-sum distributions primarily resulting from our separation plans. These charges were recorded in accordance with SFAS No. 88, *Employ* ers' *Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits* (SFAS No. 88), which requires that settlement losses be recorded once prescribed payment thresholds have been reached. Also included are pretax charges of $369 million ($228 million after-tax), for employee severance and severance-related costs in connection with the involuntary separation of approximately 4,100 employees. In addition, during 2005 we recorded a charge of $59 million ($36 million after-tax) associated with employee severance costs and severance-related activities in connection with the voluntary separation program for surplus union-represented employees.

During 2005, we recorded a net pretax charge of $98 million ($59 million after-tax) related to the restructuring of the Verizon management retirement benefit plans. This pretax charge was recorded in accordance with SFAS No. 88, and SFAS No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions* (SFAS No. 106) and includes the unamortized cost of prior pension enhancements of $430 million offset partially by a pretax curtailment gain of $332 million related to retiree medical benefits. In connection with this restructuring, management employees: no longer earn pension benefits or earn service towards the company retiree medical subsidy after June 30, 2006; received an 18-month enhancement of the value of their pension and retiree medical subsidy; and receive a higher savings plan matching contribution.

During 2004, we recorded pretax pension settlement losses of $805 million ($492 million after-tax) related to employees that received lump-sum distributions during 2004 in connection with the voluntary separation plan under which more than 21,000 employees accepted the separation offer in the fourth quarter of 2003. These charges were recorded in accordance with SFAS No. 88. In addition, we recorded a $7 million after-tax charge in income from discontinued operations, related to the 2003 separation plan.

Tax Matters

During 2005, we recorded a tax benefit of $336 million in connection with capital gains and prior year investment losses. As a result of the capital gain realized in 2005 in connection with the sale of our Hawaii businesses, we recorded a tax benefit of $242 million related to capital losses incurred in previous years. The investment losses pertain to Iusacell, CTI Holdings, S.A. (CTI) and TelecomAsia.

Also during 2005, we recorded a net tax provision of $206 million related to the repatriation of foreign earnings under the provisions of the American Jobs Creation Act of 2004, for two of our foreign investments.

As a result of the capital gain realized in 2004 in connection with the sale of Verizon Information Services Canada, we recorded tax benefits of $234 million in the fourth quarter of 2004 pertaining to prior year investment impairments. The investment impairments primarily related to debt and equity investments in CTI, Cable & Wireless plc and NTL Incorporated.

Other Charges and Special Items

During 2006, we recorded pretax charges of $26 million ($16 million after-tax) resulting from the extinguishment of debt assumed in connection with the completion of the MCI merger.

During 2006, we recorded after-tax charges of $42 million to recognize the adoption of SFAS No. 123 (R).

During 2005, we recorded pretax charges of $139 million ($133 million after-tax) including a pretax impairment charge of $125 million pertaining to aircraft leased to airlines involved in bankruptcy proceedings and a pretax charge of $14 million ($8 million after-tax) in connection with the early extinguishment of debt.

In the second quarter of 2004, we recorded an expense credit of $204 million ($123 million after-tax) resulting from the favorable resolution of pre-bankruptcy amounts due from MCI that were recovered upon the emergence of MCI from bankruptcy.

Also during 2004, we recorded an impairment charge of $113 million ($87 million after-tax) related to our international long distance and data network. In addition, we recorded pretax charges of $55 million ($34 million after-tax) in connection with the early extinguishment of debt.

During 2004, we recorded a pretax gain of $787 million ($565 million after-tax) on the sale of our 20.5% interest in TELUS in an underwritten public offering in the U.S. and Canada. In connection with this sale transaction, Verizon recorded a contribution of $100 million to Verizon Foundation to fund its charitable activities and increase its self-sufficiency. Consequently, we recorded a net gain of $500 million after taxes related to this transaction and the accrual of the Verizon Foundation contribution.

Note 5
Marketable Securities and Other Investments

We have investments in marketable securities which are considered “available-for-sale” under SFAS No. 115. These investments have been included in our consolidated balance sheets in Short-Term Investments, Investments in Unconsolidated Businesses and Other Assets.

Under SFAS No. 115, available-for-sale securities are required to be carried at their fair value, with unrealized gains and losses (net of income taxes) that are considered temporary in nature recorded in Accumulated Other Comprehensive Loss. The fair values of our investments in marketable securities are determined based on market quotations. We continually evaluate our investments in marketable securities for impairment due to declines in market value considered to be other than temporary. That evaluation includes, in addition to persistent, declining stock prices, general economic and company-specific evaluations. In the event of a determination that a decline in market value is other than temporary, a charge to earnings is recorded in Other Income and Expense, Net in the consolidated statements of income for all or a portion of the unrealized loss, and a new cost basis in the investment is established. As of December 31, 2006, no impairments were determined to exist.

The following table shows certain summarized information related to our investments in marketable securities:

(dollars in millions)

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
At December 31, 2006				
Short-term investments	**$ 616**	**$ 28**	**$ –**	**$ 644**
Investments in unconsolidated businesses	**259**	**38**	**(2)**	**295**
Other assets	**594**	**31**	**–**	**625**
	$ 1,469	**$ 97**	**$ (2)**	**$ 1,564**
At December 31, 2005				
Short-term investments	$ 373	$ 9	$ –	$ 382
Investments in unconsolidated businesses	215	13	(3)	225
Other assets	548	19	–	567
	$ 1,136	$ 41	$ (3)	$ 1,174

Our investments in marketable securities are primarily bonds and mutual funds.

During 2004, we sold all of our investment in Iowa Telecom preferred stock, which resulted in a pretax gain of $43 million ($43 million after-tax) included in Other Income and Expense, Net in the consolidated statements of income. The preferred stock was received in 2000 in connection with the sale of access lines in Iowa.

Certain other investments in securities that we hold are not adjusted to market values because those values are not readily determinable and/or the securities are not marketable. We have, however, adjusted the carrying values of these securities in situations where we believe declines in value below cost were other than temporary. The carrying values for investments not adjusted to market value were $12 million at December 31, 2006 and $5 million at December 31, 2005.

Note 6

Plant, Property and Equipment

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

(dollars in millions)

At December 31,	2006	2005
Land	$ 959	$ 706
Buildings and equipment	19,207	16,312
Network equipment	163,580	152,409
Furniture, office and data processing equipment	12,789	12,272
Work in progress	2,315	1,475
Leasehold improvements	3,061	2,297
Other	2,198	2,290
	204,109	187,761
Accumulated depreciation	(121,753)	(114,774)
Total	$ 82,356	$ 72,987

Note 7

Goodwill and Other Intangible Assets

Goodwill

Changes in the carrying amount of goodwill are as follows:

(dollars in millions)

	Wireline	Domestic Wireless	Total
Balance at December 31, 2004 and 2005	$ 315	$ –	$ 315
Acquisitions	5,085	345	5,430
Goodwill reclassifications and other	(90)	–	(90)
Balance at December 31, 2006	$ 5,310	$ 345	$ 5,655

Other Intangible Assets

The following table displays the details of other intangible assets:

(dollars in millions)

	At December 31, 2006		At December 31, 2005	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Finite-lived intangible assets:				
Customer lists (3 to 8 years)	$ 1,278	$ 270	$ 3,436	$ 3,279
Non-network internal-use software (1 to 7 years)	7,777	3,826	7,081	3,193
Other (1 to 25 years)	204	23	26	3
Total	$ 9,259	$ 4,119	$ 10,543	$ 6,475
Indefinite-lived intangible assets:				
Wireless licenses	$ 50,959		$ 47,781	

Customer lists of $1,278 million includes $1,162 million related to the MCI acquisition. Customer lists of $3,313 million at Domestic Wireless became fully amortized and were written off during 2006. Intangible asset amortization expense was $1,423 million, $1,444 million, and $1,334 million for the years ended December 31, 2006, 2005 and 2004, respectively. It is estimated to be $1,201 million in 2007, $1,047 million in 2008, $856 million in 2009, $633 million in 2010 and $483 million in 2011, primarily related to customer lists and non-network internal-use software.

Note 8

Investments in Unconsolidated Businesses

Our investments in unconsolidated businesses are comprised of the following:

(dollars in millions)

At December 31,	2006 Ownership	2006 Investment	2005 Ownership	2005 Investment
Equity Investees				
CANTV	**28.5%**	**$ 230**	28.5%	$ 152
Vodafone Omnitel	**23.1**	**3,624**	23.1	2,591
Other	**Various**	**744**	Various	770
Total equity investees		**4,598**		3,513
Cost Investees	**Various**	**270**	Various	1,089
Total investments in unconsolidated businesses		**$ 4,868**		$ 4,602

Dividends and repatriations of foreign earnings received from investees amounted to $42 million in 2006, $2,335 million in 2005 and $162 million in 2004, respectively, and are reported in Other, Net operating activities in the consolidated statements of cash flows.

Equity Investees

CANTV

CANTV is Venezuela’s largest full-service telecommunications provider. CANTV offers local services, national and international long distance, Internet access and wireless services in Venezuela as well as public telephone, private network, data transmission, directory and other value-added services. Our $230 million investment in CANTV is net of approximately $400 million of foreign currency translation adjustments that are included in Accumulated Other Comprehensive Loss.

In the second quarter of 2006, we reached a definitive agreement to sell our indirect 28.5% interest in CANTV to an entity jointly owned by América Móvil and Telmex. That agreement was terminated on February 8, 2007. On February 12, 2007, we announced our intention to participate in the Venezuelan government’s offer to purchase our shares in CANTV through public tender offers in Venezuela and the U.S. (See Note 23).

Vodafone Omnitel

Vodafone Omnitel N.V. (Vodafone Omnitel) is an Italian digital cellular telecommunications company. It is the second largest wireless provider in Italy. At December 31, 2006 and 2005, our investment in Vodafone Omnitel included goodwill of $1,044 million and $937 million, respectively.

During 2005, we repatriated $2,202 million of Vodafone Omnitel’s earnings through the repurchase of issued and outstanding shares of its equity. Vodafone Omnitel’s owners, Verizon and Vodafone Group Plc (Vodafone), participated on a pro rata basis; consequently, Verizon’s ownership interest after the share repurchase remained at 23.1%.

Other Equity Investees

Verizon has limited partnership investments in entities that invest in affordable housing projects, for which Verizon provides funding as a limited partner and receives tax deductions and tax credits based on its partnership interests. At December 31, 2006 and 2005, Verizon had equity investments in these partnerships of $659 million and $652 million, respectively. Verizon currently adjusts the carrying value of these investments for any losses incurred by the limited partnerships through earnings.

The remaining investments include wireless partnerships in the U.S., and other smaller domestic and international investments.

Cost Investees

Some of our cost investments are carried at their current market value. Other cost investments are carried at their original cost, except in cases where we have determined that a decline in the estimated market value of an investment is other than temporary as described in Note 5. Our cost investments include a variety of domestic and international investments primarily involved in providing communication services.

Our cost investments in unconsolidated businesses included 43.4 million of shares of MCI common stock that were converted upon the closing of the MCI merger (see Note 2).

Note 9

Minority Interest

Minority interests in equity of subsidiaries were as follows:

At December 31,	2006	2005
	(dollars in millions)	
Minority interests in consolidated subsidiaries*:		
Wireless joint venture (55%)	**$ 27,854**	$ 24,683
Cellular partnerships and other (various)	**483**	1,650
Preferred securities issued by subsidiaries	**–**	100
	$ 28,337	$ 26,433

* Indicated ownership percentages are Verizon's consolidated interests.

Wireless Joint Venture

The wireless joint venture was formed in April 2000 in connection with the combination of the U.S. wireless operations and interests of Verizon and Vodafone. The wireless joint venture operates as Verizon Wireless. Verizon owns a controlling 55% interest in Verizon Wireless and Vodafone owns the remaining 45%.

Under the terms of an investment agreement, Vodafone had the right to require Verizon Wireless to purchase up to an aggregate of $20 billion worth of Vodafone's interest in Verizon Wireless at designated times (put windows) at its then fair market value, not to exceed $10 billion in any one put window. Vodafone had the right to require the purchase of up to $10 billion during a 61-day period which opened on June 10 and closed on August 9 in 2006, and did not exercise that right. As of December 31, 2006, Vodafone only has the right to require the purchase of up to $10 billion worth of its interest, during a 61-day period opening on June 10 and closing on August 9 in 2007, under its one remaining put window. Vodafone also may require that Verizon Wireless pay for up to $7.5 billion of the required repurchase through the assumption or incurrence of debt. In the event Vodafone exercises its one remaining put right, we (instead of Verizon Wireless) have the right, exercisable at our sole discretion, to purchase up to $2.5 billion of Vodafone's interest for cash or Verizon stock at our option.

Cellular Partnerships and Other

In August 2002, Verizon Wireless and Price Communications Corp. (Price) combined Price's wireless business with a portion of Verizon Wireless. The resulting limited partnership, Verizon Wireless of the East LP (VZ East), is controlled and managed by Verizon Wireless. In exchange for its contributed assets, Price received a limited partnership interest in the new partnership which was exchangeable into the common stock of Verizon Wireless if an initial public offering of that stock occurred, or into the common stock of Verizon on the fourth anniversary of the asset contribution date. On August 15, 2006, Verizon delivered 29.5 million shares of newly-issued Verizon common stock to Price valued at $1,007 million in exchange for Price's limited partnership interest in VZ East.

Preferred Securities Issued By Subsidiaries

On January 15, 2006, Verizon redeemed $100 million Verizon International Holdings Ltd. Series A variable term voting cumulative preferred stock at the redemption price per share of $100,000, plus accrued and unpaid dividends.

Note 10

Leasing Arrangements

As Lessor

We are the lessor in leveraged and direct financing lease agreements under which commercial aircraft and power generating facilities, which comprise the majority of the portfolio, along with industrial equipment, real estate property, telecommunications and other equipment are leased for remaining terms up to 49 years as of December 31, 2006. Minimum lease payments receivable represent unpaid rentals, less principal and interest on third-party nonrecourse debt relating to leveraged lease transactions. Since we have no general liability for this debt, which holds a senior security interest in the leased equipment and rentals, the related principal and interest have been offset against the minimum lease payments receivable in accordance with GAAP. All recourse debt is reflected in our consolidated balance sheets. See Note 4 for information on lease impairment charges.

Finance lease receivables, which are included in Prepaid Expenses and Other and Other Assets in our consolidated balance sheets are comprised of the following:

At December 31,	2006 Leveraged Leases	2006 Direct Finance Leases	2006 Total	2005 Leveraged Leases	2005 Direct Finance Leases	(dollars in millions) 2005 Total
Minimum lease payments receivable	**$ 3,311**	**$ 128**	**$ 3,439**	$ 3,847	$ 123	$ 3,970
Estimated residual value	**1,637**	**18**	**1,655**	1,937	9	1,946
Unearned income	**(1,895)**	**(22)**	**(1,917)**	(2,260)	(11)	(2,271)
	$ 3,053	**$ 124**	**3,177**	$ 3,524	$ 121	3,645
Allowance for doubtful accounts			**(175)**			(375)
Finance lease receivables, net			**$ 3,002**			$ 3,270
Current			**$ 40**			$ 30
Noncurrent			**$ 2,962**			$ 3,240

Accumulated deferred taxes arising from leveraged leases, which are included in Deferred Income Taxes, amounted to $2,674 million at December 31, 2006 and $3,049 million at December 31, 2005.

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

Years Ended December 31,	2006	2005	(dollars in millions) 2004
Pretax lease income	**$ 96**	$ 119	$ 63
Income tax expense/(benefit)	**57**	(25)	(52)
Investment tax credits	**4**	4	3

The future minimum lease payments to be received from noncancelable leases, net of nonrecourse loan payments related to leveraged and direct financing leases in excess of debt service requirements, for the periods shown at December 31, 2006, are as follows:

Years	Capital Leases	(dollars in millions) Operating Leases
2007	$ 128	$ 32
2008	92	18
2009	153	14
2010	132	11
2011	114	8
Thereafter	2,820	24
Total	$ 3,439	$ 107

As Lessee

We lease certain facilities and equipment for use in our operations under both capital and operating leases. Total rent expense from continuing operations under operating leases amounted to $1,608 million in 2006, $1,458 million in 2005 and $1,278 million in 2004.

Capital lease amounts included in plant, property and equipment are as follows:

At December 31,	2006	(dollars in millions) 2005
Capital leases	**$ 359**	$ 313
Accumulated amortization	**(160)**	(137)
Total	**$ 199**	$ 176

The aggregate minimum rental commitments under noncancelable leases for the periods shown at December 31, 2006, are as follows:

(dollars in millions)

Years	Capital Leases	Operating Leases
2007	$ 80	$ 1,739
2008	69	1,194
2009	64	998
2010	55	724
2011	51	459
Thereafter	161	1,729
Total minimum rental commitments	480	$ 6,843
Less interest and executory costs	(120)	
Present value of minimum lease payments	360	
Less current installments	(55)	
Long-term obligation at December 31, 2006	$ 305	

As of December 31, 2006, the total minimum sublease rentals to be received in the future under noncancelable operating and capital subleases were $124 million and $0.9 million, respectively.

Note 11

Debt

Debt Maturing Within One Year

Debt maturing within one year is as follows:

(dollars in millions)

At December 31,	2006	2005
Long-term debt maturing within one year	**$ 4,139**	$ 4,526
Commercial paper	**3,576**	2,152
Other short-term debt	**–**	10
Total debt maturing within one year	**$ 7,715**	$ 6,688

The weighted average interest rate for our commercial paper at year-end December 31, 2006 and December 31, 2005 was 5.3% and 4.3%, respectively.

Capital expenditures (primarily acquisition and construction of network assets) are partially financed, pending long-term financing, through bank loans and the issuance of commercial paper payable within 12 months.

At December 31, 2006, we had approximately $6.2 billion of unused bank lines of credit. Certain of these lines of credit contain requirements for the payment of commitment fees.

Long - Term Debt

Outstanding long-term debt obligations are as follows:

(dollars in millions)

At December 31,	Interest Rates %	Maturities	2006	2005
Notes payable	4.00 – 8.25	2007 – 2035	**$ 14,805**	$ 15,610
Telephone subsidiaries – debentures and first/refunding mortgage bonds	4.63 – 7.00	2007 – 2042	**11,703**	11,869
	7.15 – 7.65	2007 – 2032	**1,275**	1,725
	7.85 – 8.75	2010 – 2031	**1,679**	1,926
Other subsidiaries – debentures and other	4.25 – 10.75	2007 – 2028	**2,977**	3,410
Zero-coupon convertible notes, net of unamortized discount of $– and $790	–	–	**–**	1,360
Employee stock ownership plan loans:				
NYNEX debentures	9.55	2010	**92**	113
Capital lease obligations (average rate 8.0% and 11.9%)	–	–	**360**	112
Property sale holdbacks held in escrow, vendor financing and other			**–**	13
Unamortized discount, net of premium			**(106)**	(43)

Total long-term debt, including current maturities	**32,785**	36,095
Less: debt maturing within one year	**(4,139)**	(4,526)
Total long-term debt	**$ 28,646**	$ 31,569

Telephone Subsidiaries' Debt

Our first mortgage bonds of $100 million are secured by certain telephone operations assets.

See Note 20 for additional information about guarantees of operating subsidiary debt.

Redemption of Debt Assumed in Merger

On January 17, 2006, Verizon announced offers to purchase two series of MCI senior notes, MCI $1,983 million aggregate principal amount of 6.688% Senior Notes Due 2009 and MCI $1,699 million aggregate principal amount of 7.735% Senior Notes Due 2014, at 101% of their par value. Due to the change in control of MCI that occurred in connection with the merger with Verizon on January 6, 2006, Verizon was required to make this offer to noteholders within 30 days of the closing of the merger. Noteholders tendered $165 million of the 6.688% Senior Notes. Separately, Verizon notified noteholders that MCI was exercising its right to redeem both series of Senior Notes prior to maturity under the optional redemption procedures provided in the indentures. The 6.688% Notes were redeemed on March 1, 2006, and the 7.735% Notes were redeemed on February 16, 2006.

In addition, on January 20, 2006, Verizon announced an offer to repurchase MCI $1,983 million aggregate principal amount of 5.908% Senior Notes Due 2007 at 101% of their par value. On February 21, 2006, $1,804 million of these notes were redeemed by Verizon. Verizon satisfied and discharged the indenture governing this series of notes shortly after the close of the offer for those noteholders who did not accept this offer.

Other Debt Redemptions/Prepayments

During the second quarter of 2006, we redeemed/prepaid several debt issuances, including: Verizon North Inc. $200 million 7.625% Series C debentures due May 15, 2026; Verizon Northwest Inc. $175 million 7.875% Series B debentures due June 1, 2026; Verizon South Inc. $250 million 7.5% Series D debentures due March 15, 2026; Verizon California Inc. $25 million 9.41% Series W first mortgage bonds due 2014; Verizon California Inc. $30 million 9.44% Series X first mortgage bonds due 2015; Verizon Northwest Inc. $3 million 9.67% Series HH first mortgage bonds due 2010 and Contel of the South Inc. $14 million 8.159% Series GG first mortgage bonds due 2018. The gain/(loss) from these retirements was immaterial.

During the third quarter of 2005, we redeemed Verizon New England Inc. $250 million 6.875% debentures due October 1, 2023 resulting in a pretax charge of $10 million ($6 million after-tax) in connection with the early extinguishment of the debt.

Zero-Coupon Convertible Notes

Previously in May 2001, Verizon Global Funding issued approximately $5.4 billion in principal amount at maturity of zero-coupon convertible notes due 2021, resulting in gross proceeds of approximately $3 billion. The notes were convertible into shares of our common stock at an initial price of $69.50 per share if the closing price of Verizon common stock on the New York Stock Exchange exceeded specified levels or in other specified circumstances. The conversion price increased by at least 3% a year. The initial conversion price represented a 25% premium over the May 8, 2001 closing price of $55.60 per share. The notes were redeemable at the option of the holders on May 15th in each of the years 2004, 2006, 2011 and 2016. On May 15, 2004, $3,292 million of principal amount of the notes ($1,984 million after unamortized discount) were redeemed by Verizon Global Funding. In addition, the zero-coupon convertible notes were callable by Verizon on or after May 15, 2006. On May 16, 2006, we redeemed the remaining $1,375 million accreted principal of the remaining outstanding zero-coupon convertible principal. The total payment on the date of redemption was $1,377 million.

Support Agreements

All of Verizon Global Funding's debt had the benefit of Support Agreements between us and Verizon Global Funding, which gave holders of Verizon Global Funding debt the right to proceed directly against us for payment of interest, premium (if any) and principal outstanding should

Verizon Global Funding fail to pay. The holders of Verizon Global Funding debt did not have recourse to the stock or assets of most of our telephone operations; however, they did have recourse to dividends paid to us by any of our consolidated subsidiaries as well as assets not covered by the exclusion. On February 1, 2006, Verizon announced the merger of Verizon Global Funding into Verizon. As a result of the merger all of Verizon Global Funding's debt has been assumed by Verizon by operation of law.

In addition, Verizon Global Funding had guaranteed the debt obligations of GTE Corporation (but not the debt of its subsidiary or affiliate companies) that were issued and outstanding prior to July 1, 2003. In connection with the merger of Verizon Global Funding into Verizon, Verizon has assumed this guarantee. As of December 31, 2006, $2,950 million principal amount of these obligations remained outstanding.

Verizon and NYNEX Corporation are the joint and several co-obligors of the 20-Year 9.55% Debentures due 2010 previously issued by NYNEX on March 26, 1990. As of December 31, 2006, $92 million principal amount of this obligation remained outstanding. NYNEX and GTE no longer issue public debt or file SEC reports. See Note 20 for information on guarantees of operating subsidiary debt listed on the New York Stock Exchange.

Debt Covenants

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

Maturities of Long-Term Debt

Maturities of long-term debt outstanding at December 31, 2006 are $4.1 billion in 2007, $2.5 billion in 2008, $1.4 billion in 2009, $2.8 billion in 2010, $2.6 billion in 2011 and $19.4 billion thereafter.

Note 12

Financial Instruments

Derivatives

The ongoing effect of SFAS No. 133 and related amendments and interpretations on our consolidated financial statements will be determined each period by several factors, including the specific hedging instruments in place and their relationships to hedged items, as well as market conditions at the end of each period.

Interest Rate Risk Management

We have entered into domestic interest rate swaps, to achieve a targeted mix of fixed and variable rate debt, where we principally receive fixed rates and pay variable rates based on LIBOR. These swaps hedge against changes in the fair value of our debt portfolio. We record the interest rate swaps at fair value in our balance sheet as assets and liabilities and adjust debt for the change in its fair value due to changes in interest rates. The ineffective portions of these hedges were recorded as gains in the consolidated statements of income of $4 million for the year ended December 31, 2004.

We also enter into interest rate derivatives to limit our exposure to interest rate changes. In accordance with the provisions of SFAS No. 133, changes in fair value of these cash flow hedges due to interest rate fluctuations are recognized in Accumulated Other Comprehensive Loss. We recorded Other Comprehensive Income (Loss) of $14 million and $10 million related to these interest rate cash flow hedges for the years ended December 31, 2006 and 2005, respectively.

Foreign Exchange Risk Management

From time to time, our foreign exchange risk management has included the use of foreign currency forward contracts and cross currency interest rate swaps with foreign currency forwards. These contracts are typically used to hedge short-term foreign currency transactions and commitments, or to offset foreign exchange gains or losses on the foreign currency obligations and are designated as cash flow hedges. There were no foreign currency contracts outstanding as of December 31, 2006 and 2005. We record these contracts at fair value as assets or liabilities and the related gains or losses are deferred in shareowners' investment as a component of Accumulated Other Comprehensive Loss. We have recorded net unrealized gains of $17 million in Other Comprehensive Income (Loss) for the year ended December 31, 2004.

Net Investment Hedges

During 2005, we entered into zero cost euro collars to hedge a portion of our net investment in Vodafone Omnitel. In accordance with the provisions of SFAS No. 133 and related amendments and interpretations, changes in fair value of these contracts due to exchange rate fluctuations were recognized in Accumulated Other Comprehensive Loss and offset the impact of foreign currency changes on the value of our net investment. During 2005, our positions in the zero cost euro collars were settled. As of December 31, 2006 and 2005, Accumulated Other Comprehensive Loss includes unrecognized gains of $2 million related to these hedge contracts, which along with the unrealized foreign currency translation balance of the investment hedged, remains unless the investment is sold.

During 2004, we entered into foreign currency forward contracts to hedge our net investment in our Canadian operations. In accordance with the provisions of SFAS No. 133, changes in the fair value of these contracts due to exchange rate fluctuations were recognized in Accumulated Other Comprehensive Loss and offset the impact of foreign currency changes on the value of our net investment. During 2004, we sold our Canadian operations and the unrealized losses on these net investment hedge contracts were recognized in net income along with the corresponding foreign currency translation balance. We recorded realized losses of $106 million ($58 million after-tax) related to these hedge contracts.

Other Derivatives

On May 17, 2005, we purchased 43.4 million shares of MCI common stock under a stock purchase agreement that contained a provision for the payment of an additional cash amount determined immediately prior to April 9, 2006 based on the market price of Verizon's common stock. (See Note 2). Under SFAS No. 133, this additional cash payment was an embedded derivative which we carried at fair value and was subject to changes in the market price of Verizon stock. Since this derivative did not qualify for hedge accounting under SFAS No. 133, changes in its fair value were recorded in the consolidated statements of income in Other Income and (Expense), Net. During 2006 and 2005, we recorded pretax income of $4 million and $57 million, respectively, in connection with this embedded derivative. As of December 31, 2006, this embedded derivative has expired with no requirement for an additional cash payment made under the stock purchase agreement.

Concentrations of Credit Risk

Financial instruments that subject us to concentrations of credit risk consist primarily of temporary cash investments, short-term and long-term investments, trade receivables, certain notes receivable including lease receivables and derivative contracts. Our policy is to deposit our temporary cash investments with major financial institutions. Counterparties to our derivative contracts are also major financial institutions and organized exchanges. The financial institutions have all been accorded high ratings by primary rating agencies. We limit the dollar amount of contracts entered into with any one financial institution and monitor our counterparties' credit ratings. We generally do not give or receive collateral on swap agreements due to our credit rating and those of our counterparties. While we may be exposed to credit losses due to the nonperformance of our counterparties, we consider the risk remote and do not expect the settlement of these transactions to have a material effect on our results of operations or financial condition.

Fair Values of Financial Instruments

The tables that follow provide additional information about our significant financial instruments:

Financial Instrument	Valuation Method
Cash and cash equivalents and short-term investments	Carrying amounts
Short- and long-term debt (excluding capital leases)	Market quotes for similar terms and maturities or future cash flows discounted at current rates
Cost investments in unconsolidated businesses, derivative assets and liabilities and notes receivable	Future cash flows discounted at current rates, market quotes for similar instruments or other valuation models

(dollars in millions)

At December 31,	2006		2005	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Short- and long-term debt	**$ 36,000**	**$ 37,165**	$ 38,145	$ 39,549
Cost investments in unconsolidated businesses	**270**	**270**	1,089	1,089
Short- and long-term derivative assets	**31**	**31**	62	62
Short- and long-term derivative liabilities	**10**	**10**	21	21

Note 13

Earnings Per Share and Shareowners' Investment

Earnings Per Share

The following table is a reconciliation of the numerators and denominators used in computing earnings per common share:

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

Years Ended December 31,	2006	2005	2004
Net Income Used For Basic Earnings Per Common Share			
Income before discontinued operations and cumulative effect of accounting change	**$ 5,480**	$ 6,027	$ 5,899
Income on discontinued operations, net of tax	**759**	1,370	1,932
Cumulative effect of accounting change, net of tax	**(42)**	–	–
Net income	**$ 6,197**	$ 7,397	$ 7,831
Net Income Used For Diluted Earnings Per Common Share			
Income before discontinued operations and cumulative effect of accounting change	**$ 5,480**	$ 6,027	$ 5,899
After-tax minority interest expense related to exchangeable equity interest	**20**	32	27
After-tax interest expense related to zero-coupon convertible notes	**11**	28	41
Income before discontinued operations and cumulative effect of accounting change – after assumed conversion of dilutive securities	**5,511**	6,087	5,967
Income on discontinued operations, net of tax	**759**	1,370	1,932
Cumulative effect of accounting change, net of tax	**(42)**	–	–
Net income – after assumed conversion of dilutive securities	**$ 6,228**	$ 7,457	$ 7,899
Basic Earnings Per Common Share (1)			
Weighted-average shares outstanding – basic	**2,912**	2,766	2,770
Income before discontinued operations and cumulative effect of accounting change	**$ 1.88**	$ 2.18	$ 2.13
Income on discontinued operations, net of tax	**.26**	.50	.70
Cumulative effect of accounting change, net of tax	**(.01)**	–	–
Net income	**$ 2.13**	$ 2.67	$ 2.83
Diluted Earnings Per Common Share (1)			
Weighted-average shares outstanding	**2,912**	2,766	2,770
Effect of dilutive securities:			
Stock options	**1**	5	5
Exchangeable equity interest	**18**	29	29
Zero-coupon convertible notes	**7**	17	27
Weighted-average shares – diluted	**2,938**	2,817	2,831
Income before discontinued operations and cumulative effect of accounting change	**$ 1.88**	$ 2.16	$ 2.11
Income on discontinued operations, net of tax	**.26**	.49	.68
Cumulative effect of accounting change, net of tax	**(.01)**	–	–
Net income	**$ 2.12**	$ 2.65	$ 2.79

(1) Total per share amounts may not add due to rounding.

Certain outstanding options to purchase shares were not included in the computation of diluted earnings per common share because to do so would have been anti-dilutive for the period, including approximately 228 million shares during 2006, 250 million shares during 2005 and 262 million shares during 2004.

The zero-coupon convertible notes were retired on May 15, 2006. (see Note 11).

The exchangeable equity interest was converted on August 15, 2006 by issuing 29.5 million Verizon shares (see Note 9).

Shareowners' Investment

Our certificate of incorporation provides authority for the issuance of up to 250 million shares of Series Preferred Stock, $.10 par value, in one or more series, with such designations, preferences, rights, qualifications, limitations and restrictions as the Board of Directors may determine.

We are authorized to issue up to 4.25 billion shares of common stock.

On January 22, 2004, the Board of Directors authorized the repurchase of up to 80 million common shares terminating no later than the close of business on February 28, 2006. We repurchased 7.9 million and 9.5 million common shares during 2005 and 2004, respectively.

On January 19, 2006, the Board of Directors determined that no additional common shares may be purchased under the previously authorized program and gave authorization to repurchase of up to 100 million common shares terminating no later than the close of business on February 28, 2008. We repurchased approximately 50 million common shares under this authorization during 2006.

Note 14
Stock-Based Compensation

Effective January 1, 2006, we adopted SFAS No. 123(R) utilizing the modified prospective method. SFAS No. 123(R) requires the measurement of stock-based compensation expense based on the fair value of the award on the date of grant. Under the modified prospective method, the provisions of SFAS No. 123(R) apply to all awards granted or modified after the date of adoption. The impact to Verizon primarily resulted from Verizon Wireless, for which we recorded a $42 million cumulative effect of accounting change, net of taxes and after minority interest, to recognize the effect of initially measuring the outstanding liability for awards granted to Domestic Wireless employees at fair value utilizing a Black-Scholes model.

Previously, effective January 1, 2003, we adopted the fair value recognition provisions of SFAS No. 123 using the prospective method (as permitted under SFAS No. 148, *Accounting for Stock-Based Compensation – Transition and Disclosure*) for all new awards granted, modified or settled after January 1, 2003.

Verizon Communications Long Term Incentive Plan

The Verizon Communications Long Term Incentive Plan (the "Plan"), permits the grant of nonqualified stock options, incentive stock options, restricted stock, restricted stock units, performance shares, performance share units and other awards. The maximum number of shares for awards is 200 million.

Restricted Stock Units

The Plan provides for grants of restricted stock units (RSUs) that vest at the end of the third year after the grant. The RSUs are classified as liability awards because the RSUs are paid in cash upon vesting. The RSU award liability is measured at its fair value at the end of each reporting period and, therefore, will fluctuate based on the performance of Verizon's stock.

The following table summarizes Verizon's Restricted Stock Unit activity.

(Shares in thousands)	Restricted Stock Units	Weighted Average Grant-Date Fair Value
Outstanding, January 1, 2004	–	$ –
Granted	532	36.75
Cancelled/Forfeited	(7)	36.75
Outstanding, December 31, 2004	525	36.75
Granted	6,410	36.06
Cancelled/Forfeited	(66)	36.07
Outstanding, December 31, 2005	6,869	36.12
Granted	**9,116**	**31.88**
Cancelled/Forfeited	**(392)**	**35.01**
Outstanding, December 31, 2006	**15,593**	**33.67**

Performance Share Units

The Plan also provides for grants of performance share units (PSUs) that vest at the end of the third year after the grant. The 2006, 2005 and 2004 performance share units will be paid in cash upon vesting. The 2003 PSUs were paid out in February 2006 in Verizon shares.

The target award is determined at the beginning of the period and can increase (to a maximum 200% of the target) or decrease (to zero) based on a key performance measure, Total Shareholder Return (TSR). At the end of the period, the PSU payment is determined by comparing Verizon's TSR to the TSR of a predetermined peer group and the S&P 500 companies. All payments are subject to approval by the Board's Human Resources Committee. The PSUs are classified as liability awards because the PSU awards are paid in cash upon vesting. The PSU award liability is measured at its fair value at the end of each reporting period and, therefore, will fluctuate based on the performance of Verizon's stock as well as Verizon's TSR relative to the peer group's TSR and S&P 500 TSR.

The following table summarizes Verizon's Performance Share Unit activity.

(Shares in thousands)	Performance Share Units	Weighted Average Grant-Date Fair Value
Outstanding, January 1, 2004	4,219	$ 38.54
Granted	6,477	36.81
Cancelled/Forfeited	(617)	37.40
Outstanding, December 31, 2004	10,079	37.50
Granted	9,300	36.13
Cancelled/Forfeited	(288)	36.91
Outstanding, December 31, 2005	19,091	36.84
Granted	**14,166**	**32.05**
Payments	**(3,607)**	**38.54**
Cancelled/Forfeited	**(1,227)**	**37.25**
Outstanding, December 31, 2006	**28,423**	**34.22**

As of December 31, 2006, unrecognized compensation expense related to the unvested portion of Verizon's RSUs and PSUs was approximately $392 million and is expected to be recognized over the next two years.

MCI Restricted Stock Plan

MCI's Management Restricted Stock Plan (MRSP) provides for the granting of stock-based compensation to management. Following the acquisition by Verizon on January 6, 2006, awards outstanding under the MRSP were converted into Verizon common stock in accordance with the Merger Agreement. MCI has not issued new MRSPs since February 2005.

The following table summarizes MRSP's restricted stock activity.

(Shares in thousands)	Restricted Stock	Weighted Average Grant-Date Fair Value
Outstanding, January 1, 2006	–	$ –
Acquisition by Verizon	**3,456**	30.75
Payments	**(2,756)**	30.75
Cancellations/Forfeitures	**(53)**	30.75
Outstanding, December 31, 2006	**647**	**30.75**

As of December 31, 2006, unrecognized compensation expense related to the unvested portion of the MRSP restricted stock was approximately $9 million and is expected to be recognized over the next year.

Verizon Wireless Long-Term Incentive Plan

The 2000 Verizon Wireless Long-Term Incentive Plan (the "Wireless Plan") provides compensation opportunities to eligible employees and other participating affiliates of the Cellco Partnership, d.b.a. Verizon Wireless (the "Partnership"). The Wireless Plan provides rewards that are tied to the long-term performance of the Partnership. Under the Wireless Plan, VARs are granted to eligible employees. The aggregate number of VARs that may be issued under the Wireless Plan is approximately 343 million.

VARs reflect the change in the value of the Partnership, as defined in the Wireless Plan, similar to stock options. Once VARs become vested, employees can exercise their VARs and receive a payment that is equal to the difference between the VAR price on the date of grant and the VAR price on the date of exercise, less applicable taxes. VARs are fully exercisable three years from the date of grant with a maximum term of

10 years. All VARs are granted at a price equal to the estimated fair value of the Partnership, as defined in the Wireless Plan, at the date of the grant.

With the adoption of SFAS No. 123(R), the Partnership began estimating the fair value of VARs granted using a Black-Scholes option valuation model. The following table summarizes the assumptions used in the model during 2006:

	Ranges
Risk-free interest rate	4.6% - 5.2%
Expected term (in years)	1.0 - 3.5
Expected volatility	17.6% - 22.3%
Expected dividend yield	n/a

The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of the measurement date. The expected term of the VARs granted was estimated using a combination of the simplified method as prescribed in Staff Accounting Bulletin (SAB) No. 107, "Share Based Payments," (SAB No. 107) historical experience, and management judgment. Expected volatility was based on a blend of the historical and implied volatility of publicly traded peer companies for a period equal to the VARs expected life, ending on the measurement date, and calculated on a monthly basis.

The following table summarizes the VARs activity.

(Shares in thousands)	VARs	Weighted Average Grant-Date Fair Value
Outstanding rights, January 1, 2004	119,809	$ 16.31
Granted	48,999	13.89
Exercised	(2,144)	16.39
Cancelled/Forfeited	(6,003)	14.65
Outstanding rights, December 31, 2004	160,661	15.63
Granted	10	14.85
Exercised	(47,964)	12.27
Cancelled/Forfeited	(3,784)	15.17
Outstanding rights, December 31, 2005	108,923	17.12
Exercised	**(7,448)**	**13.00**
Cancelled/Forfeited	**(7,008)**	**23.25**
Outstanding rights, December 31, 2006	**94,467**	**16.99**

As of December 31, 2006, unrecognized compensation expense related to the unvested portion of the VARs was approximately $50 million and is expected to be recognized within one year.

Stock-Based Compensation Expense

After-tax compensation expense for stock based compensation related to RSUs, PSUs, MRSPs and VARs described above included in net income as reported was $535 million, $359 million and $248 million for 2006, 2005 and 2004, respectively.

Stock Options

The Verizon Long Term Incentive Plan provides for grants of stock options to employees at an option price per share of 100% of the fair market value of Verizon Stock on the date of grant. Each grant has a 10 year life, vesting equally over a three year period, starting at the date of the grant. We have not granted new stock options since 2004.

We determined stock-option related employee compensation expense for the 2004 grant using the Black-Scholes option-pricing model based on the following weighted-average assumptions:

	2004
Dividend yield	4.2%
Expected volatility	31.3%
Risk-free interest rate	3.3%
Expected lives (in years)	6
Weighted average value of options granted	$ 7.61

The following table summarizes Verizon's stock option activity.

(Shares in thousands)	Stock Options	Weighted Average Exercise Price
Outstanding, January 1, 2004	280,581	$ 46.24
Granted	17,413	35.51
Exercised	(10,519)	28.89
Cancelled/forfeited	(6,586)	48.01
Outstanding, December 31, 2004	280,889	46.18
Exercised	(1,133)	28.73
Cancelled/forfeited	(19,996)	49.62
Outstanding, December 31, 2005	259,760	46.01
Exercised	**(3,371)**	**32.12**
Cancelled/forfeited	**(27,025)**	**43.72**
Options outstanding, December 31, 2006	**229,364**	**46.48**
Options exercisable, December 31,		
2004	247,461	47.26
2005	244,424	46.64
2006	**225,067**	**46.69**

The following table summarizes information about Verizon's stock options outstanding as of December 31, 2006:

	Stock Options Outstanding			Stock Options Exercisable	
Range of Exercise Prices	Shares (in thousands)	Weighted-Average Remaining Life	Weighted-Average Exercise Price	Shares (in thousands)	Weighted-Average Exercise Price
$ 20.00 – 29.99	73	3.4 years	$ 28.50	73	$ 28.50
30.00 – 39.99	44,874	5.5	36.36	40,577	36.45
40.00 – 49.99	96,154	3.7	43.92	96,154	43.92
50.00 – 59.99	87,687	3.1	54.40	87,687	54.40
60.00 – 69.99	576	2.8	60.93	576	60.93
Total	229,364		46.48	225,067	46.69

The weighted average remaining contractual term was 3.8 years for stock options outstanding and exercisable as of December 31, 2006. The total intrinsic value was approximately $44 million and $37 million for stock options outstanding and exercisable, respectively, as of December 31, 2006. The total intrinsic value for stock options exercised was $10 million, $6 million and $97 million, during 2006, 2005 and 2004, respectively.

The amount of cash received from the exercise of stock options was approximately $101 million, $34 million and $306 million for 2006, 2005 and 2004, respectively.

The after-tax compensation expense for stock options was $28 million, $53 million and $50 million for 2006, 2005 and 2004, respectively. As of December 31, 2006, unrecognized compensation expense related to the unvested portion of stock options was approximately $3 million.

Note 15
Employee Benefits

We maintain noncontributory defined benefit pension plans for many of our employees. The postretirement health care and life insurance plans for our retirees and their dependents are both contributory and noncontributory and include a limit on the company's share of cost for certain recent and future retirees. We also sponsor defined contribution savings plans to provide opportunities for eligible employees to save for retirement on a tax-deferred basis. We use a measurement date of December 31 for our pension and postretirement health care and life insurance plans.

In September 2006, the FASB issued SFAS No. 158. SFAS No. 158 requires the recognition of a defined benefit postretirement plan's funded status as either an asset or liability on the balance sheet. SFAS No. 158 also requires the immediate recognition of the unrecognized actuarial gains and losses and prior service costs and credits that arise during the period as a component of other accumulated comprehensive income, net of applicable income taxes. Additionally, the fair value of plan assets must be determined as of the company's year-end. We adopted SFAS No. 158 effective December 31, 2006 which resulted in a net decrease to shareowners' investment of $6,883 million. This included a net increase in pension obligations of $2,403 million, an increase in Other Postretirement Benefits Obligations of $10,828 million and an increase in Other Employee Benefit Obligations of $31 million, partially offset by a net decrease of $1,205 million to reverse the Additional Minimum Pension Liability and an increase in deferred taxes of $5,174 million. If we had recorded an Additional Minimum Pension Liability at December 31, 2006, it would have been $396 million, ($262 million after-tax).

Pension and Other Postretirement Benefits

Pension and other postretirement benefits for many of our employees are subject to collective bargaining agreements. Modifications in benefits have been bargained from time to time, and we may also periodically amend the benefits in the management plans.

As of June 30, 2006, Verizon management employees no longer earned pension benefits or earned service towards the company retiree medical subsidy. In addition, new management employees hired after December 31, 2005 are not eligible for pension benefits and managers with less than 13.5 years of service as of June 30, 2006 are not eligible for company-subsidized retiree healthcare or retiree life insurance benefits. Beginning July 1, 2006, management employees receive an increased company match on their savings plan contributions.

The following tables summarize benefit costs, as well as the benefit obligations, plan assets, funded status and rate assumptions associated with pension and postretirement health care and life insurance benefit plans.

Obligations and Funded Status

(dollars in millions)

	Pension		Health Care and Life	
At December 31,	**2006**	2005	**2006**	2005
Change in Benefit Obligation				
Beginning of year	**$ 35,540**	$ 35,479	**$ 26,783**	$ 26,181
Service cost	**581**	675	**356**	358
Interest cost	**1,995**	1,959	**1,499**	1,467
Plan amendments	**–**	149	**50**	69
Actuarial (gain) loss, net	**(282)**	327	**152**	403
Benefits paid	**(2,762)**	(2,831)	**(1,564)**	(1,662)
Termination benefits	**47**	11	**14**	1
Acquisitions and divestitures, net	**477**	(194)	**40**	(34)
Settlements	**(1,437)**	(35)	**–**	–
End of year	**$ 34,159**	$ 35,540	**$ 27,330**	$ 26,783
Change in Plan Assets				
Beginning of year	**39,227**	37,461	**4,275**	4,549
Actual return on plan assets	**5,536**	4,136	**493**	348
Company contributions	**568**	698	**1,099**	1,040
Benefits paid	**(2,762)**	(2,831)	**(1,564)**	(1,662)
Settlements	**(1,437)**	(35)	**–**	–
Acquisitions and divestitures, net	**377**	(202)	**–**	–
End of year	**$ 41,509**	$ 39,227	**$ 4,303**	$ 4,275
Funded Status				
End of year	**7,350**	3,687	**(23,027)**	(22,508)
Unrecognized				
Actuarial loss, net	–	4,685	–	7,056
Prior service cost	–	1,018	–	4,339
Net amount recognized	**$ 7,350**	$ 9,390	**$ (23,027)**	$ (11,113)
Amounts recognized on the balance sheet				
Prepaid pension cost (in Other Assets)	**$ 12,058**	$ 12,704	**$ –**	$ –
Other assets	**–**	458	**–**	–
Employee benefit obligation	**(4,708)**	(4,977)	**(23,027)**	(11,113)
Accumulated other comprehensive loss	**–**	1,205	**–**	–
Net amount recognized	**$ 7,350**	$ 9,390	**$ (23,027)**	$ (11,113)

Amounts recognized in Accumulated Other Comprehensive Income

Actuarial loss, net	**$ 1,428**	**$ 6,799**
Prior service cost	**975**	**4,029**
Total	**$ 2,403**	**$ 10,828**
Estimated amounts to be amortized from Accumulated Other Comprehensive Income during 2007 fiscal year		
Actuarial (gain) loss, net	**$ 98**	**$ 316**
Prior service cost	**43**	**393**
Total	**$ 141**	**$ 709**

Changes in benefit obligations were caused by factors including changes in actuarial assumptions, curtailments and settlements.

In 2005, as a result of changes in management retiree benefits, we recorded pretax expense of $430 million for pension curtailments and pretax income of $332 million for retiree medical curtailments (see Note 4 for additional information).

The accumulated benefit obligation for all defined benefit pension plans was $32,724 million and $34,232 million at December 31, 2006 and 2005, respectively.

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

(dollars in millions)

At December 31,	2006	2005
Projected benefit obligation	**$ 11,495**	$ 11,567
Accumulated benefit obligation	**11,072**	11,165
Fair value of plan assets	**8,288**	7,500

Net Periodic Cost

The following table displays the details of net periodic pension and other postretirement costs:

(dollars in millions)

	Pension			Health Care and Life		
Years Ended December 31,	2006	2005	2004	2006	2005	2004
Service cost	**$ 581**	$ 675	$ 666	**$ 356**	$ 358	$ 269
Interest cost	**1,995**	1,959	2,144	**1,499**	1,467	1,422
Expected return on plan assets	**(3,173)**	(3,231)	(3,565)	**(328)**	(349)	(409)
Amortization of transition asset	**–**	–	(4)	**–**	–	–
Amortization of prior service cost	**44**	42	57	**360**	290	236
Actuarial loss, net	**182**	124	45	**290**	258	169
Net periodic benefit (income) cost	**(371)**	(431)	(657)	**2,177**	2,024	1,687
Termination benefits	**47**	11	1	**14**	1	–
Settlement loss	**56**	80	805	**–**	–	–
Curtailment (gain) loss and other, net	**–**	436	–	**–**	(332)	–
Subtotal	**103**	527	806	**14**	(331)	–
Total cost	**$ (268)**	$ 96	$ 149	**$ 2,191**	$ 1,693	$ 1,687

Termination benefits and settlement and curtailment losses of $94 million pertaining to the sale of Hawaii operations in 2005 were recorded in the consolidated statements of income in Sales of Businesses, Net.

Additional Information

As a result of the adoption of SFAS No. 158, we no longer record an additional minimum pension liability. In prior years, as a result of changes in interest rates and changes in investment returns, an adjustment to the additional minimum pension liability was required for a number of plans, as indicated below. The adjustment in the liability was recorded as a charge or (credit) to Accumulated Other Comprehensive Loss, net of tax, in shareowners' investment in the consolidated balance sheets.

(dollars in millions)

Years Ended December 31,	2006	2005	2004
Increase (decrease) in minimum liability included in other comprehensive income, net of tax	**$ (788)**	$ (51)	$ 332

Assumptions

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

	Pension		Health Care and Life	
At December 31,	2006	2005	2006	2005
Discount rate	**6.00%**	5.75%	**6.00%**	5.75%
Rate of future increases in compensation	**4.00**	4.00	**4.00**	4.00

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

	Pension			Health Care and Life		
Years Ended December 31,	2006	2005	2004	2006	2005	2004
Discount rate	**5.75%**	5.75%	6.25%	**5.75%**	5.75%	6.25%
Expected return on plan assets	**8.50**	8.50	8.50	**8.25**	7.75	8.50
Rate of compensation increase	**4.00**	5.00	5.00	**4.00**	4.00	4.00

In order to project the long-term target investment return for the total portfolio, estimates are prepared for the total return of each major asset class over the subsequent 10-year period, or longer. Those estimates are based on a combination of factors including the following: current market interest rates and valuation levels, consensus earnings expectations, historical long-term risk premiums and value-added. To determine the aggregate return for the pension trust, the projected return of each individual asset class is then weighted according to the allocation to that investment area in the trust's long-term asset allocation policy.

The assumed Health Care Cost Trend Rates follow:

	Health Care and Life		
At December 31,	2006	2005	2004
Health care cost trend rate assumed for next year	**10.00%**	10.00%	10.00%
Rate to which cost trend rate gradually declines	**5.00**	5.00	5.00
Year the rate reaches level it is assumed to remain thereafter	**2011**	2010	2009

A one-percentage-point change in the assumed health care cost trend rate would have the following effects:

(dollars in millions)

One-Percentage-Point	Increase	Decrease
Effect on 2006 service and interest cost	$ 282	$ (223)
Effect on postretirement benefit obligation as of December 31, 2006	3,339	(2,731)

Plan Assets

Pension Plans

The weighted-average asset allocations for the pension plans by asset category follow:

At December 31,	2006	2005
Asset Category		
Equity securities	**62.5%**	63.4%
Debt securities	**16.3**	17.5
Real estate	**4.5**	3.2
Other	**16.7**	15.9
Total	**100.0%**	100.0%

Equity securities include Verizon common stock of $95 million and $72 million at December 31, 2006 and 2005, respectively. Other assets include cash and cash equivalents (primarily held for the payment of benefits), private equity and investments in absolute return strategies.

Health Care and Life Plans

The weighted-average asset allocations for the other postretirement benefit plans by asset category follow:

At December 31,	2006	2005
Asset Category		
Equity securities	**72.1%**	71.9%
Debt securities	**20.4**	22.1
Real estate	**0.1**	0.1
Other	**7.4**	5.9
Total	**100.0%**	100.0%

Equity securities include Verizon common stock of $4 million at December 31, 2005. There was no Verizon common stock held at the end of 2006.

The portfolio strategy emphasizes a long-term equity orientation, significant global diversification, the use of both public and private investments and professional financial and operational risk controls. Assets are allocated according to a long-term policy neutral position and held within a relatively narrow and pre-determined range. Both active and passive management approaches are used depending on perceived market efficiencies and various other factors.

Cash Flows

In 2006, we contributed $451 million to our qualified pension trusts, $117 million to our nonqualified pension plans and $1,099 million to our other postretirement benefit plans. We estimate required qualified pension trust contributions for 2007 to be approximately $510 million. We also anticipate $120 million in contributions to our non-qualified pension plans and $1,210 million to our other postretirement benefit plans in 2007.

Estimated Future Benefit Payments

The benefit payments to retirees, which reflect expected future service, are expected to be paid as follows:

(dollars in millions)

		Health Care and Life	
	Pension Benefits	Prior to Medicare Prescription Drug Subsidy	Expected Medicare Prescription Drug Subsidy
2007	$ 2,491	$ 1,717	$ 91
2008	2,552	1,806	97
2009	2,749	1,869	102
2010	3,042	1,936	108
2011	3,503	1,991	112
2012 – 2016	16,472	9,983	589

Savings Plan and Employee Stock Ownership Plans

We maintain four leveraged employee stock ownership plans (ESOP), only one plan currently has unallocated shares. Under this plan, we match a certain percentage of eligible employee contributions to the savings plans with shares of our common stock from this ESOP. Common stock is allocated from the leveraged ESOP trust based on the proportion of principal and interest paid on ESOP debt in a year to the remaining principal and interest due over the term of the debt. The final debt service payments and related share allocations for two of our leveraged ESOPs were made in 2004. At December 31, 2006, the number of unallocated and allocated shares of common stock was 5 million and 77 million, respectively. All leveraged ESOP shares are included in earnings per share computations.

Total savings plan costs were $669 million, $499 million, and $501 million in 2006, 2005 and 2004 respectively. A portion of these costs were funded through a leveraged ESOP. We recognize leveraged ESOP costs based on the shares allocated method.

Leveraged ESOP costs and trust activity consist of the following:

Years Ended December 31,	2006	2005	2004
			(dollars in millions)
Compensation	**$ 24**	$ 39	$ 159
Interest incurred	**–**	–	12
Dividends	**(9)**	(16)	(16)
Net leveraged ESOP cost	**$ 15**	$ 23	$ 155

Severance Benefits

The following table provides an analysis of our severance liability recorded in accordance with SFAS Nos. 112 and 146:

Year	Beginning of Year	Charged to Expense	Payments	Other	End of Year
					(dollars in millions)
2004	$ 2,150	$(40)	$(1,356)	$(1)	$753
2005	753	99	(251)	(5)	596
2006	**596**	**343**	**(383)**	**88**	**644**

The remaining severance liability includes future contractual payments to employees separated as of December 31, 2006. The 2006 expense includes charges for the involuntary separation of 4,100 employees (see Note 4).

Note 16

Income Taxes

The components of Income Before Provision for Income Taxes, Discontinued Operations and Cumulative Effect of Accounting Change are as follows:

Years Ended December 31,	2006	2005	2004
			(dollars in millions)
Domestic	**$ 6,682**	$ 7,496	$ 6,186
Foreign	**1,472**	952	1,791
	$ 8,154	$ 8,448	$ 7,977

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

Years Ended December 31,	2006	2005	2004
			(dollars in millions)
Current			
Federal	**$ 2,364**	$ 2,772	$ (162)
Foreign	**141**	81	249
State and local	**420**	661	271
	2,925	3,514	358
Deferred			
Federal	**(9)**	(844)	1,580
Foreign	**(45)**	(55)	53
State and local	**(190)**	(187)	95
	(244)	(1,086)	1,728
Investment tax credits	**(7)**	(7)	(8)
Total income tax expense	**$ 2,674**	$ 2,421	$ 2,078

The following table shows the principal reasons for the difference between the effective income tax rate and the statutory federal income tax rate:

Years Ended December 31,	2006	2005	2004
Statutory federal income tax rate	**35.0%**	35.0%	35.0%
State and local income tax, net of federal tax benefits	**1.8**	3.6	3.0
Tax benefits from investment losses	**(.9)**	(4.5)	(3.7)
Equity in earnings from unconsolidated businesses	**(3.8)**	(3.5)	(8.0)
Other, net	**.7**	(1.9)	(.2)
Effective income tax rate	**32.8%**	28.7%	26.1%

The favorable impact on our 2006 effective income tax rate was primarily driven by earnings from our unconsolidated businesses and tax benefits from valuation allowance reversals. These favorable impacts to the 2006 effective tax rate were partially offset by the unfavorable impact of tax reserve adjustments which is included in the Other, net line above. During 2006, we recorded a tax benefit of $80 million in connection with capital gains and prior year investment losses.

During 2005, we recorded a tax benefit of $336 million in connection with capital gains and prior year investment losses. As a result of the capital gain realized in 2005 in connection with the sale of our Hawaii businesses, we recorded a tax benefit of $242 million related to prior year investment losses. Also during 2005, we recorded a net tax provision of $206 million related to the repatriation of foreign earnings under the provisions of the American Jobs Creation Act of 2004, which provides for a favorable federal income tax rate in connection with the repatriation of foreign earnings, provided the criteria described in the law is met. Two of our foreign investments repatriated earnings resulting in income taxes of $332 million, partially offset by a tax benefit of $126 million.

The favorable impact on our 2004 effective income tax rate was primarily driven by increased earnings from our unconsolidated businesses and tax benefits from valuation allowance reversals.

Deferred taxes arise because of differences in the book and tax bases of certain assets and liabilities. Significant components of deferred tax liabilities (assets) are shown in the following table:

		(dollars in millions)
At December 31,	2006	2005
Employee benefits	**$ (7,788)**	$ (1,778)
Loss on investments	**(124)**	(369)
Former MCI tax loss carry forwards	**(2,026)**	–
Uncollectible accounts receivable	**(455)**	(375)
	(10,393)	(2,522)
Valuation allowance	**2,600**	815
Deferred tax assets	**(7,793)**	(1,707)
Former MCI intercompany accounts receivable basis difference	**2,003**	–
Depreciation	**7,617**	9,676
Leasing activity	**2,638**	3,001
Wireless joint venture including wireless licenses	**12,177**	11,786
Other – net	**782**	(370)
Deferred tax liabilities	**25,217**	24,093
Net deferred tax liability	**$ 17,424**	$ 22,386
Net long-term deferred tax liabilities	**$ 16,270**	$ 22,831
Plus net current deferred tax liabilities (in Other current liabilities)	**1,154**	–
Less net current deferred tax assets (in Prepaid expenses and other)	**–**	445
Net deferred tax liability	**$ 17,424**	$ 22,386

At December 31, 2006, employee benefits deferred tax assets include $5,174 million as a result of the adoption of SFAS No. 158 (see Note 15).

At December 31, 2006, undistributed earnings of our foreign subsidiaries amounted to approximately $3 billion. Deferred income taxes are not provided on these earnings as it is intended that the earnings are indefinitely invested outside of the U.S. It is not practical to estimate the amount of taxes that might be payable upon the remittance of such earnings.

The valuation allowance primarily represents the tax benefits of certain foreign and state net operating loss carry forwards, capital loss carry forwards and other deferred tax assets which may expire without being utilized. During 2006, the valuation allowance increased $1,785 million. This increase was primarily due to the addition of former MCI valuation allowances. This increase was offset by valuation allowance reversals relating to utilizing prior year investment losses to offset the capital gains realized on the sale of various businesses including Verizon Dominicana.

Former MCI tax loss carry forwards include federal, state and foreign net operating loss tax carry forwards as well as capital loss tax carry forwards. As a result of the MCI Bankruptcy and the application of the related tax attribute reduction rules, MCI reduced the tax basis in intercompany accounts receivables. This reduction in tax basis results in a deferred tax liability as reflected above.

Note 17

Segment Information

Reportable Segments

On November 17, 2006, we completed the spin-off of our U.S. print and Internet yellow pages directories to our shareowners, which was included in the Information Services segment. The spin-off resulted in a new company, named Idearc Inc. In addition, we reached definitive agreements to sell our interests in TELPRI and Verizon Dominicana, each of which were included in the International segment. The operations of our U.S. print and Internet yellow pages directories business, Verizon Dominicana and TELPRI are reported as discontinued operations and assets held for sale. Accordingly we have two reportable segments, which we operate and manage as strategic business units and organize by products and services. We measure and evaluate our reportable segments based on segment income. Corporate, eliminations and other includes unallocated corporate expenses, intersegment eliminations recorded in consolidation, the results of other businesses such as our investments in unconsolidated businesses, primarily Omnitel and CANTV, lease financing, and asset impairments and expenses that are not allocated in assessing segment performance due to their non-recurring nature. These adjustments include transactions that the chief operating decision makers exclude in assessing business unit performance due primarily to their non-recurring and/or non-operational nature. Although such transactions are excluded from the business segment results, they are included in reported consolidated earnings. Gains and losses that are not individually significant are included in all segment results, since these items are included in the chief operating decision makers' assessment of unit performance.

Our segments and their principal activities consist of the following:

Segment	Description
Wireline	Wireline provides communications services including voice, broadband video and data, next generation IP network services, network access, long distance and other services to consumers, carriers, business and government customers both domestically and globally in 150 countries.
Domestic Wireless	Domestic wireless products and services include wireless voice and data products and other value added services and equipment sales across the United States.

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

(dollars in millions)

2006	Wireline	Domestic Wireless	Total Segments
External revenues	$ 49,621	$ 37,930	$ 87,551
Intersegment revenues	1,173	113	1,286
Total operating revenues	50,794	38,043	88,837
Cost of services and sales	24,522	11,491	36,013
Selling, general & administrative expense	12,116	12,039	24,155
Depreciation & amortization expense	9,590	4,913	14,503
Total operating expenses	46,228	28,443	74,671
Operating income	4,566	9,600	14,166
Equity in earnings of unconsolidated businesses	–	19	19
Other income and (expense), net	250	4	254
Interest expense	(2,062)	(452)	(2,514)
Minority interest	–	(4,038)	(4,038)
Provision for income taxes	(1,120)	(2,157)	(3,277)
Segment income	$ 1,634	$ 2,976	$ 4,610
Assets	$ 92,274	$ 81,989	$ 174,263
Investments in unconsolidated businesses	28	87	115
Plant, property and equipment, net	57,031	24,659	81,690
Capital expenditures	10,259	6,618	16,877

2005	Wireline	Domestic Wireless	(dollars in millions) Total Segments
External revenues	$ 36,628	$ 32,219	$ 68,847
Intersegment revenues	988	82	1,070
Total operating revenues	37,616	32,301	69,917
Cost of services and sales	15,604	9,393	24,997
Selling, general & administrative expense	8,419	10,768	19,187
Depreciation & amortization expense	8,801	4,760	13,561
Total operating expenses	32,824	24,921	57,745
Operating income	4,792	7,380	12,172
Equity in earnings of unconsolidated businesses	–	27	27
Other income and (expense), net	79	6	85
Interest expense	(1,701)	(601)	(2,302)
Minority interest	–	(2,995)	(2,995)
Provision for income taxes	(1,264)	(1,598)	(2,862)
Segment income	$ 1,906	$ 2,219	$ 4,125
Assets	$ 75,188	$ 76,729	$ 151,917
Investments in unconsolidated businesses	2	154	156
Plant, property and equipment, net	49,618	22,790	72,408
Capital expenditures	8,267	6,484	14,751

2004	Wireline	Domestic Wireless	(dollars in millions) Total Segments
External revenues	$ 37,160	$ 27,586	$ 64,746
Intersegment revenues	861	76	937
Total operating revenues	38,021	27,662	65,683
Cost of services and sales	14,830	7,747	22,577
Selling, general & administrative expense	8,621	9,591	18,212
Depreciation & amortization expense	8,910	4,486	13,396
Total operating expenses	32,361	21,824	54,185
Operating income	5,660	5,838	11,498
Equity in earnings of unconsolidated businesses	–	45	45
Other income and (expense), net	100	11	111
Interest expense	(1,602)	(661)	(2,263)
Minority interest	–	(2,323)	(2,323)
Provision for income taxes	(1,506)	(1,265)	(2,771)
Segment income	$ 2,652	$ 1,645	$ 4,297
Assets	$ 78,824	$ 68,027	$ 146,851
Investments in unconsolidated businesses	3	148	151
Plant, property and equipment, net	50,608	20,516	71,124
Capital expenditures	7,118	5,633	12,751

Reconciliation To Consolidated Financial Information

A reconciliation of the results for the operating segments to the applicable line items in the consolidated financial statements is as follows:

(dollars in millions)

	2006	2005	2004
Operating Revenues			
Total reportable segments	**$ 88,837**	$ 69,917	$ 65,683
Hawaii operations	**–**	180	529
Corporate, eliminations and other	**(693)**	(579)	(461)
Consolidated operating revenues – reported	**$ 88,144**	$ 69,518	$ 65,751
Operating Expenses			
Total reportable segments	**$ 74,671**	$ 57,745	$ 54,185
Merger integration costs (see Note 4)	**232**	–	–
Severance, pension and benefit charges (see Note 4)	**425**	157	805
Verizon Center relocation, net (see Note 4)	**184**	(18)	–
Former MCI exposure, lease impairment and other special items (see Note 4)	**–**	125	(91)
Hawaii operations	**–**	118	375
Sales of businesses and investments, net (see Notes 3 and 5)	**–**	(530)	100
Corporate, eliminations and other	**(741)**	(660)	(493)
Consolidated operating expenses – reported	**$ 74,771**	$ 56,937	$ 54,881

(dollars in millions)

	2006	2005	2004
Net Income			
Segment income – reportable segments	**$ 4,610**	$ 4,125	$ 4,297
Debt extinguishment costs (see Note 11)	**(16)**	–	–
Merger integration costs (see Note 4)	**(146)**	–	–
Sales of businesses and investments, net (see Notes 3 and 5)	**(541)**	336	1,059
Idearc spin-off costs (see Note 4)	**(101)**	–	–
Severance, pension and benefit charges (see Note 4)	**(258)**	(95)	(499)
Verizon Center relocation, net (see Note 4)	**(118)**	8	–
Former MCI exposure, lease impairment and other special items (see Note 4)	**–**	(133)	2
Tax benefits (see Note 4)	**–**	336	234
Tax provision on repatriated earnings (see Note 4)	**–**	(206)	–
Income from discontinued operations, net of tax (see Note 3)	**1,398**	1,370	1,423
Cumulative effect of accounting change (see Note 1)	**(42)**	–	–
Corporate and other	**1,411**	1,656	1,315
Consolidated net income – reported	**$ 6,197**	$ 7,397	$ 7,831
Assets			
Total reportable segments	**$ 174,263**	$ 151,917	$ 146,851
Reconciling items	**14,541**	16,213	19,107
Consolidated assets	**$ 188,804**	$ 168,130	$ 165,958

Financial information for Wireline excludes the effects of Hawaii access lines and directory operations sold in 2005.

We generally account for intersegment sales of products and services and asset transfers at current market prices. We are not dependent on any single customer.

Geographic Areas

Our foreign investments are located principally in the Americas and Europe. Domestic and foreign operating revenues are based on the location of customers. Long-lived assets consist of plant, property and equipment (net of accumulated depreciation) and investments in unconsolidated businesses. The table below presents financial information by major geographic area:

			(dollars in millions)
Years Ended December 31,	**2006**	2005	2004
Domestic			
Operating revenues	**$ 84,693**	$ 69,327	$ 65,659
Long-lived assets	**82,277**	74,813	72,488
Foreign			
Operating revenues	**3,451**	191	92
Long-lived assets	**4,947**	2,776	4,973
Consolidated			
Operating revenues	**88,144**	69,518	65,751
Long-lived assets	**87,224**	77,589	77,461

Note 18

Comprehensive Income

Comprehensive income consists of net income and other gains and losses affecting shareowners' investment that, under GAAP, are excluded from net income.

Changes in the components of other comprehensive income (loss), net of income tax expense (benefit), are as follows:

			(dollars in millions)
Years Ended December 31,	**2006**	2005	2004
Foreign Currency Translation Adjustments	**$ 1,196**	$ (755)	$ 548
Unrealized Gains (Losses) on Net Investment Hedges			
Unrealized gains (losses), net of taxes of $–, $1 and $(48)	**–**	2	(58)
Less reclassification adjustments for losses realized in net income, net of taxes of $–, $– and $(48)	**–**	–	(58)
Net unrealized gains on net investment hedges	**–**	2	–
Unrealized Derivative Gains (Losses) on Cash Flow Hedges			
Unrealized gains (losses), net of taxes of $(1), $– and $(2)	**11**	4	(9)
Less reclassification adjustments for (losses) realized in net income, net of taxes of $(1), $(2) and $(2)	**(3)**	(6)	(26)
Net unrealized derivative gains on cash flow hedges	**14**	10	17
Unrealized Gains (Losses) on Marketable Securities			
Unrealized gains, net of taxes of $30, $10 and $4	**79**	4	8
Less reclassification adjustments for gains realized in net income, net of taxes of $13, $14 and $1	**25**	25	1
Net unrealized gains (losses) on marketable securities	**54**	(21)	7
Minimum Pension Liability Adjustment , net of taxes of $417, $37 and $(185)	**788**	51	(332)
Defined benefit pension and postretirement plans – SFAS No. 158 adoption, net of taxes of $(5,591)	**(7,671)**	–	–
Other, net of taxes of $(159), $(20) and $(53)	**(128)**	(17)	(43)
Other Comprehensive Income (Loss)	**$ (5,747)**	$ (730)	$ 197

The foreign currency translation adjustment in 2006 represents the realization of the cumulative foreign currency translation loss of approximately $800 million in connection with the sale of our consolidated interest in Verizon Dominicana (see Note 3), as well as unrealized gains from the appreciation of the functional currency on our investment in Vodafone Omnitel. The minimum pension liability adjustment in 2006 represents the adoption of SFAS No. 158.

The foreign currency translation adjustment in 2005 represents unrealized losses from the decline in the functional currencies of our investments in Vodafone Omnitel, Verizon Dominicana and CANTV. The foreign currency translation adjustment in 2004 represents unrealized gains from the appreciation of the functional currencies at Verizon Dominicana and our investment in Vodafone Omnitel as well as the realization of the cumulative foreign currency translation loss in connection with the sale of our 20.5% interest in TELUS (see Note 4), partially offset by unrealized losses from the decline in the functional currency on our investment in CANTV.

During 2005, we entered into zero cost euro collars to hedge a portion of our net investment in Vodafone Omnitel. As of December 31, 2005, our positions in the zero cost euro collars have been settled. During 2004, we entered into foreign currency forward contracts to hedge our net investment in Verizon Information Services Canada and TELUS (see Note 3). In connection with the sales of these interests in the fourth quarter of 2004, the unrealized losses on these net investment hedges were realized in net income along with the corresponding foreign currency translation balance.

As discussed in Note 15, we adopted SFAS No. 158 effective December 31, 2006, which resulted in a net decrease to shareowners' investment of $6,883 million.

The changes in the minimum pension liability in 2005 and 2004 were required by accounting rules for certain pension plans based on their funded status (see Note 15). In connection with our adoption of SFAS No. 158 on December 31, 2006, we no longer record a minimum pension liability adjustment as a discrete component of Accumulated Other Comprehensive Loss.

The components of Accumulated Other Comprehensive Loss are as follows:

	(dollars in millions)	
At December 31,	**2006**	2005
Foreign currency translation adjustments	**$ 329**	$ (867)
Unrealized gains on net investment hedges	**2**	2
Unrealized derivative losses on cash flow hedges	**(13)**	(27)
Unrealized gains on marketable securities	**64**	10
Minimum pension liability	**–**	(788)
Defined benefit pension and postretirement plans – SFAS 158 adoption	**(7,671)**	–
Other	**(241)**	(113)
Accumulated other comprehensive loss	**$ (7,530)**	$ (1,783)

As discussed above, the change in foreign currency translation adjustments during 2006 is due primarily to the sale of Verizon Dominicana (approximately $800 million). Foreign currency translation adjustments at year-end 2006 is primarily comprised of unrealized gains in the functional currencies at Vodafone Omnitel, partially offset by unrealized losses of approximately $400 million at CANTV. The reduction in our minimum pension liability adjustment balance to zero at year-end 2006 is due to the adoption of SFAS No. 158.

Note 19

Additional Financial Information

The tables that follow provide additional financial information related to our consolidated financial statements:

Income Statement Information

Years Ended December 31,	2006	2005	2004
			(dollars in millions)
Depreciation expense	**$ 13,122**	$ 12,171	$ 12,169
Interest cost incurred	**2,811**	2,481	2,513
Capitalized interest	**(462)**	(352)	(177)
Advertising expense	**2,271**	1,844	1,617

Balance Sheet Information

At December 31,	2006	2005
		(dollars in millions)
Accounts Payable and Accrued Liabilities		
Accounts payable	**$ 4,392**	$ 2,620
Accrued expenses	**2,982**	2,891
Accrued vacation, salaries and wages	**3,575**	3,179
Interest payable	**614**	573
Accrued taxes	**2,757**	2,484
	$ 14,320	$ 11,747
Other Current Liabilities		
Advance billings and customer deposits	**$ 2,226**	$ 1,964
Dividends payable	**1,199**	1,137
Other	**4,666**	2,294
	$ 8,091	$ 5,395

Cash Flow Information

Years Ended December 31,	2006	2005	2004
			(dollars in millions)
Cash Paid			
Income taxes, net of amounts refunded	**$ 3,299**	$ 4,189	$ 152
Interest, net of amounts capitalized	**2,103**	2,025	2,226
Supplemental Investing and Financing Transactions			
Cash acquired in business combination	**2,361**	–	–
Assets acquired in business combinations	**18,511**	635	8
Liabilities assumed in business combinations	**7,813**	35	–
Debt assumed in business combinations	**6,169**	9	–
Shares issued to Price to acquire limited partnership interest in VZ East (Note 2)	**1,007**	–	–

Note 20

Guarantees of Operating Subsidiary Debt

Verizon has guaranteed the obligations of two wholly-owned operating subsidiaries: $480 million 7% debentures series B, due 2042 issued by Verizon New England Inc. and $300 million 7% debentures series F issued by Verizon South Inc. due 2041. These guarantees are full and unconditional and would require Verizon to make scheduled payments immediately if either of the two subsidiaries failed to do so. Both of these securities were issued in denominations of $25 and were sold primarily to retail investors and are listed on the New York Stock Exchange. SEC rules permit us to include condensed consolidating financial information for these two subsidiaries in our periodic SEC reports rather than filing separate subsidiary periodic SEC reports.

Below is the condensed consolidating financial information. Verizon New England and Verizon South are presented in separate columns. The column labeled Parent represents Verizon's investments in all of its subsidiaries under the equity method and the Other column represents all other subsidiaries of Verizon on a combined basis. The Adjustments column reflects intercompany eliminations.

(dollars in millions)

Condensed Consolidating Statements of Income Year Ended December 31, 2006	Parent	Verizon New England	Verizon South	Other	Adjustments	Total
Operating revenues	$ –	$ 3,852	$ 858	$ 84,208	$ (774)	$ 88,144
Operating expenses	164	3,685	634	71,062	(774)	74,771
Operating Income (Loss)	(164)	167	224	13,146	–	13,373
Equity in earnings of unconsolidated businesses	6,011	14	–	(708)	(4,544)	773
Other income and (expense), net	1,579	11	14	283	(1,492)	395
Interest expense	(1,185)	(174)	(54)	(961)	25	(2,349)
Minority interest	–	–	–	(4,038)	–	(4,038)
Income (loss) before provision for income taxes, discontinued operations and cumulative effect of accounting change	6,241	18	184	7,722	(6,011)	8,154
Income tax benefit (provision)	33	(19)	(68)	(2,620)	–	(2,674)
Income (Loss) Before Discontinued Operations And Cumulative Effect Of Accounting Change	6,274	(1)	116	5,102	(6,011)	5,480
Income on discontinued operations, net of tax	(77)	–	–	836	–	759
Cumulative effect of accounting change, net of tax	–	–	–	(42)	–	(42)
Net Income	$ 6,197	$ (1)	$ 116	$ 5,896	$ (6,011)	$ 6,197

(dollars in millions)

Condensed Consolidating Statements of Income Year Ended December 31, 2005	Parent	Verizon New England	Verizon South	Other	Adjustments	Total
Operating revenues	$ –	$ 3,936	$ 907	$ 65,172	$ (497)	$ 69,518
Operating expenses	8	3,628	684	53,114	(497)	56,937
Operating Income (Loss)	(8)	308	223	12,058	–	12,581
Equity in earnings of unconsolidated businesses	6,698	23	–	273	(6,308)	686
Other income and (expense), net	537	(4)	6	180	(408)	311
Interest expense	(58)	(172)	(63)	(1,854)	18	(2,129)
Minority interest	–	–	–	(3,001)	–	(3,001)
Income before provision for income taxes and discontinued operations	7,169	155	166	7,656	(6,698)	8,448
Income tax benefit (provision)	228	(40)	(62)	(2,547)	–	(2,421)
Income Before Discontinued Operations	7,397	115	104	5,109	(6,698)	6,027
Income on discontinued operations, net of tax	–	–	–	1,370	–	1,370
Net Income	$ 7,397	$ 115	$ 104	$ 6,479	$ (6,698)	$ 7,397

(dollars in millions)

Condensed Consolidating Statements of Income Year Ended December 31, 2004	Parent	Verizon New England	Verizon South	Other	Adjustments	Total
Operating revenues	$ –	$ 3,955	$ 934	$ 61,224	$ (362)	$ 65,751
Operating expenses	260	3,664	717	50,602	(362)	54,881
Operating Income (Loss)	(260)	291	217	10,622	–	10,870
Equity in earnings of unconsolidated businesses	7,714	59	–	1,437	(7,520)	1,690
Other income and (expense), net	171	8	7	98	(202)	82
Interest expense	(20)	(165)	(63)	(2,096)	8	(2,336)
Minority interest	–	–	–	(2,329)	–	(2,329)
Income before provision for income taxes and discontinued operations	7,605	193	161	7,732	(7,714)	7,977
Income tax benefit (provision)	229	(50)	(34)	(2,223)	–	(2,078)
Income Before Discontinued Operations	7,834	143	127	5,509	(7,714)	5,899
Income (loss) on discontinued operations, net of tax	(3)	–	–	1,935	–	1,932
Net Income	$ 7,831	$ 143	$ 127	$ 7,444	$ (7,714)	$ 7,831

(dollars in millions)

Condensed Consolidating Balance Sheets At December 31, 2006	Parent	Verizon New England	Verizon South	Other	Adjustments	Total
Cash	**$ –**	**$ –**	**$ –**	**$ 3,219**	**$ –**	**$ 3,219**
Short-term investments	**–**	**215**	**33**	**2,186**	**–**	**2,434**
Accounts receivable, net	**4**	**705**	**104**	**10,999**	**(921)**	**10,891**
Other current assets	**32,680**	**134**	**28**	**5,830**	**(32,678)**	**5,994**
Total current assets	**32,684**	**1,054**	**165**	**22,234**	**(33,599)**	**22,538**
Plant, property and equipment, net	**1**	**6,165**	**1,120**	**75,070**	**–**	**82,356**
Investments in unconsolidated businesses	**44,048**	**116**	**–**	**7,488**	**(46,784)**	**4,868**
Other assets	**5,045**	**288**	**389**	**73,550**	**(230)**	**79,042**
Total Assets	**$ 81,778**	**$ 7,623**	**$ 1,674**	**$ 178,342**	**$ (80,613)**	**$ 188,804**
Debt maturing within one year	**$ 6,735**	**$ 333**	**$ 232**	**$ 33,302**	**$ (32,887)**	**$ 7,715**
Other current liabilities	**2,354**	**1,032**	**182**	**21,709**	**(712)**	**24,565**
Total current liabilities	**9,089**	**1,365**	**414**	**55,011**	**(33,599)**	**32,280**
Long-term debt	**11,392**	**2,573**	**417**	**14,494**	**(230)**	**28,646**
Employee benefit obligations	**12,419**	**1,625**	**259**	**16,476**	**–**	**30,779**
Deferred income taxes	**337**	**560**	**203**	**15,170**	**–**	**16,270**
Other liabilities	**6**	**111**	**19**	**3,821**	**–**	**3,957**
Minority interest	**–**	**–**	**–**	**28,337**	**–**	**28,337**
Total shareowners' investment	**48,535**	**1,389**	**362**	**45,033**	**(46,784)**	**48,535**
Total Liabilities and Shareowners' Investment	**$ 81,778**	**$ 7,623**	**$ 1,674**	**$ 178,342**	**$ (80,613)**	**$ 188,804**

(dollars in millions)

Condensed Consolidating Balance Sheets At December 31, 2005	Parent	Verizon New England	Verizon South	Other	Adjustments	Total
Cash	$ –	$ –	$ –	$ 760	$ –	$ 760
Short-term investments	–	216	32	1,898	–	2,146
Accounts receivable, net	20	910	142	8,792	(1,330)	8,534
Other current assets	9,365	166	185	7,661	(9,497)	7,880
Total current assets	9,385	1,292	359	19,111	(10,827)	19,320
Plant, property and equipment, net	1	6,146	1,158	65,682	–	72,987
Investments in unconsolidated businesses	32,593	116	–	10,015	(38,122)	4,602
Other assets	532	472	390	70,057	(230)	71,221
Total Assets	$ 42,511	$ 8,026	$ 1,907	$ 164,865	$ (49,179)	$ 168,130
Debt maturing within one year	$ 22	$ 471	$ –	$ 15,999	$ (9,804)	$ 6,688
Other current liabilities	2,511	1,049	176	17,299	(1,023)	20,012
Total current liabilities	2,533	1,520	176	33,298	(10,827)	26,700
Long-term debt	92	2,702	901	28,104	(230)	31,569
Employee benefit obligations	205	1,892	254	15,342	–	17,693
Deferred income taxes	–	537	220	22,074	–	22,831
Other liabilities	1	146	27	3,050	–	3,224
Minority interest	–	–	–	26,433	–	26,433
Total shareowners' investment	39,680	1,229	329	36,564	(38,122)	39,680
Total Liabilities and Shareowners' Investment	$ 42,511	$ 8,026	$ 1,907	$ 164,865	$ (49,179)	$ 168,130

(dollars in millions)

Condensed Consolidating Statements of Cash Flows Year Ended December 31, 2006	Parent	Verizon New England	Verizon South	Other	Adjustments	Total
Net cash from operating activities	**$ 5,919**	**$ 1,211**	**$ 311**	**$ 22,260**	**$ (5,595)**	**$ 24,106**
Net cash from investing activities	**(779)**	**(919)**	**15**	**(14,032)**	**99**	**(15,616)**
Net cash from financing activities	**(5,140)**	**(292)**	**(326)**	**(5,769)**	**5,496**	**(6,031)**
Net Increase in Cash	**$ –**	**$ –**	**$ –**	**$ 2,459**	**$ –**	**$ 2,459**

(dollars in millions)

Condensed Consolidating Statements of Cash Flows Year Ended December 31, 2005	Parent	Verizon New England	Verizon South	Other	Adjustments	Total
Net cash from operating activities	$ 7,605	$ 831	$ 284	$ 20,242	$ (6,937)	$ 22,025
Net cash from investing activities	(913)	(784)	(221)	(16,343)	(231)	(18,492)
Net cash from financing activities	(6,692)	(47)	(63)	(5,400)	7,168	(5,034)
Net Decrease in Cash	$ –	$ –	$ –	$ (1,501)	$ –	$ (1,501)

(dollars in millions)

Condensed Consolidating Statements of Cash Flows Year Ended December 31, 2004	Parent	Verizon New England	Verizon South	Other	Adjustments	Total
Net cash from operating activities	$ 6,650	$ 1,219	$ 282	$ 20,104	$ (6,464)	$ 21,791
Net cash from investing activities	–	(655)	(75)	(9,559)	(54)	(10,343)
Net cash from financing activities	(6,650)	(564)	(207)	(8,953)	6,518	(9,856)
Net Increase in Cash	$ –	$ –	$ –	$ 1,592	$ –	$ 1,592

Note 21

Commitments and Contingencies

Several state and federal regulatory proceedings may require our telephone operations to pay penalties or to refund to customers a portion of the revenues collected in the current and prior periods. There are also various legal actions pending to which we are a party and claims which, if asserted, may lead to other legal actions. We have established reserves for specific liabilities in connection with regulatory and legal actions, including environmental matters, that we currently deem to be probable and estimable. We do not expect that the ultimate resolution of pending regulatory and legal matters in future periods, including the Hicksville matters described below, will have a material effect on our financial condition, but it could have a material effect on our results of operations.

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

There are also litigation matters associated with the Hicksville site primarily involving personal injury claims in connection with alleged emissions arising from operations in the 1950s and 1960s at the Hicksville site. These matters are in various stages, and no trial date has been set.

In connection with the execution of agreements for the sales of businesses and investments, Verizon ordinarily provides representations and warranties to the purchasers pertaining to a variety of nonfinancial matters, such as ownership of the securities being sold, as well as financial losses.

Subsequent to the sale of Verizon Information Services Canada (see Note 3), we continue to provide a guarantee to publish directories, which was issued when the directory business was purchased in 2001 and had a 30-year term (before extensions). The preexisting guarantee continues, without modification, following the sale of Verizon Information Services Canada. As a result of the Idearc spin-off, we continue to be responsible for this guarantee. The possible financial impact of the guarantee, which is not expected to be adverse, cannot be reasonably estimated since a variety of the potential outcomes available under the guarantee result in costs and revenues or benefits that may offset. In addition, performance under the guarantee is not likely.

As of December 31, 2006, letters of credit totaling $223 million had been executed in the normal course of business, which support several financing arrangements and payment obligations to third parties.

We have several commitments primarily to purchase network services, equipment and software from a variety of suppliers totaling $812 million. Of this total amount, $566 million, $164 million, $53 million, $11 million, $5 million and $13 million are expected to be purchased in 2007, 2008, 2009, 2010, 2011 and thereafter, respectively.

Note 22

Quarterly Financial Information (Unaudited)

(dollars in millions, except per share amounts)

Quarter Ended	Operating Revenues	Operating Income	Income Before Discontinued Operations Amount	Income Before Discontinued Operations Per Share-Basic	Income Before Discontinued Operations Per Share-Diluted	Net Income
2006						
March 31	**$ 21,221**	**$ 3,175**	**$ 1,282**	**$ .44**	**$ .44**	**$ 1,632**
June 30	**21,876**	**3,217**	**1,263**	**.43**	**.43**	**1,611**
September 30	**22,449**	**3,537**	**1,545**	**.53**	**.53**	**1,922**
December 31	**22,598**	**3,444**	**1,390**	**.48**	**.48**	**1,032**
2005						
March 31	$ 16,785	$ 2,828	$ 1,407	$ .51	$ .50	$ 1,757
June 30	17,177	3,561	1,804	.65	.65	2,113
September 30	17,629	3,040	1,506	.54	.54	1,869
December 31	17,927	3,152	1,310	.47	.47	1,658

- Results of operations for the first quarter of 2006 include after-tax charges of $16 million for the early extinguishment of debt related to the MCI merger, $28 million for costs associated with the relocation to Verizon Center, $42 million for the impact of accounting for share based payments, and $35 million for merger integration costs.
- Results of operations for the second quarter of 2006 include after-tax charges of $48 million for merger integration costs, $29 million for costs associated with the relocation to Verizon Center and $186 million for severance, pension and benefits charges.
- Results of operations for the third quarter of 2006 include after-tax charges of $16 million for merger integration costs, $31 million for costs associated with the relocation to Verizon Center and $17 million for severance, pension and benefits charges.
- Results of operations for the fourth quarter of 2006 include after-tax charges of $47 million for merger integration costs, $30 million for costs associated with the relocation to Verizon Center, $55 million severance, pension and benefits charges, $541 million for the loss on sale of Verizon Dominicana included in discontinued operations, and $101 million for costs associated with the spin-off of our directories publishing business.

- Results of operations for the second quarter of 2005 include a $336 million net after-tax gain on the sale of our wireline and directory businesses in Hawaii, tax benefits of $242 million associated with prior investment losses and a net tax provision of $206 million related to the repatriation of foreign earnings under the provisions of the American Jobs Creation Act of 2004.
- Results of operations for the third quarter of 2005 include an impairment charge of $125 million pertaining to our leasing operations for aircraft leased to airlines experiencing financial difficulties.

Income before discontinued operations per common share is computed independently for each quarter and the sum of the quarters may not equal the annual amount.

Note 23

Subsequent Events

Disposition of Businesses and Investments

Telephone Access Lines Spin-off

On January 16, 2007, we announced a definitive agreement with FairPoint Communications, Inc. (FairPoint) that will result in Verizon establishing a separate entity for its local exchange and related business assets in Maine, New Hampshire and Vermont, spinning off that new entity to Verizon shareowners, and immediately merging it with and into FairPoint.

Upon the closing of the transaction, Verizon shareowners will own approximately 60 percent of the new company and FairPoint stockholders will own approximately 40 percent. Verizon Communications will not own any shares in FairPoint after the merger. In connection with the merger, Verizon shareowners will receive one share of FairPoint stock for approximately every 55 shares of Verizon stock held as of the record date. Both the spin-off and merger are expected to qualify as tax-free transactions, except to the extent that cash is paid to Verizon shareowners in lieu of fractional shares.

The total value to be received by Verizon and its shareowners in exchange for these operations will be approximately $2,715 million. Verizon shareowners will receive approximately $1,015 million of FairPoint common stock in the merger, based upon FairPoint’s recent stock price and the terms of the merger agreement. Verizon will receive $1,700 million in value through a combination of cash distributions to Verizon and debt securities issued to Verizon prior to the spin-off. Verizon may exchange these newly issued debt securities for certain debt that was previously issued by Verizon, which would have the effect of reducing Verizon’s then-outstanding debt.

CANTV

During the second quarter of 2006, we entered into a definitive agreement to sell our indirect 28.5% interest in CANTV to an entity jointly owned by América Móvil and Telmex for estimated pretax proceeds of $677 million. Regulatory authorities in Venezuela never commenced the formal review of that transaction and the related tender offers for the remaining equity securities of CANTV. On February 8, 2007, after two prior extensions, the parties terminated the stock purchase agreement because the parties mutually concluded that the regulatory approvals would not be granted by the Government.

In January 2007, the Bolivarian Republic of Venezuela (the Republic) declared its intent to nationalize certain companies, including CANTV. On February 12, 2007, we entered into a Memorandum of Understanding (MOU) with the Republic. The MOU provides that the Republic will offer to purchase all of the equity securities of CANTV through public tender offers in Venezuela and the United States at a price equivalent to $17.85 per ADS. If the tender offers are completed, the aggregate purchase price for Verizon’s shares would be $572 million. If the 2007 dividend that has been recommended by the CANTV Board is approved by shareholders and paid prior to the closing of the tender offers, this amount will be reduced by the amount of the dividend. Verizon has agreed to tender its shares if the offers are commenced. The Republic has agreed to commence the offers within forty-five days assuming the satisfactory completion of its due diligence investigation of CANTV. The tender offers are subject to certain conditions including that a majority of the outstanding shares are tendered to the Government and receipt of regulatory approvals. Based upon the terms of the MOU and our current investment balance in CANTV, we expect that we will record a loss on our investment in the first quarter of 2007. The ultimate amount of the loss depends on a variety of factors, including the successful completion of the tender offer and the satisfaction of other terms in the MOU.

Redemption of Debt

On January 8, 2007, we redeemed the remaining $1,580 million of the outstanding Verizon Communications Inc. floating rate notes due 2007. The gain/(loss) on this redemption was immaterial.

EXHIBIT 21

Verizon Communications Inc. and Subsidiaries
Principal Subsidiaries of Registrant at December 31, 2006

Name	Jurisdiction of Organization
Verizon California Inc.	California
Verizon Delaware LLC.	Delaware
Verizon Florida LLC.	Florida
Verizon Maryland Inc.	Maryland
Verizon New England Inc.	New York
Verizon New Jersey Inc.	New Jersey
Verizon New York Inc.	New York
Verizon North Inc.	Wisconsin
Verizon Northwest Inc.	Washington
Verizon Pennsylvania Inc.	Pennsylvania
Verizon South Inc.	Virginia
GTE Southwest Incorporated (d/b/a Verizon Southwest)	Delaware
Verizon Virginia Inc.	Virginia
Verizon Washington, DC Inc.	New York
Verizon West Virginia Inc.	West Virginia
Cellco Partnership (d/b/a Verizon Wireless)	Delaware
Verizon Capital Corp.	Delaware
Verizon Business Global LLC	Delaware

EXHIBIT 23

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Verizon Communications Inc. (Verizon) of our reports dated February 23, 2007, with respect to the consolidated financial statements of Verizon, Verizon management's assessment of the effectiveness of internal control over financial reporting, and the effectiveness of internal control over financial reporting of Verizon, included in the 2006 Annual Report to Shareowners of Verizon.

Our audits also included the financial statement schedule of Verizon listed in Item 15(a). This schedule is the responsibility of Verizon's management. Our responsibility is to express an opinion based on our audits. In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also consent to the incorporation by reference in the following registration statements of Verizon and where applicable, related Prospectuses, of our reports dated February 23, 2007, with respect to the consolidated financial statements of Verizon, Verizon management's assessment of the effectiveness of internal control over financial reporting, and the effectiveness of internal control over financial reporting of Verizon, incorporated by reference in this Annual Report (Form 10-K) for the year ended December 31, 2006: Form S-8, No. 333-66459; Form S-8, No. 333-66349; Form S-4, No. 333-11573; Form S-8, No. 333-41593; Form S-8, No. 333-42801; Form S-4, No. 333-76171; Form S-8, No. 333-75553; Form S-8, No. 333-76171; Form S-8, No. 333-50146; Form S-8, No. 333-53830; Form S-4, No. 333-82408; Form S-8, No. 333-82690; Form S-3, No. 333-109028-01; Form S-3, No. 333-106750; Form S-8, No. 333-105512; Form S-8, No. 333-105511; Form S-8, No. 333-118904; Form S-8, No. 333-123374; Form S-4, No. 333-124008; Form S-8, No. 333-124008; Form S-4, No. 333-132651; Form S-8, No. 333-134846; Form S-8, No. 333-137475; and Form S-3, No. 333-138705.

Ernst & Young LLP

Ernst & Young LLP
New York, New York

February 23, 2007

EXHIBIT 31.1

I, Ivan G. Seidenberg, certify that:

1. I have reviewed this annual report on Form 10-K of Verizon Communications Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2007

/s/ Ivan G. Seidenberg
Ivan G. Seidenberg
Chairman and Chief Executive Officer

EXHIBIT 31.2

I, Doreen A. Toben, certify that:

1. I have reviewed this annual report on Form 10-K of Verizon Communications Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2007

/s/ Doreen A. Toben
Doreen A. Toben
Executive Vice President and Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002, PURSUANT TO SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE

I, Ivan G. Seidenberg, Chairman and Chief Executive Officer of Verizon Communications Inc. (the “Company”), certify that:

(1) the report of the Company on Form 10-K for the annual period ending December 31, 2006 (the “Report”) fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934 (the “Exchange Act”); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods referred to in the Report.

Date: March 1, 2007

/s/ Ivan G. Seidenberg
Ivan G. Seidenberg
Chairman and Chief Executive Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Verizon Communications Inc. and will be retained by Verizon Communications Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002, PURSUANT TO SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE

I, Doreen A. Toben, Executive Vice President and Chief Financial Officer of Verizon Communications Inc. (the "Company"), certify that:

(1) the report of the Company on Form 10-K for the annual period ending December 31, 2006 (the "Report") fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934 (the "Exchange Act"); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods referred to in the Report.

Date: March 1, 2007

/s/ Doreen A. Toben

Doreen A. Toben
Executive Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Verizon Communications Inc. and will be retained by Verizon Communications Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 3

News Release

Verizon Applauds California Assembly Committee Vote in Favor of Video Choice

Appropriations Committee Approves Bill That Would Open Local Cable TV Markets to Competition, Lower Prices for Consumers

May 26, 2006

Media Contact:
Jon Davies, 805-372-6969

THOUSAND OAKS, Calif. - *The California Assembly Committee on Appropriations on Thursday approved Assembly Bill 2987, which would overhaul the state's outdated cable franchising process and pave the way for new competitors such as Verizon to offer consumers a choice in video programming, better technology and lower prices. At the same time, the bill, authored by Speaker Fabian Núñez and Assemblymember Lloyd Levine, guarantees that local communities will continue to receive franchise fees consistent with those paid by incumbent cable companies. The full Assembly is expected to vote on the bill by Friday, June 2. The following statement can be attributed to Verizon West Region President Tim McCallion:*

"Chairwoman Judy Chu and her fellow committee members have demonstrated great leadership in approving this bill. AB 2987 will bring the much needed benefits of choice and competition to California's consumers. Cable prices have risen 86 percent over the past 10 years, according to the FCC, yet in markets where Verizon has launched its fiber-optic-based FiOS TV service, cable prices have dropped between 28 and 42 percent. Verizon has invested hundreds of millions of dollars in its new fiber-optic network in California, creating over 1,000 new jobs, but plans to expand the availability of FiOS TV have been delayed by inefficient local franchise negotiations that have lasted up to a year or more in some communities. The current system is broken and AB2987 is the solution."

Verizon Communications Inc. (NYSE:VZ), a Dow 30 company, is a leader in delivering broadband and other communication innovations to wireline and wireless customers. Verizon operates America's most reliable wireless network, serving 53 million customers nationwide; one of the most expansive wholly-owned global IP networks; and one of the nation's premier wireline networks, serving mass market, business, government and wholesale customers. Based in New York, Verizon has a diverse workforce of more than 250,000 and generates annual consolidated operating revenues of approximately $90 billion. For more information, visit www.verizon.com.

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Exhibit 4

News Release

Growth in Demand for Verizon's Fiber-Optic-Based FiOS Services Spurs Verizon to Hire More Employees for California Customer Support Center

Company Is Rapidly Expanding Delivery of Its Industry-Leading FiOS Internet and TV Services

December 20, 2006

Media Contact:
Jon Davies, 805-231-3985

OXNARD, Calif. - Spurred by significant growth in deployment and demand for its fiber-optic-based Internet and TV services around the country, Verizon is seeking to fill approximately 50 more positions at its state-of-the-art Fiber Solutions Center (FSC) here.

The company, which has already hired 64 new FSC employees in Oxnard since October, is seeking additional Internet technical support associates to help consumers and business customers who purchase new FiOS broadband and video products delivered over Verizon's new, all-fiber network.

"Employees at the Fiber Solutions Center are playing a key role as Verizon provides our FiOS customers with an unprecedented broadband and video experience," said Kathy Koelle, senior vice president and general manager for Verizon's West Coast region. "Our employees are trained in all aspects of this new technology so that they can help our customers get the most out of the very best broadband and entertainment services available."

Verizon is deploying its fiber network in more than half the states where it provides landline phone service, including California. The new technology uses fiber-optic connections - instead of copper wire - all the way from Verizon network centers directly into homes or businesses. With fiber optics it is possible to provide a broad array of voice, data and video services with greater reliability, quality and capacity than any other technology.

Verizon is building the nation's largest all-fiber network directly to customers. Only Verizon's FiOS network has earned the certification of the independent Fiber to the Home Council for providing fiber all the way to customers' homes and businesses.

Verizon plans to pass 18 million premises with its fiber network by the end of 2010, or more than 50 percent of the approximately 33 million households in the company's 28-state wireline service area. The FiOS network buildout is on target to pass a total of 6 million premises by year-end 2006, with an additional 3 million a year planned through 2010.

Verizon has set a target of 725,000 FiOS Internet customers and 175,000 FiOS TV customers by year-end 2006. More than 1 million households are already currently eligible to purchase FiOS TV services, due to Verizon's significant

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progress in obtaining state and local cable franchises.

Specially trained fiber-customer-support analysts and fiber-network technicians in the Fiber Solutions Center handle calls from customers in California and other Western states who buy FiOS Internet and FiOS TV services. The center's staff also supports Verizon technicians who install the new products, answering technical questions and remotely diagnosing and correcting problems. The positions offer salary ranges of up to $24.97 an hour, based on education and/or experience. Verizon also offers paid training and a complete benefits package, including tuition reimbursement, medical and dental insurance, 401(k) and vacation time.

Some of the requirements for the new positions include:

- Basic understanding of communications networking components such as routers, LAN topology, Ethernet and network interface cards, as well as a working knowledge of PC hardware/software functionality.
- Training, education or experience related to PC home-networking technology.
- Working at a computer terminal assisting internal and external customers.
- Must be willing to work regularly scheduled hours including days, evenings, nights, weekends and holidays as required. Overtime may also be required.

Job responsibilities include:

- Answer incoming calls from customers with order inquiry and/or trouble reports.
- Providing fiber-to-home activation support.
- Analyzing and isolating trouble conditions.
- Initiating service-order corrections and changes.
- Understanding of PC components and functionality, the ability to work with customers on the telephone and to isolate/resolve problems with the equipment at a customer location.

Candidates for the new positions can apply and schedule testing by visiting: www.verizon.com/fiberjobs.

Verizon Communications Inc. (NYSE:VZ), a New York-based Dow 30 company, is a leader in delivering broadband and other wireline and wireless communication innovations to mass market, business, government and wholesale customers. Verizon Wireless operates America's most reliable wireless network, serving nearly 57 million customers nationwide. Verizon's Wireline operations include Verizon Business, which operates one of the most expansive wholly-owned global IP networks, and Verizon Telecom, which is deploying the nation's most advanced fiber-optic network to deliver the benefits of converged communications, information and entertainment services to customers. For more information, visit www.verizon.com.

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Exhibit 5

News Release

New TV Choice for Hundreds of Thousands More California Consumers as Verizon Gets Go-Ahead From California PUC

First State-Issued Video Franchise Granted to Verizon

March 8, 2007

Media Contact:
Jon Davies, 805-372-6969

THOUSAND OAKS, Calif. - Hundreds of thousands more consumers will soon have the choice of Verizon's industry-leading FiOS TV service under California's first state-issued video franchise, granted Thursday (March 8) by the Public Utilities Commission.

"The commission's rapid approval of our application opens up an exciting new dimension in home entertainment for many of our Southern California customers," said Tim McCallion, Verizon's West region president. "This is a huge victory for consumers."

Under the franchise, Verizon can offer FiOS TV in 45 more communities in Southern California. These are in addition to the 18 communities where the service is already available under locally approved franchises.

Later this month, the company will announce the communities that will be first to get FiOS TV under the state-issued franchise. They will include many in Los Angeles, Orange, Ventura and San Bernardino counties where construction of the nation's most advanced digital all-fiber-optic network is already complete. Verizon will announce more communities as workers finish the network construction in new areas.

Verizon was the first company to file an application for a state-issued video franchise under California's new, pro-consumer video franchise law, which took effect Jan. 1.

"Consumers are excited about FiOS services - the industry's best products in home entertainment," said Kathy Koelle, general manager for Verizon's West Coast region. "FiOS TV offers consumers a choice they've never had before: incredible picture and sound clarity, and innovative new services - all from a brand they trust and believe in."

California Congress of Seniors President Hank Lacayo said, "I am pleased that the commission has taken a leadership role in implementing this groundbreaking legislation authored by Assembly Speaker Fabian Núñez. Today's franchise approval will empower seniors as well as other consumers to choose the best entertainment service available."

FiOS TV offers a better-quality picture, more high-definition and on-demand programs, and more reliable service at competitive prices. Verizon's FiOS TV Premier package delivers 200 all-digital channels - including a diverse array of multicultural programming - for $42.99 per month. The package includes 21 high-definition (HD) channels, and five more HD channels are available with premium movie subscriptions. Under the basic package, viewers can choose from a video on demand library of 8,600 titles, and 60 percent of those selections are available without an additional charge.

FiOS TV features entertainment in a variety of languages in addition to its English-language programming. Spanish-speaking viewers can choose La Conexion, a package of 140 popular English and Spanish-language channels for $32.99 per month, or a Spanish-language package for $11.99 per month. Verizon also offers 17 international premium channels in languages such Chinese, Mandarin Chinese, Korean and Vietnamese.

Verizon offers innovative features not available from other providers, such as Home Media DVR (digital video recorder) and FiOS TV Widgets. Home Media DVR, at $19.99 per month, allows the family to use one DVR to access recorded programming from multiple rooms in the house. Customers also can access photos and music on their PCs and play them on their TV. FiOS TV Widgets is a free interactive feature that provides viewers with local weather and traffic information while they're watching their favorite shows.

Verizon is providing FiOS services on its fiber-to-the-premises network, which has industry-leading quality and reliability. Only this network has earned the certification of the independent Fiber to the Home Council for providing fiber all the way to customers' homes and businesses.

Verizon contacts consumers when FiOS television service is available in their neighborhood. Consumers can check online at www.verizonfios.com or call **877-707-7066** to see if FiOS TV is already available.

Verizon, the first company to connect homes and businesses directly to fiber optics on a widespread scale, offers its FiOS voice and Internet service in more than 1,600 cities in parts of 16 states, and provides its FiOS TV service in more than 200 cities in parts of 10 states, including California.

Verizon Communications Inc. (NYSE:VZ), headquartered in New York, is a leader in delivering broadband and other wireline and wireless communication innovations to mass market, business, government and wholesale customers. Verizon Wireless operates America's most reliable wireless network, serving more than 59 million customers nationwide. Verizon's Wireline operations include Verizon Business, which operates one of the most expansive wholly owned global IP networks, and Verizon Telecom, which is deploying the nation's most advanced fiber-optic network to deliver the benefits of converged communications, information and entertainment services to customers. A Dow 30 company, Verizon has a diverse workforce of approximately 242,000 and last year generated consolidated operating revenues of more than $88 billion. For more information, visit www.verizon.com.

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Verizon's state-issued franchise covers all or portions of the following communities:

Artesia, Bellflower, Calimesa, Cathedral City, Chino, Claremont, Coachella, Desert Hot Springs, Diamond Bar, Fountain Valley, Garden Grove, Hawaiian Gardens, Huntington Beach, Indian Wells, Indio, Industry, La Quinta, La Verne, Lakewood, Long Beach, Montclair, Moreno Valley, Norwalk, Palm Desert, Palm Springs, Palos Verdes Estates, Pomona, Rancho Cucamonga, Rancho Mirage, Rancho Palos Verdes, Rolling Hills, Rolling Hills Estates, San Dimas, San Jacinto, Santa Fe Springs, Santa Monica, Seal Beach, Signal Hill, Stanton, Torrance, Upland, Victorville, Walnut, Westminster, Yucaipa

Note: FiOS TV will not be available in all communities immediately. Later this month, Verizon will announce the first wave of FiOS TV expansion under its state-issued franchise. Verizon will determine availability of FiOS TV in other communities according to the progress of fiber-network construction and other factors.

Exhibit 6

News Release

Verizon Offers the Fastest Way to the 33rd Annual Toyota Grand Prix of Long Beach

Free Race Passes for April 13 Available at www.verizon.com/freefriday

March 22, 2007

Media Contact:
Jon Davies, 805-372-6969
Ellen Yu, 908-559-3496

LONG BEACH, Calif. - Verizon, provider of the fastest Internet connections in Southern California through its all-fiber-optic network direct to customers' homes, is inviting everyone to move into the fast lane with free passes to the 33rd Annual Toyota Grand Prix of Long Beach next month.

The passes, which are good for general admission on April 13, can be downloaded and printed at www.verizon.com/freefriday. The Grand Prix continues through April 15.

Verizon, the official communications sponsor for the race, will host several tents throughout the race enclosure at the Long Beach Convention and Entertainment Center during the weekend of the race, providing visitors with an opportunity to learn about the company's FiOS Internet and FiOS TV services.

"We're thrilled to be part of this exciting sport where speed rules," said Dustin Kroeger, director of consumer marketing for Verizon's West Coast region. "There's no better place than the Grand Prix to demonstrate Verizon FiOS Internet, the fastest broadband experience in the market and the Internet equivalent of driving a Grand Prix racing car."

Verizon's FiOS delivers speeds of up to 30 Mbps (megabits per second). At that speed, downloading a 1.2 gigabyte full-length feature movie takes about 5 minutes.

Verizon's one-year sponsorship agreement with the Grand Prix of Long Beach will give the company marketing and brand exposure opportunities at the race, including on-track signage, extensive merchandising rights and a trackside suite for client entertainment. In addition, a pedestrian bridge over the Long Beach Promenade, connecting the Shoreline Village to the track, will be renamed the Verizon Bridge, and the company will use its sponsorship rights to conduct various promotions.

Verizon offers an array of communications, broadband and entertainment products. Recently Verizon began offering FiOS TV, which delivers hundreds of digital video and music channels, high-definition programming, video-on-demand content, a robust interactive programming guide and other customer-friendly features. Verizon is constructing its fiber-optic network in 16 states, or more than half the states where it offers landline communications services.

Ticket prices for the event range from $25 for Friday general admission (unless obtained free from www.verizon.com/freefriday) up to $120 for a three-day ticket that includes Saturday and Sunday reserved seats in upper levels of the grandstands. Pre-paid parking packages can also be ordered through the Grand Prix ticket office.

For information or to purchase tickets, call the toll-free hotline at **(888) 82-SPEED** or visit www.longbeachgp.com. A ticket brochure - which also includes circuit map, grandstand and parking locations, ticket prices and order form - can also be obtained by calling the ticket hotline. Handicapped seating, Champ Car garage passes, super photo tickets and a variety of hospitality club packages are also available.

Verizon Communications Inc. (NYSE:VZ), headquartered in New York, is a leader in delivering broadband and other wireline and wireless communication innovations to mass market, business, government and wholesale customers. Verizon Wireless operates America's most reliable wireless network, serving more than 59 million customers nationwide. Verizon's Wireline operations include Verizon Business, which operates one of the most expansive wholly owned global IP networks, and Verizon Telecom, which is deploying the nation's most advanced fiber-optic network to deliver the benefits of converged communications, information and entertainment services to customers. A Dow 30 company, Verizon has a diverse workforce of approximately 242,000 and last year generated consolidated operating revenues of more than $88 billion. For more information, visit www.verizon.com.

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Exhibit 7

News Release

Consumers Win as Verizon Brings TV Choice, Competition to 129,000 More Homes in Southern California

FiOS TV Expands to 12 Additional Cities and Four Counties; Service On Track to Reach 500,000 Households in Region by End of Year

March 23, 2007

Media Contact:
Jon Davies, 805-372-6969

LONG BEACH, Calif. - Consumers in 129,000 households in 12 Southern California cities - including Long Beach, Huntington Beach, Santa Monica and Chino - will immediately reap the benefits of video choice as Verizon significantly expands its industry-leading FiOS television service throughout the region.

"This is great news for Californians, who've waited far too long for true competition and a superior choice of television service for the home," said Tim McCallion, Verizon West region president. "Thanks to the state's new streamlined video franchising law, Verizon is able to accelerate deployment of its FiOS TV service and offer consumers something they've never had before: incredible picture-and-sound clarity and innovative new services - all from a brand they know and trust."

Other California cities where FiOS TV is now available are: Fountain Valley, Garden Grove, Lakewood, Montclair, Pomona, Stanton, Torrance, Westminster and many unincorporated areas of Los Angeles, Orange, San Bernardino and Ventura counties.

Today's expansion brings the total number of homes that have access to FiOS TV in Southern California to 350,000. Verizon plans to offer the service to more than 500,000 homes by the end of 2007. [A complete list of Southern California cities served with FiOS TV appears at the end of this release.]

"We're looking forward to quickly offering consumers in Southern California the communication industry's best product in home entertainment," said Kathy Koelle, general manager for Verizon's West Coast region. "We're delivering a service that customers are demanding and no other company can match. FiOS TV provides a superior television service with more channels, more choice and more value, delivered on an all-fiber, next-generation network. Customers will be even more delighted when we add more interactive features, such as our new interactive media guide, which take television viewing to a new level."

Verizon is providing FiOS TV and FiOS Internet services on the nation's most advanced digital, all-fiber-optic network straight to customers' homes. Only Verizon's FiOS network has earned the certification of the independent Fiber to the Home Council for providing fiber all the way to customers' homes.

Today's rapid expansion of service was made possible by California's new streamlined video franchising law. Verizon's franchise, issued by the California

Public Utilities Commission earlier this month, allows the company to offer FiOS TV service in 32 other communities throughout Southern California. Verizon will announce FiOS TV availability in the additional communities in the coming months as it completes construction of its fiber-optic network in those areas.

Verizon contacts consumers when FiOS television service is available in their neighborhood. Consumers can visit www.verizonfios.com or call **1-877-707-7066** to find out if FiOS TV is available at their home.

Service Highlights

FiOS TV offers a better-quality picture, more high-definition and on-demand programs, and more reliable service at competitive prices than its competitors. Verizon's FiOS TV Premier package delivers more than 200 all-digital channels, including a diverse array of multicultural programming, for $42.99 per month. In California, the package includes 21 high-definition (HD) channels, and five more HD channels are available with premium movie subscriptions. Verizon offers a video-on-demand library of 8,600 titles, and 60 percent of those selections are available without an additional charge.

FiOS TV features entertainment in a variety of languages in addition to its English-language programming. Spanish-speaking viewers can choose La Conexion, a package of 140 popular English and Spanish-language channels for $32.99 per month, or a Spanish-language package for $11.99 per month. Verizon also offers 17 international premium channels in languages such as Chinese, Korean and Vietnamese.

Verizon offers innovative features not available from other providers, such as Home Media DVR (digital video recorder) and FiOS TV Widgets. Home Media DVR, at $19.99 per month, allows the family to use one DVR to access recorded programming from multiple rooms in the house. Customers also can access photos and music on their PCs and play them on their TV. FiOS TV Widgets is a free interactive feature that provides viewers with local weather and traffic information while they're watching their favorite shows.

Verizon's network brings the power and capacity of fiber optics directly into people's homes and has industry-leading quality and reliability. It also delivers Internet download speeds ranging from 5 Mbps to 30 Mbps (megabits per second) and upload speeds ranging up to 5 Mbps, as well as high-quality voice service.*

** NOTE: actual (throughput) speeds will vary.*

Verizon Communications Inc. (NYSE:VZ), headquartered in New York, is a leader in delivering broadband and other wireline and wireless communication innovations to mass market, business, government and wholesale customers. Verizon Wireless operates America's most reliable wireless network, serving more than 59 million customers nationwide. Verizon's Wireline operations include Verizon Business, which operates one of the most expansive wholly owned global IP networks, and Verizon Telecom, which is deploying the nation's most advanced fiber-optic network to deliver the benefits of converged communications, information and entertainment services to customers. A Dow 30 company, Verizon has a diverse workforce of approximately 242,000 and last year generated consolidated operating revenues of more than $88 billion. For more information, visit www.verizon.com.

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Verizon FiOS TV becomes available Friday (March 23) in the following communities under California's first state-issued video franchise:

Chino, Fountain Valley, Garden Grove, Huntington Beach, Lakewood, Long Beach, Montclair, Pomona, Santa Monica, Stanton, Torrance, Westminster, Unincorporated areas of: Los Angeles County, Orange County, San Bernardino

County, Ventura County

Verizon FiOS TV is already available in the following communities, under locally negotiated video franchise agreements:

Apple Valley, Banning, Beaumont, Camarillo, Chino Hills, Hermosa Beach, Lake Elsinore, Los Alamitos, Malibu, Manhattan Beach, Murrieta, Ontario, Redlands, Redondo Beach, Temecula, Thousand Oaks, Unincorporated areas of Riverside County

Verizon's state-issued franchise also covers all or part of the following communities:

Artesia, Bellflower, Calimesa, Cathedral City, Claremont, Coachella, Desert Hot Springs, Diamond Bar, Hawaiian Gardens, Indian Wells, Indio, Industry, La Quinta, La Verne, Moreno Valley, Norwalk, Palm Desert, Palm Springs, Palos Verdes Estates, Rancho Cucamonga, Rancho Mirage, Rancho Palos Verdes, Rolling Hills, Rolling Hills Estates, San Dimas, San Jacinto, Santa Fe Springs, Seal Beach, Signal Hill, Upland, Victorville, Walnut, Yucaipa

** Availability of FiOS TV in these communities will be determined by the progress of fiber-network construction and other factors. Launch dates for these communities have not been set.*

Exhibit 8

verizon

About Us Seai

Residential | Small Business | Medium Business | Large Business | Wireless

A Career at Verizon

Recruiting Events

Why Work at Verizon?

Recruiting Events

Benefits

Life at Verizon

Frequently Asked Questions

College Hire Opportunities

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Recruiting Events in the East, Central and West Regions

East Region

Date	Event	Address	Location/Time
6/19	Information Session (Recruiting for Full-time, Term (up to 2 1/2 years) Consultants (Customer Sales and Services Representatives) in Salisbury, MD)	One Stop Job Market 1:00 p.m., 2:00 p.m., and 3:00 p.m.	917 Mount Hermon Rd. Salisbury, MD 21804
6/19	Spring 2007 Job Fair (Recruiting for Bilingual Spanish Operatorsand Service Representatives)	The Holiday Inn 9:00 a.m. - 12:00 p.m.	39 Dalton St. Brockton, MA 02301
6/19	Come Meet the Employer (Recruiting for Consultants and Multi-Media Service Techs)	Newark Bears Baseball Game - Bears & Eagles Riverfront Stadium 6:00 p.m.	450 Broad St. Newark, NJ 07102
6/19	Job Fair sponsored by the Plainfied Housing Authority (Recruiting for Consultants and Multi-Media Service Techs)	NJ Department of Labor Office 10:00 a.m. - 2:00 p.m.	200 West 2nd St. Plainfield, NJ 07060
6/19	Information Session (Recruiting for Retail Sales Consultants)	Career Central 10:00 a.m. - 2:00 p.m.	4440 Grand Blvd. New Port Richey, FL 34652
6/19	ITT Technical Institute Super Career Fair 2007 (Recruiting for Part-time Fiber Customer Support Analysts)	Holiday Inn - Carrier Circle 1:00 p.m. - 4:00 p.m.	6555 Old Collamer Rd. East Syracuse, NY 13057
6/20	Information Session (Recruiting for Full-time, Term (up to 2 1/2 years) Consultants (Customer Sales and Services Representatives) in Salisbury, MD)	Dorchester County One Stop Center 9:00 a.m. - 12:00 p.m.	627A Race Street Cambridge, MD 21613
6/20	Meet a Verizon Representative (Recruiting for Bilingual Operators and Driver B)	Career Fair at Plymouth Career Center Center 9:30 a.m. - 11:30 a.m.	36 Cordage Park Circle Plymouth, MA 02360
6/20	Come Meet the Employer (Recruiting for Consultants and Multi-Media Service Techs)	NJ Department of Labor Office 10:00 a.m. - 2:00 p.m.	990 Broad St. Newark, NJ 07102
6/20	Learn about becoming a Bilingual Operator and Schedule Job Visit!	Verizon Livesource Must call (508) 675-6850 to make appointment before visiting call center.	326 North Main St. Fall River, MA 02720

6/20	Learn about becoming a Bilingual Operator and Schedule Job Visit!	Verizon Livesource Canter Must call (781) 321-9957 to make appointment before visiting call center.	7 Elm St. - 3rd Fl. Malden, MA 02148
6/20	Learn about becoming a Bilingual Operator and Schedule Job Visit!	Verizon Livesource Canter Must call (978) 632-9902 to make appointment before visiting call center.	43 West St. Gardner, MA 01440
6/20	Learn about becoming a Bilingual Operator and Schedule Job Visit!	Verizon Livesource Canter Must call (413) 773-1431 to make appointment before visiting call center.	11 Church St. Greenfield, MA 01301
6/20	Learn about becoming a Bilingual Operator and Schedule Job Visit!	Verizon Livesource Canter Must call (413) 447-8766 to make appointment before visiting call center.	24 Federal St. Pittsfield, MA 01201
6/21	Testing/Hiring Event (Recruiting for Operators)	Verizon 5:00 p.m. - Testing starts at 5:30 p.m. Contingent job offers made after testing. **pre-register**and select 6/21 as the test date	131 W 9th St. Erie, PA 16501
6/21	Meet the Verizon Recruiter (Recruiting for Summer Customer Service Assistants, Service Reps & Bi-Lingual Spanish Operators)	Valley Works Career Center - Heritage Place 9:00 a.m. - 1:00 p.m.	439 South Union St. - Building #2 Lawrence, MA 01843
6/21	Job Fair sponsored by Burlington County Workforce Investment Board (Recruiting for Consultants and Multi-Media Service Techs)	Burling County Institute of Technology 9:00 a.m. - 1:00 p.m.	695 Woodlane Rd. Westampton, NJ 08060
6/22	Come Meet the Employer (Recruiting for Consultants in Robbinsville)	NJ Department of Labor Office 10:00 a.m. - 2:00 p.m.	26 Yard Ave. Trenton, NJ 08625
6/23	Testing/Hiring Event (Recruiting for Operators)	Verizon Two testing sessions: 9:00 a.m. or 12:00 p.m. Contingent job offers made after testing. **pre-register**and select 6/23 as the test date	20 E 10th St. Erie, PA 16501
6/25	Meet the Employer (Recruiting for Bilingual Operators)	Career Point in Holyoke Center 10:00 a.m. - 1:00 p.m.	850 High St. Holyoke, MA 01040
6/25	Come Meet the Employer (Recruiting for Consultants in Robbinsville)	NJ Department of Labor Office 10:00 a.m. - 2:00 p.m.	795 Woodlane Rd. Westampton, NJ 08060
6/27	Meet the Employer (Recruiting for Bilingual	Workforce Central Career Center	5 Optical Dr. - Suite 200

	Operators and Service Representatives and Driver B)	10:00 a.m. - 1:00 p.m.	Southbridge, MA 01550
6/27	Learn about becoming a Bilingual Operator and Schedule Job Visit!	Verizon Livesource Must call (508) 675-6850 to make appointment before visiting call center.	326 North Main St. Fall River, MA 02720
6/27	Learn about becoming a Bilingual Operator and Schedule Job Visit!	Verizon Livesource Canter Must call (781) 321-9957 to make appointment before visiting call center.	7 Elm St. - 3rd Fl. Malden, MA 02148
6/27	Learn about becoming a Bilingual Operator and Schedule Job Visit!	Verizon Livesource Canter Must call (978) 632-9902 to make appointment before visiting call center.	43 West St. Gardner, MA 01440
6/27	Learn about becoming a Bilingual Operator and Schedule Job Visit!	Verizon Livesource Canter Must call (413) 773-1431 to make appointment before visiting call center.	11 Church St. Greenfield, MA 01301
6/27	Learn about becoming a Bilingual Operator and Schedule Job Visit!	Verizon Livesource Canter Must call (413) 447-8766 to make appointment before visiting call center.	24 Federal St. Pittsfield, MA 01201
6/28	Meet the Verizon Recruiter (Recruiting for Summer Customer Service Assistants, Service Reps & Bi-Lingual Spanish Operators)	Valley Works Career Center 8:30 a.m. - 12:00 p.m.	80 Merrimack St. Haverhill, MA 01830
6/30	Testing/Hiring Event (Recruiting for Operators)	Verizon Two testing sessions: 9:00 a.m. or 12:00 p.m. **pre-register**and select 6/30 as the test date	20 E 10th St. Erie, PA 16501
7/07	Testing/Hiring Event (Recruiting for Operators)	Verizon Two testing sessions: 9:00 a.m. or 12:00 p.m. Contingent job offers made after testing. **pre-register**and select 7/07 as the test date	20 E 10th St. Erie, PA 16501
7/14	Testing/Hiring Event (Recruiting for Operators)	Verizon Two testing sessions: 9:00 a.m. or 12:00 p.m. Contingent job offers made after testing. **pre-register**and select 7/14 as the test date	20 E 10th St. Erie, PA 16501
7/21	Testing Only Event (Recruiting for Operators)	Verizon Two testing sessions: 9:00 a.m. or 12:00 p.m.	20 E 10th St. Erie, PA 16501

		pre-registerand select 7/21 as the test date	
7/28	Testing Only Event (Recruiting for Operators)	Verizon Two testing sessions: 9:00 a.m. or 12:00 p.m. pre-registerand select 7/28 as the test date	20 E 10th St. Erie, PA 16501

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Central Region

Date	Event	Location/Time	Address
6/20	Information Session (Recruiting for Operators & Consumer Sales Consultant)	Warrenton Career Center 1:00 p.m. - 4:00 p.m.	111 Steinhagen Warrenton, MO 63383
6/21	Information/Testing Session (Recruiting for Retail Sales Consultant)	Verizon Plus Store 9:00 a.m - 12:00 p.m. (Bring Resume) Testing 1:30 p.m. (Bring drivers license & social security card).	3630 US Highway 41 S. Terre Haute, IN 47802
6/21	Information/Testing Session (Recruiting for Retail Sales Consultant)	Verizon Plus Store 9:00 a.m - 12:00 p.m. (Bring Resume) Testing 1:30 p.m. (Bring drivers license & social security card).	871 N. Court St. Medina, OH 44256
6/21	Job Fair (Recruiting for Operators & Consumer Sales Consultants)	St. Charles Career Center 1:00 p.m - 4:00 p.m.	236 Turner Blvd. St Peters, MO 63376
6/22	Information/Testing Session (Recruiting for Operators)	Verizon 8:00 a.m - 6:00 p.m. Testing at 9:00 a.m.; 12:00 p.m.; 3:00 p.m.; & 6:00 p.m. (Bring drivers license & social security card).	1000 Century Tel Dr. Wentzville, MO 63385
6/23	Information/Testing Session (Recruiting for Consumer Sales Consultants)	Verizon 8:00 a.m - 5:00 p.m. Testing at 9:00 a.m.; 1:00 p.m.; & 4:00 p.m. (Bring drivers license & social security card).	1000 Century Tel Dr. Wentzville, MO 63385

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West Region

Date	Event	Location/Time	Address
6/19	Los Angeles' Annual Diversity Employment Day Career Fair	The Embassy Suites Hotel -LAX - North 12:00 p.m. - 5:00 p.m.	9801 Airport Blvd. Los Angeles, CA 92708
6/21	Meet The Employer Session with Testing (Recruiting for Operator II & Lang. Asst. Operator II - Victorville)	San Bernardino County Economic Development Agency, Barstow Office 9:00 a.m.- 11:00 a.m. (Speak with a Verizon Recruiter) 11:30 a.m. (Testing will begin - Need to bring a Photo ID and proof of Social Security for	1300 E. Mountain View Barstow, CA 92310

		testing purpose)	
6/23	Testing Sessions (Recruiting for Operator II & Lang. Asst. Operator II - Long Beach)	Verizon 9:00 a.m. & 1:00 p.m. (Bring drivers license & social security card. Please allow 3 hours for the testing process.) pre-registerand select 6/23 as the test date	9900 Flower St. Bellflower, CA 90706
6/26	Meet The Employer Session with Testing (Recruiting for Operator II & Lang. Asst. Operator II - Thousand Oaks)	East Ventura County Job and Career Center 9:00 a.m. - 11:00 a.m. (Speak with Verizon Recruiter) 11:30 am (Testing will begin)	980 Enchanted Way - Suite 105 Simi Valley, CA 93065
6/28	SELACO Career Day	SELACO WIB Career Center 10:00 a.m. - 2:00 p.m.	10900 E. 183rd St., 3rd Floor Cerritos, CA 90703

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Verizon is not responsible for last minute venue changes or event cancellations.
All job/career fairs posted are sponsored by private vendors or educational institutions.

* Please bring photo identification and verification of your Social Security number should you plan on taking the pre-employment testing. Please allow approximately five - eight hours for the testing process.

Exhibit 9

News Release

David Valdez Appointed Senior Vice President of Verizon West

May 3, 2006

Media Contact:
Kevin Laverty, 425-261-5855

EVERETT, Wash. - Verizon Communications has appointed David Valdez as senior vice president for Verizon West. He will be responsible for the company's regulatory and legislative initiatives in Alaska, Colorado, Idaho, Iowa, Minnesota, Montana, Nebraska, North Dakota, Oregon, South Dakota, Utah, Washington and Wyoming.

In addition, Valdez will oversee Verizon's community relations and grants from the Verizon Foundation, the company's philanthropic arm, to nonprofit organizations in the region.

Colleen McCloskey, Verizon senior vice president for state public affairs, policy and communications, said, "In today's dynamic communications marketplace, where consumers have so many choices, we need skilled executives to keep Verizon ahead of the competition. David Valdez is well-steeped in telecommunications, understands the needs of this important region, and has significant leadership experience. He will do an excellent job for Verizon and the many communities we serve."

Based in Everett, Valdez has been vice president for public policy and external affairs for the Northwest for the past two years. Previously, he was the company's chief privacy officer.

Valdez earned degrees from Georgetown University Law Center and Rutgers School of Law, and a B.A. from California State University, Northridge.

Verizon Communications Inc. (NYSE:VZ), a Dow 30 company, is a leader in delivering broadband and other communication innovations to wireline and wireless customers. Verizon operates America's most reliable wireless network, serving 53 million customers nationwide; one of the most expansive wholly-owned global IP networks; and one of the nation's premier wireline networks, serving mass market and wholesale customers. Based in New York, Verizon has a diverse workforce of more than 250,000 and generates annual consolidated operating revenues of approximately $90 billion. For more information, visit www.verizon.com.

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Exhibit 10

News Release

Verizon to Expand FTTP Network Connections to an Additional 79,000 Homes in Metro Area

Multnomah, Washington and Yamhill County Communities to Benefit From Company's Fiber-to-the-Premises Network

April 5, 2006

Media Contact:
Kevin Laverty, 425-261-5855

BEAVERTON, Ore. - A growing number of Verizon customers in the Portland metro area and beyond soon will experience super-fast broadband Internet access as the company expands availability of its Verizon FiOS Internet Service to homes surrounding Portland.

By the end of this year, FiOS (FYE'-ose) will expand to parts of Gresham and Troutdale, east of Portland, while the company continues building its new fiber-to-the-premises (FTTP) network in Beaverton, Tigard and Hillsboro, and expands it farther to Tualatin, Durham, King City and unincorporated Washington County. The expansion also includes Dundee and Newberg in Yamhill County.

In addition, the company is negotiating to deploy FTTP in Cornelius and Sherwood in Washington County; Fairview and Wood Village in Multnomah County; and Wilsonville in Clackamas County.

Verizon is delivering FiOS over the company's FTTP network, which it is constructing in Oregon and 15 other states - more than half of the states where the company offers landline phone service. By the end of 2005, the company passed 3 million homes nationwide with its FTTP network, and it expects to add a similar number this year. The company passed more than 59,000 homes in Washington County during 2005.

To date, Verizon has deployed 2.34 million feet, or 443 miles, of fiber-optic cable in Washington County as part of the FTTP project. The company will deploy an additional 2.99 million feet of fiber, or 565 miles, in 2006. Verizon has approximately 278,000 customer lines in the Portland metro area.

To help build its ultra-fast network in Oregon, Verizon has approximately 203 full-time positions to handle fiber splicing, installation, repair and engineering. The company also estimates it will retain more than 825 contractors in the metro area to work on various aspects of the local FTTP project such as underground boring, trenching and fiber splicing.

FTTP technology utilizes hair-thin strands of fiber and optical electronics -- instead of copper wire -- to directly link homes and businesses to Verizon's network, enabling a broad array of voice, data and video applications.

Customers Respond Favorably to New Fiber-Based Broadband Service

Verizon launched Oregon's premier consumer broadband service in Washington County last summer, sparking very favorable responses from customers.

"We're focused on providing the best overall value in broadband," said David S. Valdez, the company's Northwest vice president for public affairs and policy. "FiOS has quickly grown in popularity for people who want to boost productivity and gain a competitive edge with even faster Internet connections.

"Eventually, we plan to bring our FiOS TV service to the network and offer our customers a competitive alternative to cable and satellite TV," he added.

Currently, Verizon is offering three tiers of fiber-based broadband service with download speeds of up to 5, 15 and 30 Mbps (megabits per second).*

Customers who want to determine whether they can order FiOS Internet Service visit Verizon's FiOS Web site at www.verizon.com/fios or call **1-888-GET FIOS (1-888-438-3467)**.

Three Tiers of FiOS Service Offer Customers Value and Choice

Each FiOS service is available either as part of a bundle of local and long-distance calling services from Verizon or as a stand-alone Internet access service. There are three tiers of Verizon FiOS Internet Service for consumers:

- 5 Mbps downstream and 2 Mbps upstream. Suited for Internet surfing and basic computer functions. $34.95 a month as part of a calling package, or $39.95 a month stand-alone for a one-year contract.

- 15 Mbps downstream and 2 Mbps upstream. Appealing to families that have multiple computers and various needs such as media downloads and the ability to access or share large files. $39.95 a month as part of a calling package, or $44.95 a month stand-alone.

- 30 Mbps downstream and 5 Mbps upstream. Designed for communications-intensive power users with significant bandwidth needs, such as telecommuters or work-at-home households and avid online gamers. $179.95 a month as part of a calling package, or $199.95 a month stand-alone.

Each consumer data offer includes the suite of services currently available to Verizon Online DSL customers at no additional charge, including: MSN Premium content; Verizon's new Broadband Beat entertainment portal optimized for high-speed access featuring news, games, streaming video and more; up to nine e-mail accounts with 30 megabytes (MB) of storage for the primary account and an additional 10 MB for each sub-account; address book and calendar; 10 MB personal Web space and a Web site building tool; and access to newsgroups.

**NOTE: Actual (throughput) speeds will vary.*

Verizon Communications Inc. (NYSE:VZ), a Dow 30 company, is a leader in delivering broadband and other communication innovations to wireline and wireless customers. Verizon operates America's most reliable wireless network, serving 51.3 million customers nationwide; one of the most expansive wholly-owned global IP networks; and one of the nation's premier wireline networks, serving home, business and wholesale customers. Based in New York, Verizon has a diverse workforce of approximately 250,000 and generates annual consolidated operating revenues of approximately $90 billion. For more information, visit www.verizon.com.

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Exhibit 11

News Release

Verizon Boosts Broadband Availability in Oregon, Giving More Consumers Access to High-Speed Internet

Network Upgrades Extend Reach of DSL Service to More Customers

December 4, 2006

Media Contact:
Kevin Laverty, 425-261-5855

BEAVERTON, Ore. - Verizon has boosted access to its fast, affordable DSL broadband service with network upgrades to 20 switching centers in Oregon.

By extending the reach of its DSL service within the state, Verizon is bringing almost 4,200 more consumers a new, competitive choice in broadband through its upgrade.

"The introduction of upgraded technology to the Verizon network in Oregon allows thousands of our customers who may not have had access to DSL in the past to join the millions of Americans who have already chosen it as their high-speed connection to the Internet," said Vickie Curry, Verizon Northwest's director of customer operations. "We are excited about offering more people a new choice for fast Internet access at an affordable price, with a multitude of services that will help them get the most from their broadband connection."

Consumers in Oregon where availability has been expanded can visit www.verizon.net/dsl to see if Verizon Online DSL is available to their homes and to order service. New customers who go online to order consumer DSL service with an annual service plan can choose from a maximum connection speed of up to 3.0 Mbps (megabits per second) downstream and 768 Kbps (kilobits per second) upstream for $29.99 per month, or a maximum connection speed of up to 768 Kbps downstream and 128 Kbps upstream for just $19.99 per month.

Both plans include 24/7 technical support, a 30-day money-back guarantee, a choice of free Verizon Yahoo! or MSN Premium services, nine e-mail accounts and 10 MB (megabytes) of personal Web space. For information about additional DSL plans, consumers can call **1-800-PICK-DSL**.

Verizon Online DSL members can make the most of their high-speed connections through access to a variety of great online experiences, including the most extensive collection of online content anywhere from Disney and ESPN Networks. This programming includes live breaking news from ABC News Now, family games and entertainment with Disney Connection, sports action and exclusive game broadcasts from ESPN360, full-screen film trailers and movie news from Movies.com MAX, and original soap opera programming and soap news from SOAPNETIC.

Verizon Online DSL customers also have access to a variety of NFL Network programs, including weekly previews of NFL Network games and off-season

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programming. Verizon also has a number of DSL plans that offer excellent value for business customers, with maximum connection speeds ranging from up to 768 Kbps/128 Kbps to up to 7.1 Mbps/768 Kbps. For more information on business DSL offerings, visit www.verizon.com.

Verizon Communications Inc. (NYSE:VZ), a New York-based Dow 30 company, is a leader in delivering broadband and other wireline and wireless communication innovations to mass market, business, government and wholesale customers. Verizon Wireless operates America's most reliable wireless network, serving nearly 57 million customers nationwide. Verizon's Wireline operations include Verizon Business, which operates one of the most expansive wholly-owned global IP networks, and Verizon Telecom, which is deploying the nation's most advanced fiber-optic network to deliver the benefits of converged communications, information and entertainment services to customers. For more information, visit www.verizon.com.

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Exhibit 12

News Release

Verizon to Expand Its Fiber-Optic Network to 59,000 Additional Homes in Portland, Ore., Metro Area

Forest Grove, McMinnville and Wilsonville to join other Oregon Communities Getting Company's Industry-Leading Fiber-to-the-Premises Network

February 19, 2007

Media Contact:
Kevin Laverty, 425-261-5855

BEAVERTON, Ore. - Internet users in Washington, Clackamas, Multnomah and Yamhill counties will soon be able to subscribe to state-of-the-art broadband service from Verizon, the company that is building the nation's most advanced digital all-fiber-optic network. On Monday (Feb. 19) Verizon announced plans to deploy the advanced fiber-optic technology all the way to customers' homes and businesses in those four counties.

The company said it will extend its fiber-to-the premises (FTTP) network this year to the communities of Forest Grove, McMinnville and Wilsonville. It also will continue its network expansion in the Beaverton, Sherwood and Tualatin areas of Washington County, and the east Multnomah communities of Gresham, Troutdale, Fairview and Wood Village.

A total of 59,000 additional homes will be connected to the FTTP network, which offers the fastest data speeds available to homeowners and small businesses and is capable of offering TV services in the future. Below are the number of households in each community that will be added to the network:

- Forest Grove - 9,600
- Gresham Area - 15,700
- McMinnville - 5,000
- Wilsonville - 4,300
- Beaverton - 14,700
- Sherwood - 2,500
- Tualatin - 6,000
- Unincorporated - 1,200

The network uses hair-thin strands of fiber and optical electronics to directly link homes and businesses to Verizon's network and replaces the traditional copper-wire connections for voice, high-speed Internet and TV.

"The FTTP project already has had a positive impact on the local economy, creating new jobs," said David S. Valdez, the company's vice president for the Northwest. "We've employed hundreds of contractors to build the network; and we've hired more than 300 new Verizon employees over the past two years to design the network, install our FiOS broadband and voice services, and provide technical support to our customers.

"More importantly, however, Verizon is offering consumers a choice by providing the best network available at a competitive price for voice, data and, eventually, TV," he added. Recently, the Metropolitan Area Communications Commission board of directors recommended adoption of a video franchise agreement for Verizon to provide its FiOS TV service to Washington County communities.

Verizon expects to install more than 5 million feet b of fiber-optic cabling throughout the Portland metro area by year-end 2007, bringing to 211,000 the total number of homes and small businesses in the area that will be linked to the new network.

More than 6 million homes and businesses in parts of 16 states are now passed by Verizon's all-fiber network, and the company expects its new network to pass about 18 million premises by the end of 2010. Verizon had 687,000 FiOS (FYE'-ose) Internet customers and 207,000 FiOS TV customers by year-end 2006.

FiOS Internet service is offered in more than 1,600 communities in the 16 states where the company's new network is deployed: California, Connecticut, Delaware, Florida, Indiana, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Oregon, Pennsylvania, Rhode Island, Texas, Virginia and Washington. The company currently offers FiOS TV service in parts of ten states: California, Delaware, Florida, Maryland, Massachusetts, New Jersey, New York, Pennsylvania, Texas and Virginia.

Fiber offers tremendous advantages to network operators, in addition to new and superior services for customers. For example, fiber offers reliable service in stretches of wet weather that can affect copper-based networks.

"Verizon's 100 percent fiber-optic network is technically superior to other communication platforms because it offers faster data speeds than those currently available, as well as voice and video capabilities," said Vickie Curry, Verizon's director of customer operations in the Northwest. "This new network will have greater reliability and lower maintenance costs. By deploying fiber to homes and businesses in our territory, Verizon is transforming its wireline business into 21st century technology."

Customer Feedback About Verizon Fiber Service Is Positive

Customer reaction to Verizon's FiOS service has been very positive, with broadband subscribers rapidly increasing in markets across the country. Verizon will notify customers in Washington when FiOS is available locally.

"FiOS has been an extraordinary hit with our customers," said Curry. "People are literally lining up to get what they know is a fantastic service at an excellent price. The need for speed and ability to take advantage of bandwidth-intensive applications remain a top priority for all computer users."

There are three tiers of Verizon FiOS Internet service for consumers, with downstream (download) speeds of up to 5, 15, and 30 Mbps (megabits per second).*

- 5 Mbps downstream and 2 Mbps upstream. Suited for Internet surfing and basic computer functions. $39.99 a month.
- 15 Mbps downstream and 2 Mbps upstream. Appealing to families that have multiple computers and various needs such as media downloads and the ability to access or share large files. $49.99 a month.
- 30 Mbps downstream and 5 Mbps upstream. Designed for communications-intensive power users with significant bandwidth needs, such as telecommuters or work-at-home households and avid online gamers. $179.95 a month with a one-year agreement.

Each consumer data offer includes: state-of-the-art, wireless broadband home router; Verizon's Surround entertainment portal optimized for high-speed access featuring news, games, streaming video and more; virtually unlimited 2 GB (gigabytes) of e-mail capacity with up to 9 e-mail accounts; 24/7 live technical support; and 30-day money-back guarantee.

The FTTP initiative represents a natural extension of the more than 10 million miles of fiber-optic cable Verizon already has in place and extends the high capacity, speed and quality of fiber directly to the customer's doorstep. With FTTP technology, Verizon can easily add more capacity, higher speeds or video services in the future.

Verizon's digital subscriber line (DSL) service will remain the company's most widely available form of high-speed Internet access for the foreseeable future while the company ramps up FTTP deployment. The company offers DSL on a widespread basis throughout Oregon over existing copper lines at speeds of up to 3 Mbps.

* *NOTE: Actual (throughput) speeds will vary.*

Verizon Communications Inc. (NYSE:VZ), headquartered in New York, is a leader in delivering broadband and other wireline and wireless communication innovations to mass market, business, government and wholesale customers. Verizon Wireless operates America's most reliable wireless network, serving more than 59 million customers nationwide. Verizon's Wireline operations include Verizon Business, which operates one of the most expansive wholly owned global IP networks, and Verizon Telecom, which is deploying the nation's most advanced fiber-optic network to deliver the benefits of converged communications, information and entertainment services to customers. A Dow 30 company, Verizon has a diverse workforce of approximately 242,000 and last year generated consolidated operating revenues of more than $88 billion. For more information, visit www.verizon.com.

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Exhibit 13

News Release

Oregon Consumers Win as Washington County and 10 Cities Approve Video Services Franchise

April 17, 2007

Media Contact:
Kevin Laverty, 425-261-5855

BEAVERTON, Ore. -- On Feb. 8, the MACC (Metropolitan Area Communications Commission) Board of Commissioners recommended the approval of a video franchise agreement reached with Verizon for10 municipalities and Washington County. Today, Washington County formally approved the MACC recommendation, following earlier approvals by the 10 municipalities.

Verizon, connecting the nation's largest fiber-optic network directly to customers' homes, is building its all-fiber-optic network in most of the wireline telephone areas it serves in the Portland metro area. The 100 percent fiber-optic network is the technological platform from which customers receive Verizon's crystal-clear FiOS TV, ultra-fast FiOS Internet service and reliable FiOS phone service.

The following statement should be attributed to Verizon Northwest Region Senior Vice President David S. Valdez:

"Today's approval by Washington County of the MACC's video franchise agreement with Verizon means consumer choice in cable TV is on the way for more than 156,000 Washington County households early next year.

"Verizon, which continues to build out its all-fiber-optic network in Washington County, already offers ultra-fast FiOS Internet and reliable FiOS phone service. This agreement now sets the stage for us to offer our competitive cable service, FiOS TV.

"Customer acceptance of Verizon's FiOS services continues to grow at a record pace because we have established best-in-class standards for TV picture quality, programming choice, broadband speeds and customer service."

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Exhibit 14

News Release

TV Choice and Competition Near for Residents of Dundee, Ore.

Community Approves Video Franchise for Verizon

May 17, 2007

Media Contact:
Kevin Laverty, 425-261-5855

BEAVERTON, Ore. -- Residents of the Yamhill County community of Dundee are a major step closer to having a real choice for their television services, thanks to a newly approved agreement authorizing Verizon to offer its FiOS TV service, delivered over the most advanced fiber-optic network straight to customers' homes.

In a unanimous vote, the Dundee City Council granted a video franchise to Verizon Tuesday night (May 15), paving the way for video choice for local citizens.

"Consumers want options in their video service provider, and Verizon looks forward to providing area residents with a dramatic new choice that will forever change their TV viewing experience," said David Valdez, Verizon Northwest region president. "Competition drives innovation, value and service quality, and we will compete aggressively in Yamhill County with our FiOS services."

Dundee joins a growing list of communities nationwide that are paving the way for competition and choice in the television market. In addition to Dundee, Verizon has been granted video franchises by the city of Newberg and 10 cities in Washington County, as well as by Washington County itself. The company expects to offer FiOS TV service in these communities early next year.

Verizon is the first and only major telecommunications company to be certified by the independent Fiber to the Home Council as providing customers with 100 percent fiber-optic service, the ultimate communications and entertainment technology.

Verizon, the first company to connect homes and businesses directly to fiber optics on a widespread national scale, offers its FiOS voice and Internet service in more than 1,700 cities in 16 states including Washington and Oregon, and provides its FiOS TV service in more than 400 cities in 10 states. Verizon's FiOS TV is a formidable competitor to cable and satellite, offering a broad collection of all-digital programming, more than 25 high-definition (HD) channels in most markets and access to more than 8,600 on-demand titles, 60 percent of which are free.

Verizon's fiber network delivers amazingly sharp pictures and sound, and has the capacity to transmit a wide array of high-definition programming that is so clear and intense it seems to leap from the TV screen. In addition to FiOS TV, Verizon's fiber network also delivers Internet download speeds of up to 30 Mbps (megabits per second) and upload speeds of up to 5 Mbps, as well as high-quality voice

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service.*

** NOTE: actual (throughput) speeds will vary.*

Verizon Communications Inc. (NYSE:VZ), headquartered in New York, is a leader in delivering broadband and other wireline and wireless communication innovations to mass market, business, government and wholesale customers. Verizon Wireless operates America's most reliable wireless network, serving 60.7 million customers nationwide. Verizon's Wireline operations include Verizon Business, which delivers innovative and seamless business solutions to customers around the world, and Verizon Telecom, which brings customers the benefits of converged communications, information and entertainment services over the nation's most advanced fiber-optic network. A Dow 30 company, Verizon has a diverse workforce of more than 238,000 and last year generated consolidated operating revenues of more than $88 billion. For more information, visit www.verizon.com.

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Exhibit 15

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News Release

Verizon Expands High-Speed Internet Access in Illinois

Company Upgrades Network to Make Super-Fast DSL Service More Available

September 5, 2006

Media Contact:
Karen Boswell, 309-663-3491
Bill Kula, 972-718-6924

BLOOMINGTON, Ill. - Verizon will soon be raising the speed limit in 48 rural communities throughout Illinois with the introduction of its super-fast digital subscriber line (DSL) Internet access service for consumers and businesses. The action is part of Verizon's initiative to deliver its fast, affordable DSL service to thousands more consumers and businesses in the state over the next year.

The communities scheduled to receive Verizon Online DSL service for the first time are: Ashton, Ava, Bellmont, Brimfield, Capron, Chatsworth, Chrisman, Clay City, Colfax, Creal Springs, Cypress, Dakota, Elkhart, Enfield, Evansville, Galva, Grand Ridge, Greenfield, Ladd, McLean, McLeansboro, Meredosia, Monroe Center, Murrayville, New Holland, Noble, Norris City, Odell, Palestine, Paulton, Pearl City, Piper City, Raleigh, Saybrook, Shabbona, Shirland, Stanford, St. Francisville, Stonefort, Sumner, Toluca, Walnut, Washburn/Low Point, Wayne City, Wenona, West Salem, Willow Hill and Wyoming.

Upgrades to Verizon's network have already begun, and the broadband service will be rolled out in stages to customers later this year and in 2007, allowing more people to take advantage of Verizon's affordable high-speed Internet access, as well as other great new offerings, said Philip Wood, vice president of public affairs, policy and communications in Illinois.

"Our DSL customers can experience the Internet fast lane to listen to music, play games, watch streaming video, shop and work from home," said Wood. "This expansion underscores Verizon's ongoing commitment to serve our rural Illinois markets."

Verizon's new packaged offerings allow residential customers to combine their local telephone service with various plans that offer unlimited nationwide long-distance service for a total price of as little as $39.99 per month, and DSL for as little as $19.99 for a combined cost of $59.98. For the convenience of one-stop shopping, DIRECTV service from Verizon can also be added, providing residential customers with unlimited use of their telephone, high speed-Internet access, and in-home video service for about $100 per month. Verizon also offers DSL plans for business customers.

Verizon Freedom Essentials offers unlimited local, regional and domestic long-distance calling with the three most popular calling features - Home Voice Mail, Call Waiting and Caller ID for as little as $49.99 a month. Verizon Freedom Value, offering any-distance, unlimited domestic calling but no calling features, costs $39.99 and is the company's lowest-priced any-distance calling plan. Either of these plans can be combined with the company's upcoming high-speed Internet Access services and entertainment services from DIRECTV, enabling consumers to receive all their home communications needs in one package.

Verizon will offer two high-speed DSL Internet service plans to qualifying consumers, one with maximum connection speeds of up to 768 Kbps (kilobits per second) downstream and 128 Kbps upstream and another with maximum connection speeds of up to 3.0 Mbps (megabits per second) downstream and 768 kbps upstream.*

The DIRECTV Total Choice package offers more than 135 channels of 100 percent digital video and music programming, providing a higher-quality picture and sound than cable's older analog signals. The package also offers the ability to add advanced services like video recorders, interactivity and high-definition programming. Customers with a qualifying local service package and DIRECTV service can get bundle discounts and a single bill for calling, Internet and entertainment services.

* *NOTE: Actual (throughput) speeds will vary.*

Verizon Communications Inc. (NYSE:VZ), a Dow 30 company, is a leader in delivering broadband and other wireline and wireless communication innovations to mass market, business, government and wholesale customers. Verizon Wireless operates America's most reliable wireless network, serving nearly 55 million customers nationwide. Verizon Business operates one of the most expansive wholly-owned global IP networks. Verizon Telecom is deploying the nation's most advanced fiber-optic network to deliver the benefits of converged communications, information and entertainment services to customers. Based in New York, Verizon has a diverse workforce of more than 252,000 and generates annual consolidated operating revenues of approximately $90 billion. For more information, visit www.verizon.com.

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Exhibit 16

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News Release

Verizon's High-Speed Internet Access Arrives in 20 More Rural Communities Throughout Illinois, Just in Time for the Holidays

December 20, 2006

Media Contact:
Karen Boswell, 309-663-3491
Bill Kula, 972-718-6924

BLOOMINGTON, Ill. - Verizon customers in 20 rural communities throughout Illinois will get a long-awaited benefit, just in time for the holidays: the availability of high-speed Internet access where they live or work. Verizon is raising the speed limit in these communities with the introduction of its super-fast digital subscriber line (DSL) Internet access service for consumers and businesses.

The action is part of Verizon's initiative to deliver its fast, affordable DSL service to thousands more consumers and businesses in the state over the next year. The newest communities that can now receive Verizon Online DSL service for the first time are: Ashton, Ava, Chatsworth, Clay City, Colfax, Cypress, Elkhart, Grand Ridge, Ladd, McLean, Meredosia, Murrayville, Noble, Piper City, Saybrook, Shirland, Stanford, Toluca, Washburn/Low Point and Wenona.

"Upgrades to Verizon's network have been completed, and broadband services are available now in each of these areas, allowing more people to take advantage of Verizon's affordable high-speed Internet access, as well as other great new offerings," said Philip Wood, Verizon's vice president of public affairs, policy and communications in Illinois.

"Our DSL customers can experience the Internet fast lane to listen to music, play games, watch streaming video, shop and work from home," said Wood. "This expansion underscores Verizon's ongoing commitment to serve our rural Illinois markets."

Verizon's new packaged offerings will allow residential customers to combine their local telephone service with various plans that offer unlimited nationwide long-distance service for one low price. Verizon Freedom Essentials offers unlimited local, regional and domestic long-distance calling with the three most popular calling features - Home Voice Mail, Call Waiting and Caller ID -- for as little as $49.99 a month. Verizon Freedom Value, offering any-distance, unlimited domestic calling but no calling features, costs $39.99 and is the company's lowest-priced any-distance calling plan. DSL can be added for as little as $23.99, for a combined cost as low as $63.98 per month. For the convenience of one-stop shopping, DIRECTV service from Verizon can also be added, providing residential customers with unlimited use of their telephone, high speed-Internet access and in-home video service for $104.99 per month. Verizon also offers DSL plans for business customers.

For customers in the areas where DSL is being rolled out, Verizon will offer two high-speed DSL Internet service plans, one with maximum connection speeds of up to 768 Kbps (kilobits per second) downstream and 128 Kbps upstream and another with maximum connection speeds of up to 3.0 Mbps (megabits per second) downstream and 768 kbps upstream.*

The DIRECTV Total Choice package offers more than 135 channels of 100 percent digital video and music programming, providing a higher-quality picture and sound than cable's older analog signals. The package also offers the ability to add advanced services like video recorders, interactivity and high-definition programming.

* *NOTE: Actual (throughput) speeds will vary.*

Verizon Communications Inc. (NYSE:VZ), a New York-based Dow 30 company, is a leader in delivering broadband and other wireline and wireless communication innovations to mass market, business, government and wholesale customers. Verizon Wireless operates America's most reliable wireless network, serving nearly 57 million customers nationwide. Verizon's Wireline operations include Verizon Business, which operates one of the most expansive wholly-owned global IP networks, and Verizon Telecom, which is deploying the nation's most advanced fiber-optic network to deliver the benefits of converged communications, information and entertainment services to customers. For more information, visit www.verizon.com.

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Exhibit 17

News Release

Verizon Introduces New Bundles of Top-Quality Home Services for Illinois Consumers

Winning Array of Bundles, Just in Time for Valentine's Day, Include Combinations of Local Phone Service With Unlimited Nationwide Toll, High-Speed Internet, DIRECTV -- and Now Verizon Wireless

February 13, 2007

Media Contact:
Karen Boswell, 309-663-3491
Bill Kula, APR, 972-718-6924

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BLOOMINGTON, Ill - Verizon has introduced a winning array of new calling packages that are designed to beat any of cable's offerings for quality, value and network reliability. Verizon's Illinois customers can now choose from new packages that offer two, three, or now four services - including wireless calling from Verizon Wireless - with each package offered at one monthly rate.

Phil Wood, Verizon's vice president of public affairs in Illinois, said, "These newest bundles represent a sweetheart of a deal, which is fitting since Valentine's Day is tomorrow. The bundles offer consumers exceptional voice, Internet, TV and wireless service, significant savings, and the security of knowing that it's all backed by Verizon's amazing network and incredible customer service.

"Customers will look for the greatest quality at the fairest price for their telecommunications needs, which gives Verizon a major edge over cable, he said."

Verizon has begun a new advertising campaign that touts the reliability of its network, driving home the fact that Verizon completes 1.2 billion calls on an average business day with 99.99 percent success.

Verizon will be using its premium network to offer one-price bundles in all of its service areas in Illinois. The new plans -- called Verizon Double Freedom, Verizon Triple Freedom and Verizon Ultimate Freedom -- let customers mix and match home services and, for the first time, include wireless service from Verizon Wireless.

"Our new plans crack the code on simplicity and value," said Bob Ingalls, executive vice president and chief marketing officer for Verizon's Telecom Group. "With these new packages, we lead the market on choice, value and quality. Customers can get calling and high-speed Internet service on the Verizon network, known for its 99.99 percent record of reliability. With all-digital DIRECTV, already the choice of half a million Verizon customers, new subscribers get top-notch picture quality and entertainment choices.

"By adding Verizon Wireless, consumers can have the convenience of all their services on a single bill and trigger great savings, too. Our new packages are the most complete offers in the market," he said.

Verizon already has been testing bundled services in Florida and Texas that include calling plans from Verizon Wireless.

"We think customers know that our services, our network and our support personnel are the best in the market, and we've simplified our offers to make the choice easy," Ingalls said.

With Verizon Double Freedom, customers can choose from three combinations of services: Verizon's most popular unlimited calling plan known as Verizon Freedom Essentials coupled with Verizon high-speed Internet service (DSL up to 3 megabits per second), with DIRECTV® service billed through Verizon, or with an existing Verizon Wireless plan. Verizon Wireless customers must participate in Verizon's no-cost ONE-BILL® program, which combines wireline and wireless charges on a single bill. Each two-service combination is priced from $64.99 to $74.99 a month, depending on the service area and the combination of services purchased. Discounts, which will appear as cumulative savings printed directly on customer bills, range from $7.99 to $14.99 a month for Double Freedom, depending on the market and the combination of services purchased.

Verizon Triple Freedom links a combination of the Freedom Essentials calling plan and Verizon high-speed Internet (DSL up to 3 megabits per second) with either an existing Verizon Wireless calling plan or DIRECTV service. Verizon Triple Freedom is priced from $94.99 to $104.99 a month, and savings range from $17.98 to $27.98 per month.

Verizon Ultimate Freedom combines all four services at prices from $134.99 to $144.99 a month with savings of up to $27.97 a month.

Customers who choose one of the new plans can migrate to any of the other new plans during the 12-month savings period with no penalty. However, the customer's savings will vary depending on the new plan selected.

The wireless offer calculated in the bundle pricing and savings is the popular Verizon Wireless America's Choice® calling plan at $39.99 for monthly access, which includes 450 monthly anytime minutes along with unlimited night and weekend minutes, and unlimited calling with any other Verizon Wireless customer. The DIRECTV offer cited is the Total Choice® package at $44.99 a month, which includes more than 155 all-digital TV channels and 50 music channels of XM Satellite Radio.

The plans are available now throughout Verizon's serving area in Illinois.

Verizon Communications Inc. (NYSE:VZ), headquartered in New York, is a leader in delivering broadband and other wireline and wireless communication innovations to mass market, business, government and wholesale customers. Verizon Wireless operates America's most reliable wireless network, serving more than 59 million customers nationwide. Verizon's Wireline operations include Verizon Business, which operates one of the most expansive wholly owned global IP networks, and Verizon Telecom, which is deploying the nation's most advanced fiber-optic network to deliver the benefits of converged communications, information and entertainment services to customers. A Dow 30 company, Verizon has a diverse workforce of approximately 242,000 and last year generated consolidated operating revenues of more than $88 billion. For more information, visit www.verizon.com.

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Exhibit 18

News Release

Verizon's New Slimmed-Down Unlimited Calling Plans Add Choice and Value for Rhode Island Callers

Unlimited Calling Over Verizon's Reliable Network for as Little as $34.99 a Month Underpins Super Prices on Bundles of Calling, Internet and Entertainment

September 12, 2006

Media Contact:
Lillian McGee, 401-525-2134
Jim Smith, 908-559-3477

PROVIDENCE, R.I. – Verizon customers in Rhode Island now have two new options for flat-rate, unlimited, any-distance calling. Customers can combine the new phone plans with Verizon high-speed Internet and DIRECTV services to meet or beat the best bundle offers from cable.

Verizon Freedom Essentials offers unlimited local, regional and domestic long-distance calling with the three most popular calling features – Home Voice Mail, Call Waiting and Caller ID – for as little as $44.99 a month. Verizon Freedom Value, offering any-distance domestic calling but no calling features, costs $34.99 and is the company's lowest-priced any-distance calling plan.

The new Freedom Value and Essentials plans are available starting today in New Hampshire, Rhode Island and West Virginia The plans were first introduced last year and now are available in most of Verizon's service areas, where customers are choosing the value-based phone plans to build bundles of calling, Internet access, and entertainment service provided by DIRECTV to meet all their home-communications needs.

With the new calling plans, customers can have unlimited calling and entry-level DSL at a connection speed of up to 768 kilobits per second (Kbps) downstream* at a combined price of less than $53 per month. Customers can also add DIRECTV service from Verizon for a total package priced at less than $96 per month. All services are billed together on the regular Verizon bill.

All calling is over Verizon's reliable local telephone network and does not involve Internet call transmission, which some cable companies offer, and which is a key differentiator for many customers. Verizon's new calling plan prices and broadband charges are not dependent on purchasing other services, as can happen with cable plans.

"These are brand-new calling plans, not temporary offers," said Eileen Cassidy, senior vice president for voice and bundled solutions for Verizon. "We're giving our customers great new prices on calling plans and offering a foundation for very competitively priced bundles of services.

"This is the kind of competitive marketing that will grow our customer base and reinforce the loyalty between Verizon and its residential customers," she said.

Telecommunications and wireless industry analyst Jeff Kagan said, "New competition in the industry is driving creative, cost-cutting innovation. Verizon is offering a variety of service and pricing options that should be attractive to all their customers. On one hand, it offers a simple package with the lowest price for calls; and on the other hand, it also offers a very low price on a super bundle of services, including DIRECTV.

"As Verizon competes with cable television companies, this is the kind of offer that customers will love," he said. "It should allow Verizon to attract and retain customers."

The two new calling plans will available for online ordering at www.verizon.com starting Sept. 17 but can be ordered by phone now.

The plans complement other calling-service options that allow customers to virtually customize their calling plans, building from a local calling package, to per-minute-priced or unlimited regional and long-distance calling. Verizon service personnel will analyze a customer's bills and calling habits and suggest the most efficient plan.

Verizon offers two high-speed DSL Internet service plans to qualifying consumers, one with maximum connection speeds of up to 768 Kbps downstream and 128 Kbps upstream and another with maximum connection speeds of up to 3.0 Mbps (megabits per second) downstream and 768 Kbps upstream. In some areas where network construction is complete, the company also offers three tiers of Verizon FiOS Internet Service for qualified consumers. These fiber-optic-based services come with maximum downstream/upstream connection speeds of up to 5 Mbps/2 Mbps, 15 Mbps/2 Mbps and 30 Mbps/5 Mbps.*

The DIRECTV TOTAL CHOICE package offers more than 155 channels of 100 percent-digital video and music programming, providing a higher-quality picture and sound than cable's older analog signals. The package also offers the ability to add advanced services like digital video recorders, interactivity and high-definition programming. Customers with a qualifying voice package and DIRECTV service can get bundle discounts and a single bill for calling, Internet service and entertainment.

**Actual downstream and upstream speed may vary based on numerous factors.*

Verizon Communications Inc. (NYSE:VZ), a Dow 30 company, is a leader in delivering broadband and other wireline and wireless communication innovations to mass market, business, government and wholesale customers. Verizon Wireless operates America's most reliable wireless network, serving nearly 55 million customers nationwide. Verizon Business operates one of the most expansive wholly-owned global IP networks. Verizon Telecom is deploying the nation's most advanced fiber-optic network to deliver the benefits of converged communications, information and entertainment services to customers. Based in New York, Verizon has a diverse workforce of more than 252,000 and generates annual consolidated operating revenues of approximately $90 billion. For more information, visit www.verizon.com.

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Exhibit 19

News Release

Verizon Accelerates Internet With Unprecedented Speeds for Massachusetts and Rhode Island

FiOS Moves Consumers, Small Businesses Into Broadband Passing Lane With up to 50 Megabits per Second, While Reducing Cost of Highest Speed

December 18, 2006

Media Contact:
Phil Santoro (consumer), 617-743-4760
Ellen Yu (small business), 908-559-3496

BOSTON - Verizon just opened the passing lane on the Internet turnpike for consumers and small businesses in parts of Massachusetts and Rhode Island, while reducing tolls for the fastest drivers.

Verizon is increasing the maximum connection speed of its fastest FiOS Internet Service for consumers from 30 Mbps downstream/ 5 Mbps upstream to 50/5 Mbps, and lowering the price of that offering by $40 per month. In addition, Verizon has pumped up the speed of its mid-level FiOS Internet Service for consumers from 15 Mbps downstream /2 Mbps upstream to 20/5 Mbps.

Speeds for small businesses have been increased as follows: 15/2 to 20/5, 5/5 to 35/10 and 30/5 to 50/10.

"Verizon is the only major Internet service provider that delivers the speed and power of fiber optics directly into homes and businesses," said John Schommer, Verizon's director of broadband management and development. "This allows customers to confidently download full-screen streaming movies and enormous business files such as medical images and computer-aided designs. Customers can play networked games in real-time, share broadband service among multiple users, and send and receive e-mails with the speed of instant messaging."

With a broadband speed of 50 Mbps, consumers can download a two-hour movie in about five minutes or 40 photos in about eight seconds. For a small-business customer, such as an architectural firm or a physician's office, e-mailing a set of blueprints or downloading large medical images can take just seconds with FiOS Internet, instead of minutes.

The high-end 10 Mbps upload speed for small businesses is unprecedented in the market. This speed will boost the flow of information among multiple users and facilitate streaming video for product demonstrations or workforce training. Verizon's Static IP service is an ideal business solution for videoconferencing, Web hosting and running Web cameras for surveillance. Additionally, the increase in speed makes it easier and quicker for businesses to upload Web content.

For Consumers, Paramount Service and Speeds

In Massachusetts and Rhode Island, Verizon now offers consumers three tiers of Verizon FiOS Internet Service. All consumer FiOS Internet installations include a free wireless broadband router.

- **5 Mbps downstream and 2 Mbps upstream**
  Suited for Internet surfing and basic computer functions. $39.99 a month. One-year agreement includes free professional installation and configuration of primary PC or laptop.

- **20 Mbps downstream and 5 Mbps upstream (increased from 15/2)**
  Appealing for families that have multiple computers and various needs such as multi-media and accessing and sending large files. $49.99 a month. One-year agreement includes free professional installation and configuration of primary PC or laptop.

- **50 Mbps downstream and 5Mbps upstream (increased from 30/5)**
  Designed for communications-intensive power users with significant bandwidth needs and multiple users, such as telecommuters or work-at-home households and avid online gamers. $139.95 with a one-year agreement or $159.95 month to month. One-year agreement includes free professional installation and configuration of primary PC or laptop.

Residential customers who want to determine whether they can order FiOS Internet Service can call 888-GET FIOS (888-438-3467) or visit Verizon's FiOS Web site at www.verizonfios.com.

Small Businesses Can Get Big-Biz Speeds

FiOS Internet Service for small businesses is available as part of a bundle of local and long-distance calling services from Verizon, in some areas with DIRECTV®, or as a stand-alone Internet access service. Small-business customers can receive free professional installation for their primary computer, plus a 10 to 20 percent discount off of their standard monthly rate with a qualifying local-calling service package, if the one-bill option is selected.

Small-business owners can choose from new increased speeds with either a dynamic Internet protocol (IP) address or static IP address:

- **20 Mbps downstream and 5 Mbps upstream (increased from 15/2)**, for $59.95 a month with a dynamic IP address and $99.95 a month with up to five static IP addresses.

- **35 Mbps downstream and 10 Mbps upstream (increased from 5/5)**, for $169.95 a month with a dynamic IP address and $209.95 with up to five static IP addresses.

- **50 Mbps downstream and 10 Mbps upstream (increased from 30/5)**, for $349.95 a month with a dynamic IP address and $389.95 a month with up to five static IP addresses.

All FiOS Internet services for business now offer free Internet Security Suite for 1 PC ($4.95 a month value) and free annual Domain Name Registration for one domain name (a $35 value) on qualifying packages. Companies also receive 24x7 business-grade technical support. Plus, qualifying packages include up to 15 domain name e-mail addresses (yourname@yourbusiness.com), 20 MB (megabytes) of Web space and unlimited remote dial-up access that keeps employees connected when they're on the road. A one-year contract is required for all FiOS business packages. More static IP addresses are available for an additional fee.

Small businesses can call **877- FIOS BIZ (877-346-7249)** to determine if they qualify for FiOS Internet Service for Business or visit www.verizon.com/fiosinternet/ for more information and current promotions.

In some areas, Verizon offers FiOS TV services to consumers over its advanced, fiber-to-the-premises (FTTP) network - the only network that currently brings fiber-optic technology directly to homes and businesses on a widespread scale. The company is currently building its FTTP network in more than 100 communities in Massachusetts and Rhode Island where it offers landline communications services.

All speeds reflect initial connections between a computer and Verizon's central office. Actual throughput speeds will vary based on numerous factors, including network and Internet congestion and the speed of Web sites visited on the Internet.

Verizon Communications Inc. (NYSE:VZ), a New York-based Dow 30 company, is a leader in delivering broadband and other wireline and wireless communication innovations to mass market, business, government and wholesale customers. Verizon Wireless operates America's most reliable wireless network, serving nearly 57 million customers nationwide. Verizon's Wireline operations include Verizon Business, which operates one of the most expansive wholly-owned global IP networks, and Verizon Telecom, which is deploying the nation's most advanced fiber-optic network to deliver the benefits of converged communications, information and entertainment services to customers. For more information, visit www.verizon.com.

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Exhibit 20

verizon

News Release

Verizon Receives DPUC Approval for Compliance Order Certificate to Offer FiOS TV in Rhode Island

December 20, 2006

Media Contact:
Teri O'Brien, 401-525-3060
Phil Santoro, 617-743-4760

WARWICK, R.I. - The state Division of Public Utilities and Carriers granted a Compliance Order Certificate to Verizon Wednesday (Dec. 20), taking the next significant step toward bringing video choice to approximately 80,000 Rhode Island households.

The division's order comes after an 11-month proceeding in which the company's technical, financial and managerial qualifications to operate a cable system in Service Area 6 were examined and found to be in compliance with the division's rules and regulations. Service Area 6 encompasses the communities of Coventry, East Greenwich, Exeter, North Kingstown, Warwick, West Greenwich and West Warwick.

"We are delighted to receive this first certificate and look forward to working with the division in the coming months to complete the certification process," said Donna Cupelo, Verizon region president for Massachusetts and Rhode Island. "Rhode Island consumers deserve the opportunity to have a choice in their cable TV provider. Competition drives innovation, value and service quality, and when we will launch FiOS TV in Rhode Island next year, consumers in Service Area 6 will be able to choose their cable provider as easily as they chose their phone company."

FiOS TV is the company's new fiber-optic television service, delivered over the only all-digital, fiber network that is being made available, on a mass scale, to millions of individual homes and businesses. It offers a better-quality picture, more high-definition and on-demand programs, and more reliable service at competitive prices.

Verizon currently offers FiOS TV to nearly 200,000 households in Massachusetts as well as other locations in New York, California, Texas, Florida, Maryland, Pennsylvania and Virginia.

For more information on the Verizon franchise process in the state, log onto www.verizon.com/ri.

Verizon research indicates 91 percent of Rhode Island residents favor more competition and choice for video services. Independent studies have shown that competition in the video market brings enormous benefits to consumers in the form of reduced prices, better packages and improved service.

"Upon completion of the certification process, Verizon will compete aggressively for subscribers in Service Area 6 with our FiOS services, which are fueled by our lightning-fast fiber-optic network," Cupelo said.

Verizon is the first company to offer such a communications network, connecting homes and businesses directly to fiber optics on a widespread scale.

FiOS TV offers a broad collection of all-digital programming, two dozen high-definition channels, video on demand and more. It is delivered over Verizon's fiber-to-the-premises (FTTP) network, which has industry-leading quality and reliability. Only Verizon's FTTP network has earned the certification of the independent Fiber to the Home Council for providing fiber all the way to customers' homes and businesses.

Fiber delivers amazingly sharp pictures and sound, and has the capacity to transmit a wide array of high-definition programming that is so clear and intense it seems to leap from the TV screen.

In addition to FiOS TV, Verizon's fiber network also allows the company to offer consumers and businesses high-speed FiOS Internet Service at download speeds of up to 50 Mbps (megabits per second) and upload speeds up to 10 Mbps.*

* *NOTE: actual (throughput) speeds will vary.*

Verizon Communications Inc. (NYSE:VZ), a New York-based Dow 30 company, is a leader in delivering broadband and other wireline and wireless communication innovations to mass market, business, government and wholesale customers. Verizon Wireless operates America's most reliable wireless network, serving nearly 57 million customers nationwide. Verizon's Wireline operations include Verizon Business, which operates one of the most expansive wholly-owned global IP networks, and Verizon Telecom, which is deploying the nation's most advanced fiber-optic network to deliver the benefits of converged communications, information and entertainment services to customers. For more information, visit www.verizon.com.

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Exhibit 21

News Release

Choice and Competition for TV Service on the Way to More Rhode Island Consumers

Verizon Files Application to Provide FiOS TV to 158,000 Households in 12 More Communities

March 8, 2007

Media Contact:
Lillian McGee, 401-525-2134
Phil Santoro, 617-743-4760

PROVIDENCE, R.I. - Residents and businesses in 12 more Rhode Island communities are one step closer to having a long-awaited choice for their video services. Verizon Thursday (March 8) filed a petition with the Rhode Island Division of Public Utilities and Carriers (DPUC) seeking a franchise to provide the communities with FiOS TV, the company's fiber-optic-based service.

The communities are Charlestown, Cranston, Foster, Hopkinton, Johnston, Narragansett, North Providence, Providence, Richmond, Scituate, South Kingstown and Westerly. Verizon expects to be able to begin offering the service later this year to some of the 158,000 households in these communities, which constitute the state's cable service areas 2, 3 and 8.

Verizon has already begun deploying the nation's most advanced digital, all-fiber-optic network in these communities and is selling its FiOS high-speed Internet service in Coventry, East Greenwich, Narragansett, North Kingstown, Warwick and parts of Providence.

The company is also in the process of obtaining state approval to offer TV service this spring in service area 6, which includes Coventry, East Greenwich, Exeter, North Kingstown, Warwick, West Greenwich and West Warwick.

In Massachusetts, FiOS TV is available in 37 communities.

Rhode Island is the home for a Verizon Fiber Solutions Center, which provides customer care and technical support for FiOS services throughout New England, creating some 300 new jobs in the state. Over the past 10 years, Verizon has invested more than $700 million in Rhode Island's infrastructure.

"Verizon presented a strong, fair franchise proposal that paves the way for more competition in one of the nation's most technology-rich markets," said Donna Cupelo, Verizon Rhode Island region president. "We are looking forward to prompt consideration of the petition by the DPUC, as a Verizon franchise will give residents and businesses a superior choice for video services."

Bill McGowan, business manager for Local 2323 of the International Brotherhood of Electrical Workers (IBEW), said: "The members of Local 2323, who have a long history of providing quality service, are very excited about the opportunity of offering the most sophisticated video, data and voice network to Rhode Island consumers. This is not only good for consumers, but for our membership. Verizon is adding new union jobs as the result of this multiyear investment of bringing fiber directly to homes and businesses."

FiOS TV is designed to be a formidable competitor to cable and satellite. Verizon is providing FiOS services on its fiber-to-the-premises (FTTP) network. Only this network has earned the certification of the independent Fiber to the Home Council for providing fiber all the way to customers' homes.

Fiber delivers amazingly sharp pictures and sound, and has the capacity to transmit a wide array of high-definition programming that is so clear and intense it seems to leap from the TV screen. It also delivers Internet download speeds of up to 50 Mbps (megabits per second) and upload speeds of up to 5 Mbps as well as high-quality voice services.

"This is not cable TV. This is not satellite. This is FiOS TV," said Cupelo. "Customers who liked what FiOS did for their Internet connection will love what it does for their TV. We've harnessed the speed and capacity of broadband with the power of broadcast to create a revolutionary, new entertainment experience."

Verizon is providing FiOS TV service in California, Delaware, Florida, Massachusetts, Maryland, New Jersey, New York, Pennsylvania, Texas and Virginia.

Service highlights in these other states include:

- A broad collection of all-digital programming and compelling consumer choice - with more than 400 total channels and more on the way.
- A lead offer with more than 200 digital video and music channels, for $37.99 a month with Verizon FiOS Internet Service or a qualifying voice product or $42.99 as a stand-alone service.
- Two dozen high-definition channels, with extraordinary clarity and theater-quality sound.
- A library of 8,600 On Demand titles, 60 percent of which are free.
- Channels grouped by genres such as entertainment, sports, news, shopping, movies and family, making it easy for audiences to find their favorite programming.
- An easy-to-use interactive programming guide that integrates HD programming, On Demand content and the digital video recorder along with broadcast television into a seamless user experience.
- The option of Home Media DVR, which allows the family to use one DVR to access recorded programming from multiple rooms in the house. Customers can also access photos and music on their PCs and play them on their TV.
- FiOS TV Widgets, a free interactive feature that provides local weather and traffic information.

Programming choices for Hispanic, African-American, Asian, Russian and other multicultural audiences are available in every market. Because FiOS TV has so much capacity, it is an outlet for emerging and independent networks to showcase their diverse programming.

Verizon currently is constructing fiber-to-the premises (FTTP) networks in more than half the states where it offers landline communications services.

Verizon Communications Inc. (NYSE:VZ), headquartered in New York, is a leader in delivering broadband and other wireline and wireless communication innovations to mass market, business, government and wholesale customers. Verizon Wireless operates America's most reliable wireless network, serving more than 59 million customers nationwide. Verizon's Wireline operations include Verizon Business, which operates one of the most expansive wholly owned global IP networks, and Verizon Telecom, which is deploying the nation's most advanced fiber-optic network to deliver the benefits of converged communications, information and entertainment services to customers. A Dow 30 company, Verizon has a diverse workforce of approximately 242,000 and last year generated consolidated operating revenues of more than $88 billion. For more information, visit www.verizon.com.

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Exhibit 22

News Release

Verizon Service Packages Help Attract 416,000 Broadband and Nearly 219,000 Video Customers in First Quarter

Customers Turn to Verizon for Complete Packages; FiOS, DIRECTV Offers Now Enhanced

May 7, 2007

Media Contact:
Jim Smith, 908-559-3477

Ellen Yu, 908-559-3496

NEW YORK -- More and more customers are choosing Verizon packages of voice, Internet and TV as they shop for convenient and money-saving communications services. Sales of calling packages alone are up nearly 30 percent over last year to more than 8 million landline customers. Many of these customers are also adding Internet and entertainment services from Verizon.

Packages are also driving Verizon product growth. In the first quarter of 2007, Verizon added more than 416,000 broadband customers and served nearly 1 million TV customers. Verizon now serves about 348,000 homes with FiOS TV, carried by fiber optics all the way to the home, and about 620,000 customers with DIRECTV all-digital entertainment services. DIRECTV is an industry-leading all-digital satellite entertainment service.

But Verizon's appeal is not just product packages, according to John Wimsatt, senior vice president of marketing for Verizon.

"Customers anticipate value and convenience from combination offers, and with Verizon, they're signing up for Verizon's high-value packages backed by our superior network and world-class customer service," he said.

"We keep reminding customers that 'It's the Network' that differentiates our service," Wimsatt said. "The Verizon networks and services are second to none in sophistication and dependability, and our new one-of-a-kind fiber network straight into the home is unequalled by any other provider."

Verizon, which in January led the market with a series of six offers including a four-service package that folds in Verizon Wireless service, just introduced packages featuring improved all-digital DIRECTV service. Consumers now can get reliable network-based calling, broadband Internet and DIRECTV's industry-leading DIRECTV PLUS DVRTM service in new two- and three-service bundles. The DIRECTV PLUS DVR service comes with 185 channels of all-digital TV, 68 channels of XM Satellite Radio music and a free digital video recorder.

Verizon Double Freedom links Verizon's popular Freedom Essentials calling plan with the new DIRECTV offer for $69.99 to $79.99 a month for existing phone customers. Verizon Triple Freedom -- combining Freedom Essentials, Verizon

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High Speed Internet at 3 megabits per second (Mbps) and the new DIRECTV PLUS DVR offer -- is available at $94.99 to $104.99 a month for existing Verizon customers. New customers may be eligible for additional savings.

"The six new bundles have been very popular with customers, and the enhanced DIRECTV service will be an additional draw for consumers," Wimsatt said.

Verizon also has developed new packages featuring FiOS Internet and FiOS TV products. The FiOS all-fiber-optic services are now being introduced in parts of 16 states.

The new FiOS two-service and three-service packages are being offered with one- and two-year commitments.

In a two-service package, customers now can purchase the Freedom Essentials calling plan with FiOS Internet service at 5 Mbps downstream. The three-service bundle adds FiOS TV Premier to the package, where FiOS TV is available.

The FiOS packages are being introduced in Pennsylvania, Delaware, Maryland, Virginia, Massachusetts, Rhode Island, California, Texas, Indiana and Oregon.

FiOS packages in New York, New Jersey and Florida include calling and FiOS Internet at 20 Mbps downstream, and three-service packages offer calling, FiOS Internet and FiOS TV Premier.

Monthly savings on the bundles range from $5 to $25 for the 12- and 24-month two-service bundles and from $13 to $43 on the 12- and 24-month three-service bundles.

Verizon Communications Inc. (NYSE:VZ), headquartered in New York, is a leader in delivering broadband and other wireline and wireless communication innovations to mass market, business, government and wholesale customers. Verizon Wireless operates America's most reliable wireless network, serving 60.7 million customers nationwide. Verizon's Wireline operations include Verizon Business, which delivers innovative and seamless business solutions to customers around the world, and Verizon Telecom, which brings customers the benefits of converged communications, information and entertainment services over the nation's most advanced fiber-optic network. A Dow 30 company, Verizon has a diverse workforce of more than 238,000 and last year generated consolidated operating revenues of more than $88 billion. For more information, visit www.verizon.com.

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Exhibit 23e

☒ **REPORT OF LOBBYIST EMPLOYER**

(Government Code Section 86116)

or

☐ **REPORT OF LOBBYING COALITION**

(2 Cal. Code of Regs. Section 18616.4)

FORM 635
1993

IMPORTANT: Lobbying Coalitions must attach a completed Form 635-C to this Report.

REPORT COVERS PERIOD FROM 01/01/2001 **THROUGH** 03/31/2001

CUMULATIVE PERIOD BEGINNING 01/01/2001

FOR OFFICIAL USE ONLY

A

B

TYPE OR PRINT IN INK

For information required to be provided to you pursuant to the Information Practices Act of 1977, see Information Manual on Lobbying Disclosure Provisions of the Political Reform Act.

NAME OF FILER:

VERIZON COMMUNICATIONS INC.

BUSINESS ADDRESS: (Number and Street)	(City)	(State)	(Zip Code)	TELEPHONE NUMBER:
	SACRAMENTO	CA	95814	

PART I - LEGISLATIVE OR STATE AGENCY ADMINISTRATIVE ACTIONS ACTIVELY LOBBIED DURING THE PERIOD
(See instructions on reverse.)

AB 219 228 696 934 954 1013 1325 1458; AX 1 47; SB 291 394; SBX 1 23

☒ If more space is needed, check box and attach continuation sheets.

SUMMARY OF PAYMENTS THIS PERIOD

A. Total Payments to In-House Employee Lobbyists (Part III, Section A, Column 1)	$	58693.67
B. Total Payments to Lobbying Firms (Part III, Section B, Column 4)	$	0.00
C. Total Activity Expenses (Part III, Section C)	$	253.28
D. Total Other Payments to Influence (Part III, Section D)	$	47814.17
GRAND TOTAL (A + B + C + D above)	$	106761.12
E. Total Payments in Connection with PUC Activities (Part III, Section E)	$	0.00

F. Campaign Contributions: ☒ Part IV completed and attached ☐ No campaign contributions made this period

VERIFICATION

I have used all reasonable diligence in preparing this Report. I have reviewed the Report and to the best of my knowledge the information contained herein and in the attached schedules is true and complete.

I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on (Date)	At (City and State)	By (Signature of Employer or Responsible Officer)
04/27/2001	SACRAMENTO CA	J. RICHARD EICHMAN

Name of Employer or Responsible Officer (Type or Print)	Title
J. RICHARD EICHMAN	CERTIFIED PUBLIC ACCOUNTANT (- 4257)nm

PERIOD COVERED: 01/01/2001 03/31/2001

NAME OF FILER: VERIZON COMMUNICATIONS INC.

PART II - PARTNERS, OWNERS, AND EMPLOYEES WHOSE "LOBBYIST REPORTS" (FORM 615) ARE ATTACHED TO THIS REPORT (See instructions on reverse.)

Name and Title	Name and Title
Partner James P. Greene VICE PRESIDENT GOVERNMENT AFFAIRS	Partner Alex L. Franco DIRECTOR GOVERNMENT AFFAIRS

☐ If more space is needed, check box and attach continuation sheets.

PART III - PAYMENTS MADE IN CONNECTION WITH LOBBYING ACTIVITIES

	(1) Amount This Period	(2) Cumulative Total To Date
A. PAYMENTS TO IN-HOUSE EMPLOYEE LOBBYISTS (See instructions on reverse. Also enter the Amount This Period (Column 1) on Line A of the Summary of Payments section on page 1.)	$ 58693.67	$ 58693.67

B. PAYMENTS TO LOBBYING FIRMS (Including Individual Contract Lobbyists)

Name and Address of Lobbying Firm/Independent Contractor	(1) Fees & Retainers	(2) Reimbursements of Expenses	(3) Advances or Other Payments (attach explanation)	(4) Total This Period	(5) Cumulative Total to Date

☐ If more space is needed, check box and attach continuation sheets

TOTAL THIS PERIOD (Column 4)
Also enter the total of Column 4 on Line B of the Summary of Payments section on page 1. $ 0.00

PERIOD COVERED: 01/01/2001 03/31/2001

NAME OF FILER: VERIZON COMMUNICATIONS INC.

C. ACTIVITY EXPENSES (See instructions on reverse.)

Date	Name and Address of Payee	Name and Official Position of Reportable Persons and Amount Benefiting Each		Description of Consideration	Total Amount of Activity
01/09/2001	ESQUIRE GRILL SACRAMENTO CA 95814	SENATOR RICHARD ALAR - CON ANITA GARCIA LEG. AIDE - TO SENATOR ALARCON	$ 42.21	DINNER	$ 253.28

☐ If more space is needed, check box and attach continuation sheets.

TOTAL SECTION C (Activity Expenses) Also enter the total of Section C on Line C of the Summary of Payments section on page 1. $ 253.28

D. OTHER PAYMENTS TO INFLUENCE LEGISLATIVE OR ADMINISTRATIVE ACTION

☐ NOTE: State and local government agencies do not complete this section. Check box and complete Attachment Form 640 instead.

1. PAYMENTS TO LOBBYING COALITIONS (NOTE: You must attach a completed Form 630 to this Report.) $ 0.00
2. OTHER PAYMENTS $ 47814.17

TOTAL SECTION D (1 + 2) Also enter the total of Section D on Line D of the Summary of Payments section on page 1. $ 47814.17

E. PAYMENTS IN CONNECTION WITH ADMINISTRATIVE TESTIMONY IN RATEMAKING PROCEEDINGS BEFORE THE CALIFORNIA PUBLIC UTILITIES COMMISSION Also, enter the total of Section E on Line E of the Summary of Payments section on page 1. (See instructions on reverse.) $ 0.00

PERIOD COVERED: 01/01/2001 03/31/2001

NAME OF FILER: VERIZON COMMUNICATIONS INC.

PART IV -- CAMPAIGN CONTRIBUTIONS MADE (Monetary and non-monetary campaign contributions of $100 or more made to or on behalf of state candidates, elected state officers and any of their controlled committees, or committees supporting such candidates or officers must be reported in A or B below.)

A. If the contributions made by you during the period covered by this report, or by a committee you sponsor, are contained in a campaign disclosure statement which is on file with the Secretary of State, report the name of the committee and its identification number, if any, below.

Name of Major Donor or Recipient Committee Which Has Filed A Campaign Disclosure Statement:

Identification Number if Recipient Committee:

B. Contributions of $100 or more which have not been reported on a campaign disclosure statement, including contributions made by an organization's sponsored committee, must be itemized below.

Date	Name of Recipient	I.D. Number if Committee	Amount
01/29/2001	CITIZENS TO ELECT RUSS BOGH	1230666	$ 500.00
01/31/2001	MARTIN GALLEGOS FOR STATE SENATE	1231655	$ 500.00
02/26/2001	PADILLA 2001	1230099	$ 500.00
02/26/2001	FRIENDS OF SENATOR RICHARD ALARCON	972171	$ 1000.00
02/26/2001	JOE CANCIAMILLA FOR ASSEMBLY	990844	$ 750.00
02/26/2001	FRIENDS OF LYNN DAUCHER	990324	$ 100.00
02/26/2001	JOE NATION FOR ASSEMBLY	990119	$ 1000.00
03/15/2001	ACKERMAN FOR SENATE	983466	$ 100.00
03/15/2001	CITIZENS TO ELECT RUSS BOGH	1230666	$ 250.00
03/15/2001	MADDOX FOR ASSEMBLY	992082	$ 100.00

[X] If more space is needed, check box and attach continuation sheets.

NOTE: **Disclosure in this report does not relieve a filer of any obligation to file the campaign disclosure statements required by Gov. Code Section 84200, et seq.**

PERIOD COVERED: 01/01/2001 - 03/31/2001

NAME OF FILER: VERIZON COMMUNICATIONS INC.

PART IV -- CAMPAIGN CONTRIBUTIONS MADE (Monetary and non-monetary campaign contributions of $100 or more made to or on behalf of state candidates, elected state officers and any of their controlled committees, or committees supporting such candidates or officers must be reported in A or B below.)

B. Contributions of $100 or more which have not been reported on a campaign disclosure statement, including contributions made by an organization's sponsored committee, must be itemized below.

Date	Name of Recipient	I.D. Number if Committee	Amount
03/15/2001	JOHN CHIANG FOR BOARD OF EQUALIZATION	971663	$ 500.00

TEXT ANNOTATION

PAGE 1

Schedule F635 **Reference No:** A

CONTRIBUTIONS ON PART IV B WERE MADE BY VERIZON EMPLOYEES PAC ID #790703

PAGE 0

Schedule F635P3C **Reference No:** 1871

VERIZON COPAID 1/2 OF BILL TOTAL PORTION PRO RATA SHARE FOR VERIZON - $483.85

☒ **REPORT OF LOBBYIST EMPLOYER**
(Government Code Section 86116)
or
☐ **REPORT OF LOBBYING COALITION**
(2 Cal. Code of Regs. Section 18616.4)

FORM 635
1993

IMPORTANT: Lobbying Coalitions must attach a completed Form 635-C to this Report.

REPORT COVERS PERIOD FROM 01/01/2003 **THROUGH** 03/31/2003

CUMULATIVE PERIOD BEGINNING 01/01/2003

FOR OFFICIAL USE ONLY

A AMENDMENT 001

B

TYPE OR PRINT IN INK

For information required to be provided to you pursuant to the Information Practices Act of 1977, see Information Manual on Lobbying Disclosure Provisions of the Political Reform Act.

NAME OF FILER:
VERIZON COMMUNICATIONS,INC.

BUSINESS ADDRESS: (Number and Street)	(City)	(State)	(Zip Code)	TELEPHONE NUMBER:
	SACRAMENTO	CA	95814	

PART I - LEGISLATIVE OR STATE AGENCY ADMINISTRATIVE ACTIONS ACTIVELY LOBBIED DURING THE PERIOD
(See instructions on reverse.)

AB 840,1164,1253,1292,1389,1452,1457,1661,1730; SB 17,171,202,396,400,552,720,830,834,917,944; SBX 1; SCA 6; CA PUBLIC UT - ILITIES COMMISSION PROCEEDINGS R01-09-001,I01-09-002

☐ If more space is needed, check box and attach continuation sheets.

SUMMARY OF PAYMENTS THIS PERIOD

A.	Total Payments to In-House Employee Lobbyists (Part III, Section A, Column 1)	$	76049.49
B.	Total Payments to Lobbying Firms (Part III, Section B, Column 4)	$	30000.00
C.	Total Activity Expenses (Part III, Section C)	$	1329.50
D.	Total Other Payments to Influence (Part III, Section D)	$	46094.51
	GRAND TOTAL (A + B + C + D above)	$	153473.50
E.	Total Payments in Connection with PUC Activities (Part III, Section E)	$	0.00

F. Campaign Contributions: ☒ Part IV completed and attached ☐ No campaign contributions made this period

VERIFICATION

I have used all reasonable diligence in preparing this Report. I have reviewed the Report and to the best of my knowledge the information contained herein and in the attached schedules is true and complete.

I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on (Date)	At (City and State)	By (Signature of Employer or Responsible Officer)
01/17/2005	SACRAMENTO,CA	J. RICHARD EICHMAN

Name of Employer or Responsible Officer (Type or Print)	Title
J. RICHARD EICHMAN	CERTIFIED PUBLIC ACCOUNTANT (-425700-MM)

PERIOD COVERED: 01/01/2003 03/31/2003

NAME OF FILER: VERIZON COMMUNICATIONS,INC.

PART II - PARTNERS, OWNERS, AND EMPLOYEES WHOSE "LOBBYIST REPORTS" (FORM 615) ARE ATTACHED TO THIS REPORT (See instructions on reverse.)

Name and Title	Name and Title
Employee JAMES P. GREENE ASSISTANT VICE PRESIDENT,GOVERNMENT AFFAIRS	Employee ALEX L. FRANCO DIRECTOR,GOVERNMENT AFFAIRS

☐ If more space is needed, check box and attach continuation sheets.

PART III - PAYMENTS MADE IN CONNECTION WITH LOBBYING ACTIVITIES

A. PAYMENTS TO IN-HOUSE EMPLOYEE LOBBYISTS (See instructions on reverse. Also enter the Amount This Period (Column 1) on Line A of the Summary of Payments section on page 1.)	(1) Amount This Period	(2) Cumulative Total To Date
	$ 76049.49	$ 76049.49

B. PAYMENTS TO LOBBYING FIRMS (Including Individual Contract Lobbyists)

Name and Address of Lobbying Firm/Independent Contractor	(1) Fees & Retainers	(2) Reimbursements of Expenses	(3) Advances or Other Payments (attach explanation)	(4) Total This Period	(5) Cumulative Total to Date
PUBLIC AFFAIRS MANAGEMENT,LLC SAN FRANCISCO CA 94105	30000.00	0.00	0.00	30000.00	30000.00

☐ If more space is needed, check box and attach continuation sheets

TOTAL THIS PERIOD (Column 4)
Also enter the total of Column 4 on Line B of the Summary of Payments section on page 1. $ 30000.00

PERIOD COVERED: 01/01/2003 03/31/2003

NAME OF FILER: VERIZON COMMUNICATIONS,INC.

C. ACTIVITY EXPENSES (See instructions on reverse.)

Date	Name and Address of Payee	Name and Official Position of Reportable Persons and Amount Benefiting Each		Description of Consideration	Total Amount of Activity
01/24/2003	HILTON WATERFRONT BEACH RESORT HUNTINGTON BEACH CA 92648	CHRIS PALMER FIELD REPRESENTATIVE - FOR ASSEMBLYMAN JOHN CAMPBELL	$ 35.00	DINNER	$ 189.00
02/16/2003	LOS ANGELES LAKERS (STAPLES CENT - ER) LOS ANGELES CA 90015	ASSEMBLYMAN TONY STR - ICKLAND ASSEMBLYMEMBER	109.00	LAKERS GAME - AT STAPLES C - ENTER	490.50
02/16/2003	LOS ANGELES LAKERS (STAPLES CENT - ER) LOS ANGELES CA 90015	AUDRA STRICKLAND WIFE OF ASSEMBLYMAN - TONY STRICKLAND	111.50	LAKERS GAME - AT STAPLES C - ENTER	0.00
01/06/2003	CERRO COSO COMMUNITY COLLEGE RIDGECREST CA 93555	BOB PRICE AND ZACK SC - RIVNER STAFF OF ASSEMBLYMAN MCCARTHY	5.42	ELECTED OFFIC - IALS RECEPTI - ON	650.00

☐ If more space is needed, check box and attach continuation sheets.

TOTAL SECTION C (Activity Expenses) Also enter the total of Section C on Line C of the Summary of Payments section on page 1. $ 1329.50

D. OTHER PAYMENTS TO INFLUENCE LEGISLATIVE OR ADMINISTRATIVE ACTION

☐ NOTE: State and local government agencies do not complete this section. Check box and complete Attachment Form 640 instead.

1. PAYMENTS TO LOBBYING COALITIONS (NOTE: You must attach a completed Form 630 to this Report.) $ 0.00
2. OTHER PAYMENTS $ 46094.51

TOTAL SECTION D (1 + 2) Also enter the total of Section D on Line D of the Summary of Payments section on page 1. $ 46094.51

E. PAYMENTS IN CONNECTION WITH ADMINISTRATIVE TESTIMONY IN RATEMAKING PROCEEDINGS BEFORE THE CALIFORNIA PUBLIC UTILITIES COMMISSION Also, enter the total of Section E on Line E of the Summary of Payments section on page 1. (See instructions on reverse.) $ 0.00

PERIOD COVERED: 01/01/2003 03/31/2003

NAME OF FILER: VERIZON COMMUNICATIONS,INC.

PART IV -- CAMPAIGN CONTRIBUTIONS MADE (Monetary and non-monetary campaign contributions of $100 or more made to or on behalf of state candidates, elected state officers and any of their controlled committees, or committees supporting such candidates or officers must be reported in A or B below.)

A. If the contributions made by you during the period covered by this report, or by a committee you sponsor, are contained in a campaign disclosure statement which is on file with the Secretary of State, report the name of the committee and its identification number, if any, below.

Name of Major Donor or Recipient Committee Which Has Filed A Campaign Disclosure Statement:

Identification Number if Recipient Committee: 790793

VERIZON COMMUNICATIONS GOOD GOVERNMENT CLUB

B. Contributions of $100 or more which have not been reported on a campaign disclosure statement, including contributions made by an organization's sponsored committee, must be itemized below.

Date	Name of Recipient	I.D. Number if Committee	Amount
			$
			$
			$
			$
			$
			$
			$
			$
			$
			$

☐ If more space is needed, check box and attach continuation sheets.

NOTE: Disclosure in this report does not relieve a filer of any obligation to file the campaign disclosure statements required by Gov. Code Section 84200, et seq.

AMENDMENT TO LOBBYING DISCLOSURE REPORT

FOR USE BY FILERS AMENDING REPORTS FILED PURSUANT TO GOVERNMENT CODE SECTIONS 86100-86117

FORM 690
1990

TYPE OR PRINT IN INK

FOR OFFICIAL USE ONLY

A

B

For information required to be provided to you pursuant to the Information Practices Act of 1977, see Information Manual on Lobbying Disclosure Provisions of the Political Reform Act.

NAME OF FILER:
VERIZON COMMUNICATIONS,INC.

NAME OF EMPLOYER OR FIRM: (If this amendment is being filed by a lobbyist)
VERIZON COMMUNICATIONS,INC.

BUSINESS ADDRESS OF FILER: (Number and Street)	(City)	(State)	(Zip Code)	TELEPHONE NUMBER:
	SACRAMENTO	CA	95814	

(The information required must correspond to the information provided on the original report filed.)

1. The following information amends the lobbying disclosure report Form No. F635 executed on 04/25/2003 (Mo. - Day - Year) for the period 01/01/2003 to 03/31/2003.

2. Amended information affects items on Part(s) I; III Section(s) LEGISLATIVE; B.

3. Describe changes below.

ADDING BILLS LOBBIED AND A LOBBYING FIRM

VERIFICATION

I have used all reasonable diligence in preparing this Amendment. I have reviewed the Amendment and to the best of my knowledge the information contained herein is true and complete.

I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on (Date)	At (City and State)	By (Signature of Filer)
01/17/2005	SACRAMENTO,CA	J. RICHARD EICHMAN

Name of Filer (Type or Print)	Title
J. RICHARD EICHMAN	CERTIFIED PUBLIC ACCOUNTANT (425700 -MM)

☒ REPORT OF LOBBYIST EMPLOYER

(Government Code Section 86116)

or

☐ REPORT OF LOBBYING COALITION

(2 Cal. Code of Regs. Section 18616.4)

FORM 635
1993

IMPORTANT: Lobbying Coalitions must attach a completed Form 635-C to this Report.

REPORT COVERS PERIOD FROM 01/01/2005 **THROUGH** 03/31/2005

CUMULATIVE PERIOD BEGINNING 01/01/2005

FOR OFFICIAL USE ONLY

A

B

TYPE OR PRINT IN INK

For information required to be provided to you pursuant to the Information Practices Act of 1977, see Information Manual on Lobbying Disclosure Provisions of the Political Reform Act.

NAME OF FILER:

VERIZON COMMUNICATIONS,INC.

BUSINESS ADDRESS: (Number and Street)	(City)	(State)	(Zip Code)	TELEPHONE NUMBER:
	SACRAMENTO	CA	95814	

PART I - LEGISLATIVE OR STATE AGENCY ADMINISTRATIVE ACTIONS ACTIVELY LOBBIED DURING THE PERIOD
(See instructions on reverse.)

AB 903,1082,1380,1411,1580; SB 552,951,1068

☒ If more space is needed, check box and attach continuation sheets.

SUMMARY OF PAYMENTS THIS PERIOD

A. Total Payments to In-House Employee Lobbyists (Part III, Section A, Column 1)	$	78404.42
B. Total Payments to Lobbying Firms (Part III, Section B, Column 4)	$	50000.00
C. Total Activity Expenses (Part III, Section C)	$	3148.13
D. Total Other Payments to Influence (Part III, Section D)	$	30806.07
GRAND TOTAL (A + B + C + D above)	$	162358.62
E. Total Payments in Connection with PUC Activities (Part III, Section E)	$	0.00

F. Campaign Contributions: ☒ Part IV completed and attached ☐ No campaign contributions made this period

VERIFICATION

I have used all reasonable diligence in preparing this Report. I have reviewed the Report and to the best of my knowledge the information contained herein and in the attached schedules is true and complete.
I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on (Date)	At (City and State)	By (Signature of Employer or Responsible Officer)
04/27/2005	SACRAMENTO,CA	J. RICHARD EICHMAN

Name of Employer or Responsible Officer (Type or Print)	Title
J. RICHARD EICHMAN	CERTIFIED PUBLIC ACCOUNTANT (- 425700-MM)

PERIOD COVERED: 01/01/2005 03/31/2005

NAME OF FILER: VERIZON COMMUNICATIONS,INC.

PART II - PARTNERS, OWNERS, AND EMPLOYEES WHOSE "LOBBYIST REPORTS" (FORM 615) ARE ATTACHED TO THIS REPORT (See instructions on reverse.)

Name and Title	Name and Title
Employee JAMES P. GREENE ASSISTANT VICE PRESIDENT,GOVERNMENT AFFAIRS	Employee ALEX L. FRANCO DIRECTOR,GOVERNMENT AFFAIRS

☐ If more space is needed, check box and attach continuation sheets.

PART III - PAYMENTS MADE IN CONNECTION WITH LOBBYING ACTIVITIES

A. PAYMENTS TO IN-HOUSE EMPLOYEE LOBBYISTS (See instructions on reverse. Also enter the Amount This Period (Column 1) on Line A of the Summary of Payments section on page 1.)	(1) Amount This Period	(2) Cumulative Total To Date
	$ 78404.42	$ 78404.42

B. PAYMENTS TO LOBBYING FIRMS (Including Individual Contract Lobbyists)

Name and Address of Lobbying Firm/Independent Contractor	(1) Fees & Retainers	(2) Reimbursements of Expenses	(3) Advances or Other Payments (attach explanation)	(4) Total This Period	(5) Cumulative Total to Date
FLANIGAN LAW FIRM,THE SACRAMENTO CA 95814	30000.00	0.00	0.00	30000.00	30000.00
QUANTUM GOVERNMENT RELATIONS SACRAMENTO CA 95814	20000.00	0.00	0.00	20000.00	20000.00

☐ If more space is needed, check box and attach continuation sheets

TOTAL THIS PERIOD (Column 4)
Also enter the total of Column 4 on Line B of the Summary of Payments section on page 1. $ 50000.00

PERIOD COVERED: 01/01/2005 03/31/2005

NAME OF FILER: VERIZON COMMUNICATIONS,INC.

C. ACTIVITY EXPENSES (See instructions on reverse.)

Date	Name and Address of Payee	Name and Official Position of Reportable Persons and Amount Benefiting Each		Description of Consideration	Total Amount of Activity
02/02/2005	HYATT NEWPORTER NEWPORT BEACH CA 92660	SEE ATTACHMENT A SEE ATTACHMENT A	$ 43.72	RETREAT	$ 3148.13

☐ If more space is needed, check box and attach continuation sheets.

TOTAL SECTION C (Activity Expenses) Also enter the total of Section C on Line C of the Summary of Payments section on page 1. $ 3148.13

D. OTHER PAYMENTS TO INFLUENCE LEGISLATIVE OR ADMINISTRATIVE ACTION

☐ NOTE: State and local government agencies do not complete this section. Check box and complete Attachment Form 640 instead.

1. PAYMENTS TO LOBBYING COALITIONS (NOTE: You must attach a completed Form 630 to this Report.) $ 0.00
2. OTHER PAYMENTS $ 30806.07

TOTAL SECTION D (1 + 2) Also enter the total of Section D on Line D of the Summary of Payments section on page 1. $ 30806.07

E. PAYMENTS IN CONNECTION WITH ADMINISTRATIVE TESTIMONY IN RATEMAKING PROCEEDINGS BEFORE THE CALIFORNIA PUBLIC UTILITIES COMMISSION Also, enter the total of Section E on Line E of the Summary of Payments section on page 1. (See instructions on reverse.) $ 0.00

PERIOD COVERED: 01/01/2005 03/31/2005

NAME OF FILER: VERIZON COMMUNICATIONS,INC.

PART IV -- CAMPAIGN CONTRIBUTIONS MADE (Monetary and non-monetary campaign contributions of $100 or more made to or on behalf of state candidates, elected state officers and any of their controlled committees, or committees supporting such candidates or officers must be reported in A or B below.)

A. If the contributions made by you during the period covered by this report, or by a committee you sponsor, are contained in a campaign disclosure statement which is on file with the Secretary of State, report the name of the committee and its identification number, if any, below.

Name of Major Donor or Recipient Committee Which Has Filed A Campaign Disclosure Statement:

Identification Number if Recipient Committee: 790703

VERIZON COMMUNICATIONS GOOD GOVERNMENT COUNCIL

B. Contributions of $100 or more which have not been reported on a campaign disclosure statement, including contributions made by an organization's sponsored committee, must be itemized below.

Date	Name of Recipient	I.D. Number if Committee	Amount
			$
			$
			$
			$
			$
			$
			$
			$
			$
			$

☐ If more space is needed, check box and attach continuation sheets.

NOTE: Disclosure in this report does not relieve a filer of any obligation to file the campaign disclosure statements required by Gov. Code Section 84200, et seq.

TEXT ANNOTATION

PAGE 1

Schedule F635 **Reference No:** A

ASSEMBLY MEMBERS: JUAN ARAMBULA,KAREN BASS,PATTY BERG,JOE CANCIAMILLA,WILMA CHAN,ED CHAVEZ (35.48),JUDY CHU,JOE COTO,HECTOR DE LA TORRE,MERVYN DYMALLY,NOREEN EVANS,DARIO FROMMER,MIKE GORDON,LONI HANCOCK. BETTY KARNETTE,JOHAN KLEHS,PAUL KORETZ,JOHN LAIRD,MARK LENO,SALLY LIEBER,BARBARA MATHEWS,GLORIA NEGRE - TE-McLEOD,GENE MULLIN,JOE NATION,PEDRO NAVA,FABIAN NUNEZ,FRAN PAVLEY,MARK RIDLEY-THOMAS,LORI SALDANA,IRA RUSKIN,SIMON SALINAS,ALBERTO TORRICO,TOM UMBERG,JUAN VARGAS,LOIS WOLK,YEE LELAND; CAPITOL/DISTRICT OFFI - CE STAFF: CAROL BAKER(NUNEZ),KIMANI BLACK(NUNEZ),CHARMETTE BONPUA(NUNEZ),DAGNY BRUCE(RIDLEY-THOMAS),J - OHN CONNOLLY(NUNEZ),CRAIG CORNETT(NUNEZ),GUS DEMAS(RULES),DANNY EATON(NUNEZ),BOB GIROUX(NUNEZ),DIANE - GRIFFITHS(NUNEZ),VINCENT HARRIS(RIDLEY-THOMAS),LUANNE MORIKAWA(RIDLEY-THOMAS),DOUG MORROW(NUNEZ),RICK SIMPSON(NUNEZ),ARNIE SOWELL(NUNEZ),RUSSELL STIGER(NUNEZ),HERB WESSON III(NUNEZ),JOE ZAGO(NUNEZ)

☒ REPORT OF LOBBYIST EMPLOYER

(Government Code Section 86116)

or

☐ REPORT OF LOBBYING COALITION

(2 Cal. Code of Regs. Section 18616.4)

FORM 635
1993

IMPORTANT: Lobbying Coalitions must attach a completed Form 635-C to this Report.

REPORT COVERS PERIOD FROM 01/01/2007 **THROUGH** 03/31/2007

CUMULATIVE PERIOD BEGINNING 01/01/2007

FOR OFFICIAL USE ONLY

A

B

TYPE OR PRINT IN INK

For information required to be provided to you pursuant to the Information Practices Act of 1977, see Information Manual on Lobbying Disclosure Provisions of the Political Reform Act.

NAME OF FILER:

VERIZON COMMUNICATIONS,INC.

BUSINESS ADDRESS: (Number and Street)	(City)	(State)	(Zip Code)	TELEPHONE NUMBER:
	SACRAMENTO	CA	95814	

PART I - LEGISLATIVE OR STATE AGENCY ADMINISTRATIVE ACTIONS ACTIVELY LOBBIED DURING THE PERIOD
(See instructions on reverse.)

AB 231,408,703,826,918,942,1157,1168,1577,1647,1715,1716; SB 312,323,380,780,935,1013,1024

☐ If more space is needed, check box and attach continuation sheets.

SUMMARY OF PAYMENTS THIS PERIOD

A.	Total Payments to In-House Employee Lobbyists (Part III, Section A, Column 1)	$	28967.22
B.	Total Payments to Lobbying Firms (Part III, Section B, Column 4)	$	109000.00
C.	Total Activity Expenses (Part III, Section C)	$	357.97
D.	Total Other Payments to Influence (Part III, Section D)	$	74184.73
	GRAND TOTAL (A + B + C + D above)	$	212509.92
E.	Total Payments in Connection with PUC Activities (Part III, Section E)	$	0.00

F. Campaign Contributions: ☒ Part IV completed and attached ☐ No campaign contributions made this period

VERIFICATION

I have used all reasonable diligence in preparing this Report. I have reviewed the Report and to the best of my knowledge the information contained herein and in the attached schedules is true and complete.

I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on (Date)	At (City and State)	By (Signature of Employer or Responsible Officer)
04/27/2007	SACRAMENTO,CA	J. RICHARD EICHMAN

Name of Employer or Responsible Officer (Type or Print)	Title
J. RICHARD EICHMAN	CERTIFIED PUBLIC ACCOUNTANT (- 425700-MM)

PERIOD COVERED: 01/01/2007 03/31/2007

NAME OF FILER: VERIZON COMMUNICATIONS,INC.

PART II - PARTNERS, OWNERS, AND EMPLOYEES WHOSE "LOBBYIST REPORTS" (FORM 615) ARE ATTACHED TO THIS REPORT (See instructions on reverse.)

Name and Title	Name and Title
Employee SYRUS DEVERS SENIOR STAFF CONSULTANT-LOBBYIST	

☐ If more space is needed, check box and attach continuation sheets.

PART III - PAYMENTS MADE IN CONNECTION WITH LOBBYING ACTIVITIES

A. PAYMENTS TO IN-HOUSE EMPLOYEE LOBBYISTS (See instructions on reverse. Also enter the Amount This Period (Column 1) on Line A of the Summary of Payments section on page 1.)	(1) Amount This Period	(2) Cumulative Total To Date
	$ 28967.22	$ 28967.22

B. PAYMENTS TO LOBBYING FIRMS (Including Individual Contract Lobbyists)

Name and Address of Lobbying Firm/Independent Contractor	(1) Fees & Retainers	(2) Reimbursements of Expenses	(3) Advances or Other Payments (attach explanation)	(4) Total This Period	(5) Cumulative Total to Date
FLANIGAN LAW FIRM,THE SACRAMENTO CA 95814	30000.00	0.00	0.00	30000.00	30000.00
QUANTUM GOVERNMENT RELATIONS SACRAMENTO CA 95814	10000.00	0.00	0.00	10000.00	10000.00
FERNANDEZ GOVERNMENT SOLUTIONS,LLC SACRAMENTO CA 95814	18000.00	0.00	0.00	18000.00	18000.00
SLOAT,HIGGINS,JENSEN & ASSOCIATES SACRAMENTO CA 95814	51000.00	0.00	0.00	51000.00	51000.00

☐ If more space is needed, check box and attach continuation sheets

TOTAL THIS PERIOD (Column 4)
Also enter the total of Column 4 on Line B of the Summary of Payments section on page 1. $ 109000.00

PERIOD COVERED: 01/01/2007 03/31/2007

NAME OF FILER: VERIZON COMMUNICATIONS,INC.

C. ACTIVITY EXPENSES (See instructions on reverse.)

Date	Name and Address of Payee	Name and Official Position of Reportable Persons and Amount Benefiting Each		Description of Consideration	Total Amount of Activity
01/19/2007	RIVE GAUCHE CAFE LOUNGE SHERMAN OAKS CA 91423	LLOYD LEVINE ASSEMBLY MEMBER	$ 71.59 GE CORP CARD SE - RVICES	DINNER	$ 214.77
02/06/2007	LUCCA RESTAURANT SACRAMENTO CA 95814	CHRISTINE KEHOE STATE SENATOR	42.65 GE CORP CARD SE - RVICES	DINNER	127.96
02/08/2007	AMBROSIA CAFE SACRAMENTO CA 95814	JANICE LARK SCHEDULER,OFFICE OF S - ENATOR PADILLA	7.62 GE CORP CARD SE - RVICES	LUNCH	15.24

☐ If more space is needed, check box and attach continuation sheets.

TOTAL SECTION C (Activity Expenses) Also enter the total of Section C on Line C of the Summary of Payments section on page 1. $ 357.97

D. OTHER PAYMENTS TO INFLUENCE LEGISLATIVE OR ADMINISTRATIVE ACTION

☐ NOTE: State and local government agencies do not complete this section. Check box and complete Attachment Form 640 instead.

1. PAYMENTS TO LOBBYING COALITIONS (NOTE: You must attach a completed Form 630 to this Report.) $ 0.00
2. OTHER PAYMENTS $ 74184.73

TOTAL SECTION D (1 + 2) Also enter the total of Section D on Line D of the Summary of Payments section on page 1. $ 74184.73

E. PAYMENTS IN CONNECTION WITH ADMINISTRATIVE TESTIMONY IN RATEMAKING PROCEEDINGS BEFORE THE CALIFORNIA PUBLIC UTILITIES COMMISSION Also, enter the total of Section E on Line E of the Summary of Payments section on page 1. (See instructions on reverse.) $ 0.00

PERIOD COVERED: 01/01/2007 03/31/2007

NAME OF FILER: VERIZON COMMUNICATIONS,INC.

PART IV -- CAMPAIGN CONTRIBUTIONS MADE (Monetary and non-monetary campaign contributions of $100 or more made to or on behalf of state candidates, elected state officers and any of their controlled committees, or committees supporting such candidates or officers must be reported in A or B below.)

A. If the contributions made by you during the period covered by this report, or by a committee you sponsor, are contained in a campaign disclosure statement which is on file with the Secretary of State, report the name of the committee and its identification number, if any, below.

Name of Major Donor or Recipient Committee Which Has Filed A Campaign Disclosure Statement:

Identification Number if Recipient Committee:

B. Contributions of $100 or more which have not been reported on a campaign disclosure statement, including contributions made by an organization's sponsored committee, must be itemized below.

Date	Name of Recipient	I.D. Number if Committee	Amount
02/21/2007	SANDRE R. SWANSON FOR ASSEMBLY	1268689	$ 1000.00
			$
			$
			$
			$
			$
			$
			$
			$
			$

☐ If more space is needed, check box and attach continuation sheets.

NOTE: Disclosure in this report does not relieve a filer of any obligation to file the campaign disclosure statements required by Gov. Code Section 84200, et seq.

TEXT ANNOTATION

PAGE 2

Schedule F635P3B **Reference No:** 7175

**FOR SERVICES PRIOR TO 1/1/07

Exhibit 23a

Lobbying Activity
VERIZON COMMUNICATIONS, INC.

View:
- ○ General Information
- ◉ Financial Activity/Filing History

Legislative Session
- ○ 2007 through 2008
- ◉ Historical
  - ○ 2005 through 2006
  - ○ 2003 through 2004
  - ◉ 2001 through 2002
  - ○ 1999 through 2000

As disclosed in quarterly reports filed with the Secretary of State, payments made by an organization to its own in-house lobbyists or to lobbying firms are reported here. Links to legislative bills or state agencies lobbied also are available.

2001-2002 LEGISLATIVE SESSION

LOBBYING PAYMENTS MADE			
SESSION	QUARTER	GENERAL LOBBYING	P.U.C. LOBBYING
2001-2002	8th	$97,729.29	$0.00
2001-2002	7th	$111,815.17	$30,632.45

2001-2002	6th	$118,130.70	$3,132.22
2001-2002	5th	$169,779.44	$4,709.57
2001-2002	4th	$112,136.50	$11,760.00
2001-2002	3rd	$140,638.68	$0.00
2001-2002	2nd	$125,861.90	$926.25
2001-2002	1st	$106,761.12	$0.00

BILLS AND AGENCIES LOBBIED

SESSION	QUARTER	BILLS/AGENCIES LOBBIED (AS FILED)
2001-2002	8th	NONE
2001-2002	7th	AB 36, 934, 1899, 1964, 2244, 2497, 2490, 2560, 2669, 2754, 2805, 2898, 2958; SB 11, 1393, 1814
2001-2002	6th	AB 36, 934, 1899, 1964, 2244, 2497, 2490, 2560, 2669, 2754, 2805, 2898, 2958; SB 11, 1393, 1814
2001-2002	5th	AB 36, 934, 1752, 1814, 1899, 1964, 2244, 2467, 2490, 2560, 2669, 2754, 2805, 2898, 2958; SB 11, 230, 1553, 1563; CALIFORNIA PUBLIC UTILITIES COMMISSION RE: A 99-09-027, A 99-09-031
2001-2002	4th	CALIFORNIA PUBLIC UTILITIES COMMISSION RE: ITEM # 99-09-027, 99-09-031, D01-06-009
2001-2002	3rd	AB 36 219 228 256 696 934 954 1150 1200 1458; SB 11 291 394 771; SBX2 23
2001-2002	2nd	AB 36 219 256 696 934 954 1150 1200 1458; ABX1 47; SB 11 291 394; SBX2 23
2001-2002	1st	AB 219 228 696 934 954 1013 1325 1458; AX 1 47; SB 291 394; SBX 1 23

To Search For The Full Text Of Bills, Resolutions, And Constitutional Amendments Click Here.

ELECTRONIC FILINGS

REPORT OF LOBBYIST EMPLOYER AND REPORT OF LOBBYING COALITION (F635)

FILING PERIOD: 10/01/2002 - 12/31/2002	FILED ON: 1/29/2003 2:46:59 PM
FILING NUMBER: 908861	ORIGINAL FILING
REPORT OF LOBBYIST EMPLOYER AND REPORT OF LOBBYING COALITION (F635)	
FILING PERIOD: 07/01/2002 - 09/30/2002	FILED ON: 10/30/2002 12:24:23 PM
FILING NUMBER: 883161	ORIGINAL FILING
REPORT OF LOBBYIST EMPLOYER AND REPORT OF LOBBYING COALITION (F635)	
FILING PERIOD: 04/01/2002 - 06/30/2002	FILED ON: 7/30/2002 8:21:14 AM
FILING NUMBER: 853726	ORIGINAL FILING
REPORT OF LOBBYIST EMPLOYER AND REPORT OF LOBBYING COALITION (F635)	
FILING PERIOD: 01/01/2002 - 03/31/2002	FILED ON: 4/30/2002 12:22:55 PM
FILING NUMBER: 839618	ORIGINAL FILING
REPORT OF LOBBYIST EMPLOYER AND REPORT OF LOBBYING COALITION (F635)	
FILING PERIOD: 10/01/2001 - 12/31/2001	FILED ON: 1/30/2002 2:11:42 PM
FILING NUMBER: 812766	ORIGINAL FILING
REPORT OF LOBBYIST EMPLOYER AND REPORT OF LOBBYING COALITION (F635)	
FILING PERIOD: 07/01/2001 - 09/30/2001	FILED ON: 10/25/2001 11:25:07 AM
FILING NUMBER: 789315	ORIGINAL FILING
REPORT OF LOBBYIST EMPLOYER AND REPORT OF LOBBYING COALITION (F635)	
FILING PERIOD: 04/01/2001 - 06/30/2001	FILED ON: 7/24/2001 4:00:12 PM
FILING NUMBER: 769544	ORIGINAL FILING
REPORT OF LOBBYIST EMPLOYER AND REPORT OF LOBBYING COALITION (F635)	
FILING PERIOD: 01/01/2001 - 03/31/2001	FILED ON: 4/30/2001 9:14:39 AM
FILING NUMBER: 745390	ORIGINAL FILING

Exhibit 23b

Lobbying Activity
VERIZON COMMUNICATIONS, INC.

View:
- General Information
- Financial Activity/Filing History

Legislative Session
- 2007 through 2008
- Historical
  - 2005 through 2006
  - 2003 through 2004
  - 2001 through 2002
  - 1999 through 2000

As disclosed in quarterly reports filed with the Secretary of State, payments made by an organization to its own in-house lobbyists or to lobbying firms are reported here. Links to legislative bills or state agencies lobbied also are available.

2003-2004 LEGISLATIVE SESSION

LOBBYING PAYMENTS MADE			
SESSION	QUARTER	GENERAL LOBBYING	P.U.C. LOBBYING
2003-2004	8th	$197,525.92	$802.50
2003-2004	7th	$198,426.98	$0.00

2003-2004	6th	$240,711.65	$0.00
2003-2004	5th	$265,986.37	$134,028.36
2003-2004	4th	$117,213.42	$0.00
2003-2004	3rd	$130,138.85	$0.00
2003-2004	2nd	$116,877.04	$0.00
2003-2004	1st	$153,473.50	$0.00

BILLS AND AGENCIES LOBBIED

SESSION	QUARTER	BILLS/AGENCIES LOBBIED (AS FILED)
2003-2004	8th	PUBLIC UTILITIES RE: R93-04-003, I93-04-002, R.04-10-010, R. 00-02-004, R.04-09-003, C.04-09-010, R.01-10-001
2003-2004	7th	AB 442, 1169, 1791, 1829, 2369, 2505, 2715, 2768, 2803, 2242, 1950; SB 17, 584, 888, 1276, 1452, 1453, 1488, 1506, 1528, 1624; SCA 6; PUBLIC UTILITIES RE: R01-10-001, R00-02-004, R04-09-003, C04-09-010
2003-2004	6th	AB 442, 1169, 1791, 1829, 2369, 2505, 2715, 2768, 2803; SB 17, 584, 888, 1276, 1452, 1453, 1488, 1506, 1528, 1624; SCA 6; CPUC PROCEEDINGS R01-09-001; I01-09-002
2003-2004	5th	AB 1169, 1791, 1829, 2124, 2283, 2369, 2419, 2505, 2715, 2735, 2768, 2803, 2831; SB 17, 584, 888, 1276, 1452, 1453, 1488, 1506, 1528, 1624, 1734; SCA 6; CALIFORNIA PUBLIC UTILITIES COMMISSION:R.93-04-003/I.94-04-002; R.95-04-043/I.95-04-044/R01-09-001/I01-09-002
2003-2004	4th	CALIFORNIA PUBLIC UTILITIES COMMISSION - R.01-09-001/I.01-09-002; R. 97-10-016/I . 97-10-017; R. 03-02-034; R. 00-02-004; R. 03-02-035
2003-2004	3rd	AB 909, 1329, 1735; SB 2, 17, 18, 552; SCA 6; CA PUBLIC UTILITIES COMMISSION PROCEEDINGS R01-09-001, I01-09-002
2003-2004	2nd	AB 95, 840, 909, 1164, 1292, 1329, 1389, 1452, 1457, 1661, 1730, 1735; SB 17, 118, 122, 168, 171, 202, 396, 400, 429, 552, 584, 720, 830, 834, 839, 888, 917, 944; SBX 1; SCA 6; CA PUBLIC UTILITIES COMMISSION PROCEEDINGS R01-09-001, I01-09-002
		AB 840, 1164, 1253, 1292, 1389, 1452, 1457, 1661, 1730; SB 17,

2003-2004	1st	171, 202, 396, 400, 552, 720, 830, 834, 917, 944; SBX 1; SCA 6; CA PUBLIC UTILITIES COMMISSION PROCEEDINGS R01-09-001, I01-09-002

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ELECTRONIC FILINGS	
REPORT OF LOBBYIST EMPLOYER AND REPORT OF LOBBYING COALITION (F635)	
FILING PERIOD: 10/01/2004 - 12/31/2004	FILED ON: 1/31/2005 8:30:51 AM
FILING NUMBER: 1079528	ORIGINAL FILING
REPORT OF LOBBYIST EMPLOYER AND REPORT OF LOBBYING COALITION (F635)	
FILING PERIOD: 04/01/2004 - 06/30/2004	FILED ON: 1/28/2005 11:21:46 AM
FILING NUMBER: 1025240	AMENDMENT #2
REPORT OF LOBBYIST EMPLOYER AND REPORT OF LOBBYING COALITION (F635)	
FILING PERIOD: 01/01/2004 - 03/31/2004	FILED ON: 1/28/2005 11:21:00 AM
FILING NUMBER: 1010591	AMENDMENT #1
REPORT OF LOBBYIST EMPLOYER AND REPORT OF LOBBYING COALITION (F635)	
FILING PERIOD: 10/01/2003 - 12/31/2003	FILED ON: 1/28/2005 11:20:12 AM
FILING NUMBER: 985663	AMENDMENT #1
REPORT OF LOBBYIST EMPLOYER AND REPORT OF LOBBYING COALITION (F635)	
FILING PERIOD: 07/01/2003 - 09/30/2003	FILED ON: 1/28/2005 11:19:18 AM
FILING NUMBER: 966675	AMENDMENT #1
REPORT OF LOBBYIST EMPLOYER AND REPORT OF LOBBYING COALITION (F635)	
FILING PERIOD: 04/01/2003 - 06/30/2003	FILED ON: 1/28/2005 11:18:18 AM
FILING NUMBER: 943038	AMENDMENT #1

REPORT OF LOBBYIST EMPLOYER AND REPORT OF LOBBYING COALITION (F635)	
FILING PERIOD: 01/01/2003 - 03/31/2003	FILED ON: 1/28/2005 11:17:27 AM
FILING NUMBER: 929401	AMENDMENT #1
REPORT OF LOBBYIST EMPLOYER AND REPORT OF LOBBYING COALITION (F635)	
FILING PERIOD: 07/01/2004 - 09/30/2004	FILED ON: 10/29/2004 12:49:24 PM
FILING NUMBER: 1057220	ORIGINAL FILING

Exhibit 23c

Lobbying Activity

VERIZON COMMUNICATIONS, INC.

View:

- ○ General Information
- ◉ Financial Activity/Filing History

Legislative Session

- ○ 2007 through 2008
- ◉ Historical
  - ◉ 2005 through 2006
  - ○ 2003 through 2004
  - ○ 2001 through 2002
  - ○ 1999 through 2000

As disclosed in quarterly reports filed with the Secretary of State, payments made by an organization to its own in-house lobbyists or to lobbying firms are reported here. Links to legislative bills or state agencies lobbied also are available.

2005-2006 LEGISLATIVE SESSION

LOBBYING PAYMENTS MADE			
SESSION	QUARTER	GENERAL LOBBYING	P.U.C. LOBBYING
2005-2006	8th	$219,138.53	$0.00
2005-2006	7th	$244,662.00	$0.00

2005-2006	6th	$1,709,874.03	$5,511.59
2005-2006	5th	$142,181.79	$44,707.43
2005-2006	4th	$241,598.80	$0.00
2005-2006	3rd	$260,204.98	$2,760.16
2005-2006	2nd	$201,254.27	$0.00
2005-2006	1st	$162,358.62	$0.00

BILLS AND AGENCIES LOBBIED

SESSION	QUARTER	BILLS/AGENCIES LOBBIED (AS FILED)
2005-2006	8th	NONE
2005-2006	7th	AB 1891, 2393, 2987; SB 202, 440, 909, 1068, 1359, 1665, 1666
2005-2006	6th	AB 1891, 2390, 2393, 2622, 2959, 2987; SB 202, 440, 1068, 1359, 1651, 1665, 1666; SJR 24
2005-2006	5th	AB 1891, 2390, 2959; 2987; SB 202, 1359, 1651, 1665, 1666; SJR 24
2005-2006	4th	NONE
2005-2006	3rd	AB 736, 903, 1104, 1182, 1206, 1380, 1735; SB 15, 140, 210, 355, 396, 580, 608, 833, 909
2005-2006	2nd	AB 903, 1382, 1547, 1735; SB 833, 909, 1068; LEGISLATURE RE: SALES TAX EXEMPTION ON TELECOMMUNICATIONS AND MANUFACTURING EQUIPMENT
2005-2006	1st	AB 903, 1082, 1380, 1411, 1580; SB 552, 951, 1068

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ELECTRONIC FILINGS

REPORT OF LOBBYIST EMPLOYER AND REPORT OF LOBBYING COALITION (F635)

FILING PERIOD: 10/01/2006 - 12/31/2006	FILED ON: 5/22/2007 11:15:44 AM
FILING NUMBER: 1237229	AMENDMENT #1

REPORT OF LOBBYIST EMPLOYER AND REPORT OF LOBBYING COALITION (F635)	
FILING PERIOD: 04/01/2006 - 06/30/2006	FILED ON: 11/27/2006 10:46:05 AM
FILING NUMBER: 1189393	AMENDMENT #1
REPORT OF LOBBYIST EMPLOYER AND REPORT OF LOBBYING COALITION (F635)	
FILING PERIOD: 07/01/2006 - 09/30/2006	FILED ON: 10/30/2006 4:33:55 PM
FILING NUMBER: 1215521	ORIGINAL FILING
LOBBYIST EMPLOYER OR LOBBYING COALITION REGISTRATION STATEMENT (F603)	
FILING PERIOD: 10/10/2006 - 10/10/2006	FILED ON: 10/10/2006 11:38:04 AM
FILING NUMBER: 1069995	AMENDMENT #5
REPORT OF LOBBYIST EMPLOYER AND REPORT OF LOBBYING COALITION (F635)	
FILING PERIOD: 01/01/2006 - 03/31/2006	FILED ON: 4/27/2006 4:02:30 PM
FILING NUMBER: 1165862	ORIGINAL FILING
LOBBYING FIRM ACTIVITY AUTHORIZATION (F602)	
FILING PERIOD: 02/28/2006 - 02/28/2006	FILED ON: 2/28/2006 1:24:46 PM
FILING NUMBER: 1153581	ORIGINAL FILING
REPORT OF LOBBYIST EMPLOYER AND REPORT OF LOBBYING COALITION (F635)	
FILING PERIOD: 10/01/2005 - 12/31/2005	FILED ON: 1/30/2006 10:12:12 PM
FILING NUMBER: 1147250	ORIGINAL FILING
REPORT OF LOBBYIST EMPLOYER AND REPORT OF LOBBYING COALITION (F635)	
FILING PERIOD: 04/01/2005 - 06/30/2005	FILED ON: 11/16/2005 4:22:36 PM
FILING NUMBER: 1117502	AMENDMENT #1
REPORT OF LOBBYIST EMPLOYER AND REPORT OF LOBBYING COALITION (F635)	
FILING PERIOD: 07/01/2005 - 09/30/2005	FILED ON: 10/28/2005 2:59:09 PM

FILING NUMBER: 1132533	ORIGINAL FILING
LOBBYING FIRM ACTIVITY AUTHORIZATION (F602)	
FILING PERIOD: 05/20/2005 - 05/20/2005	FILED ON: 5/25/2005 3:16:20 PM
FILING NUMBER: 1108225	ORIGINAL FILING
REPORT OF LOBBYIST EMPLOYER AND REPORT OF LOBBYING COALITION (F635)	
FILING PERIOD: 01/01/2005 - 03/31/2005	FILED ON: 4/29/2005 4:53:12 PM
FILING NUMBER: 1104777	ORIGINAL FILING

Exhibit 23d

Lobbying Activity

VERIZON COMMUNICATIONS, INC.

View:
- General Information
- Financial Activity/Filing History

Legislative Session
- 2007 through 2008
- Historical

As disclosed in quarterly reports filed with the Secretary of State, payments made by an organization to its own in-house lobbyists or to lobbying firms are reported here. Links to legislative bills or state agencies lobbied also are available.

2007-2008 LEGISLATIVE SESSION

LOBBYING PAYMENTS MADE			
SESSION	QUARTER	GENERAL LOBBYING	P.U.C. LOBBYING
2007-2008	1st	$212,509.92	$0.00

BILLS AND AGENCIES LOBBIED		
SESSION	QUARTER	BILLS/AGENCIES LOBBIED (AS FILED)
2007-2008	1st	AB 231, 408, 703, 826, 918, 942, 1157, 1168, 1577, 1647, 1715, 1716; SB 312, 323, 380, 780, 935, 1013, 1024

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ELECTRONIC FILINGS	
LOBBYIST EMPLOYER OR LOBBYING COALITION REGISTRATION STATEMENT (F603)	
FILING PERIOD: 05/16/2007 - 05/16/2007	FILED ON: 5/16/2007 1:29:32 PM
FILING NUMBER: 1266137	AMENDMENT #1
REPORT OF LOBBYIST EMPLOYER AND REPORT OF LOBBYING COALITION (F635)	
FILING PERIOD: 01/01/2007 - 03/31/2007	FILED ON: 4/30/2007 10:01:00 AM
FILING NUMBER: 1261393	ORIGINAL FILING
LOBBYING FIRM ACTIVITY AUTHORIZATION (F602)	
FILING PERIOD: 01/18/2007 - 01/18/2007	FILED ON: 1/18/2007 11:56:58 AM
FILING NUMBER: 1228755	ORIGINAL FILING

Lobbying Disclosure Information Manual

California Fair Political Practices Commission

Toll-free advice line: 1 (866) ASK-FPPC
Web site: *www.fppc.ca.gov*

July 2005

Contents

Introduction

California's Political Reform Act (the "Act") requires that lobbying disclosure reports, as described in this manual, provide the public with the identity of persons who make payments for the purpose of influencing the actions of the California State Legislature, the actions of the Governor in approving or vetoing legislation, and quasi-legislative actions of California state agencies, including the Governor's office.

This manual provides important information on lobbying disclosure rules for five types of filers:

- Lobbyists;
- Lobbying Firms;
- Lobbyist Employers;
- Lobbying Coalitions; and
- $5,000 Filers.

Terminology

It may be helpful to review Appendix 1 in this manual to become familiar with the different terms used throughout this manual.

Controlling Law

This manual summarizes key lobbying disclosure laws, regulations and Commission opinions, and draws from years of FPPC staff advice on complying with the provisions of the Act. If there are any discrepancies between the manual and the Act or its corresponding regulations and opinions, the Act and its regulations and opinions will control.

Need Help?

If you need assistance, the Fair Political Practices Commission has a toll-free advice line:

1-866-ASK-FPPC
(1-866-275-3772)

FPPC employees are available Monday through Friday to help you. In addition, the FPPC website contains forms, manuals, and a wealth of other helpful information. (See Appendix 2 for more information.)

How to Use this Manual

This manual has been prepared to assist lobbyists, lobbying firms, lobbyist employers, lobbying coalitions, and $5,000 filers to comply with the Act's numerous and often detailed rules. The manual is written in a "user friendly" format so that filers may have a resource guide. It is organized by subject matter and addresses the most common issues of lobbying disclosure.

Lobbying Forms

The following is a list of lobbying disclosure forms. Each form may be found under "Forms" on the Commission's website or, if you are viewing this online, simply click on a specific form name or number.

601 – Lobbying Firm Registration Statement

The registration statement is used by business entities (including individual contract lobbyists) that engage in lobbying activity on behalf of any other person.

602 – Lobbying Firm Activity Authorization

The authorization statement is used by persons that employ or contract with a lobbying firm. This form is filed with the lobbying firm's registration statement, Form 601, or with an amendment to a lobbying firm's registration statement, Form 605, when the lobbying firm is adding a client.

603 – Lobbyist Employer or Lobbying Coalition Registration Statement

The registration statement is used by persons who employ one or more in-house lobbyists.

604 – Lobbyist Certification Statement

The certification statement is used by individuals who qualify as lobbyists, including individual contract lobbyists.

605 – Amendment to Registration – Lobbying Firm, Lobbyist Employer, and Lobbying Coalition

The amendment form is used to amend registration forms filed by lobbying firms, Form 601, and lobbyist employers/lobbying coalitions, Form 603.

606 – Notice of Termination

Used by lobbyists, lobbying firms, and lobbyist employers/lobbying coalitions that, during a legislative session, cease **all** lobbying activity.

607 – Notice of Withdrawal

Used by a lobbyist or lobbying firm that filed a certification or registration statement, respectively, but never qualified as a lobbyist or a lobbying firm.

615 – Lobbyist Report

Used by lobbyists (including contract lobbyists) to disclose payments made in connection with influencing legislative or administrative action.

625 – Report of Lobbying Firm

Used by lobbying firms (including contract lobbyists) to disclose legislative or administrative action the lobbying firm attempted to influence, and payments made and received in connection with influencing legislative or administrative action.

630 – Attachment Form 630 – Payments Made to Lobbying Coalitions

Used by lobbying firms and lobbyist employers to disclose payments to a lobbying coalition.

635 – Report of Lobbyist Employer and Report of Lobbying Coalition

Used by lobbyist employers/lobbying coalitions to disclose legislative or administrative action the employer/coalition attempted to influence, and payments made in connection with influencing legislative or administrative action.

635-C – Attachment Form 635-C – Payments Received by Lobbying Coalition

Used by lobbying coalitions to disclose payments received from members of the coalition.

640 – Attachment Form 640 – Governmental Agencies Reporting of "Other Payments to Influence Legislative or Administrative Action"

Used by state and local government agencies that qualify as lobbyist employers/ lobbying coalitions or $5,000 filers to disclose certain payments of $250 or more under "Other Payments to Influence Legislative or Administrative Action."

645 – Report of Person Spending $5,000 or More to Influence Legislative or Administrative Action

Used by persons who do not employ a lobbyist or contract with a lobbying firm but who make payments to influence legislative or administrative action (including payments to a lobbying coalition) totaling $5,000 or more in a calendar quarter.

690 – Amendment to Lobbying Disclosure Report

Used to amend a lobbying disclosure report (e.g., Form 615, Form 625, Form 630, Form 635, Form 635-C, Form 640, and Form 645).

Chapter 1
Who Must File

This chapter identifies persons that are required to disclose lobbying activity. This chapter begins with a review of important definitions that are used to determine whether a person must file lobbying reports. The qualifications that must be met for each type of lobbying filer are provided along with "user friendly" examples. Because not every person that communicates with state officials must file, common exceptions are also provided.

General Definitions

The following definitions describe what is commonly referred to as "lobbying" and provide guidance later in this chapter when the terms "lobbyist," "lobbying firm," "lobbyist employer/coalition," and "$5,000 filer" are discussed. (See Appendix 1 for other definitions.)

Direct Communication

An individual engages in "direct communication" when he or she appears as a witness before, talks to (either by telephone or in person), corresponds with, or answers questions or inquiries from, any qualifying official, either personally or through an agent who acts under the individual's direct supervision, control, or direction.

"Direct communication" does not include any request for or provision of purely technical data or analyses to an administrative agency by a person who does not otherwise engage in direct communication for the purpose of influencing legislative or administrative action.

Additionally, an individual does not engage in "direct communication" when he or she meets or speaks with a qualifying official in the company of a registered lobbyist retained by the individual, the individual's employer, or by a bona fide trade association or membership organization of which the individual or individual's employer is a member.

Administrative Testimony

"Administrative testimony" means influencing or attempting to influence administrative action by acting as counsel in, appearing as a witness in, or providing written submissions, including answers to inquiries, which become part of the record of:

- Any regulatory or administrative agency proceeding that is conducted as an open public hearing for which public notice is given, of which a record is created in a manner that makes possible the creation of a transcript, and with respect to which full public access is provided to such record or transcript and to all written material that is submitted to become part of the record.
- Certain proceedings of the California Public Utilities Commission. (See Appendix 1.)

An individual does not count compensation for or time spent preparing and presenting administrative testimony in applying the time or compensation tests for qualifying as a lobbyist.

Influencing Legislative or Administrative Action

"Influencing legislative or administrative action" means communicating directly or taking any other action for the principal purpose of supporting, promoting, influencing, modifying, opposing, delaying, or advancing any legislative or administrative action. "Legislative action" means the drafting, introduction, consideration, modification, enactment, or defeat of any bill, amendment, report, nomination, or other matter by the Legislature. "Legislative action" also means the action of the Governor in approving or vetoing any bill. "Administrative action" means the proposal, drafting, development, consideration, amendment, enactment, or defeat by any state agency of any rule or regulation. It also includes actions in certain ratemaking proceedings and quasi-legislative proceedings.

QuickTIP If you are trying to obtain a permit, license, grant, or contract at a state agency, you are not trying to influence legislative or administrative action and your time and contacts are not counted as lobbying.

QuickTIP Although only direct communication is counted for purposes of qualifying as a lobbyist or lobbying firm, once an individual or entity qualifies as a lobbyist or lobbying firm, other types of lobbying expenses, such as payments for administrative testimony, are reportable. This is further discussed in Chapter 5.

Questions and Answers

Q. *I work for a public relations firm. On behalf of a client, I attend meetings and participate in discussions with legislators about the client's positions on legislative issues and am accompanied by the client's contract lobbyist. Must I count the time at these meetings toward qualifying as a lobbyist?*

A. Yes. You are engaging in "direct communication." Although you are accompanied by the client's lobbyist, the exception for engaging in direct communication in the presence of a lobbyist only applies to the client, employees of the client, or, when the client is an association, members of the association.

Q. *The Department of Housing and Community Development has just requested proposals from building contractors to provide a number of low- and moderate-income housing units throughout the state. We would like to bid on the contract. Since we are trying to influence the decisions of an administrative agency, are we engaged in lobbying?*

A. No. While the Department is an administrative agency, awarding a contract is not considered administrative action. Therefore, bidding on the contract is not lobbying.

Q. *We are supporting an Indian gaming compact. To do so, we will contact the Governor's office and discuss why we think the Governor should sign the compact. Is this lobbying?*

A. Yes. The Commission has determined that Indian gaming compacts are administrative actions, and the Governor's office is an administrative agency for this purpose. Therefore, attempting to influence the Governor concerning these compacts qualifies as lobbying.

Lobbyists

A lobbyist is an individual who:

> ***is compensated*** (other than reimbursement for reasonable travel expenses) ***for directly communicating with a qualifying official*** (other than administrative testimony) ***when trying to influence legislative or administrative action*** (such as bills and regulations).

Not everyone who is paid to lobby will qualify as a lobbyist. There are two tests to make this determination: a **time test** for "in-house lobbyists" and a **compensation test** for "contract lobbyists."

Generally, a lobbyist is categorized as either an "in-house lobbyist" or a "contract lobbyist."

In-House Lobbyists – These individuals lobby on behalf of their employer *only*; they are compensated for their time; and they spend at least one-third of that time in a calendar month in **direct communication** with qualifying officials.

Contract Lobbyists – These individuals lobby for someone other than their employer and receive or are entitled to receive $2,000 in a calendar month for **direct communication** with qualifying officials.

Examples *Gail Perrywinkle is a partner with the CJW Law Firm. Gail lobbies bills on behalf of several clients. She frequently engages in direct communication with various legislators and their staff. During January, she receives a draw of $4,200, $2,000 of which is attributable to direct communication. Gail qualifies as a contract lobbyist under the "compensation test" and must prepare a lobbyist certification and file quarterly reports. In addition, CJW must register and file quarterly reports as a lobbying firm. Any client that authorizes the CJW Law Firm to lobby must also sign authorization forms and file quarterly reports as lobbyist employers, regardless of the amount they pay.*

During the month of February, Joey Nelson, an independent contractor, receives $1,500 from the Spanky Corporation and $700 from the Association of Statistical Engineers to lobby on their behalf. Joey qualifies as a contract lobbyist. The compensation test does not require receipt of $2,000 from a single client. Joey must prepare a lobbyist certification and file quarterly reports. As an independent contractor, his business must also file as a lobbying firm. Spanky and ASE must also sign authorization forms and file quarterly reports as lobbyist employers.

Maya Brittletown is the Legislative Affairs Coordinator of the EAB Corporation. During May, Maya spends one-third of her compensated time testifying at legislative hearings, and speaking on the telephone with legislative and agency officials concerning several legislative bills and state agency regulations. Maya qualifies as an in-house lobbyist and must prepare a lobbyist certification and file quarterly reports. In addition, EAB Corporation must register and file quarterly reports as a lobbyist employer.

Who is Not a Lobbyist?

- An individual who lobbies on a voluntary (unpaid) basis.
- An individual who only receives reimbursement for reasonable travel expenses.
- A state agency employee or a consultant designated in a state agency's conflict of interest code who acts within the scope of his or her duties or contract. However, such individuals are subject to the $10 per month gift limit. (See Chapter 4.)
- An individual representing a bona fide church or religious society solely for the purpose of protecting the public's right to practice the doctrines of that church.
- An individual representing a newspaper or other periodical of general circulation, book publisher, or radio or television station that, in the ordinary course of business, publishes or airs items urging legislative or administrative action. This exception does not apply when the newspaper, book publisher, or station engages in any additional activities in connection with influencing legislative or administrative action.
- An individual who only lobbies federal, county, multi-county (e.g., BART), local special districts, or city government agencies.
- An individual who only engages in activities to secure a grant, contract, or

permit from a state administrative agency and does not otherwise attempt to influence legislative or administrative action.

Example *MBI Corporation hired Norman Nickels for the sole purpose of securing a contract with the Department of General Services to provide computer services. Norman is not subject to either the compensation or time tests because such activity is not considered "influencing legislative or administrative action."*

- An individual who engages only in administrative testimony.

Examples *Attorney Sally Hooperfield receives $2,500 for appearing before the State Clean Air Advisory Board and providing expert testimony that becomes a part of the agency's record. The meeting is transcribed and is conducted as an open public hearing for which public notice is given. Sally is not a lobbyist if her activities are limited to administrative testimony.*

Preston Kamen is the general counsel for the Dorsey Corporation. During the month of February, he spends one-third of his compensated time providing administrative testimony at 10 state agency public hearings, he also spends one-fourth of his time meeting with legislators. Since Preston's administrative testimony does not count toward the compensated "time" test, he does not qualify as a lobbyist.

- An elected public official acting in an official capacity.

Example *Mayor Betty Rock communicates with legislators requesting their support of a bill affecting her city. Mayor Rock is not a lobbyist because she is acting within her official capacity as Mayor.*

Questions and Answers

Q. *Is compensation for travel time and preparation work for the purpose of influencing legislative or administrative action counted for purposes of determining whether an individual qualifies as a lobbyist?*

A. Only the compensation (e.g., salary) an individual receives while engaging in **direct communication** is counted to determine if an individual qualifies as a lobbyist. Payments for travel and preparation time, and for actual travel expenses (e.g., airline tickets), do not count.

Q. *Once an individual qualifies as a lobbyist, are travel expenses incurred for the purpose of influencing legislative or administrative action reportable?*

A. Yes, these and other expenses are reportable once an individual has qualified as a lobbyist. (See Chapter 5.)

Lobbying Firms (including individual contract lobbyists)

A lobbying firm is:

> ***an individual*** (other than an in-house lobbyist) ***or a business entity that is compensated*** (other than reimbursement for reasonable travel expenses) ***for directly communicating with a qualifying official*** (other than administrative testimony) ***when trying to influence legislative or administrative action*** (such as bills and regulations).

An **individual** may qualify as a lobbying firm in two ways:

-- The individual is a lobbyist compensated for lobbying on behalf of someone other than the individual's employer (such as independent contractors); **or**

-- The individual is a lobbyist compensated for lobbying on behalf of the individual's employer AND someone else.

Examples *Robert Rogers is an in-house lobbyist for the Association of International Tin Roofers. During the third quarter of the calendar year, the Dome Corporation pays Robert to lobby a bill on its behalf. Robert, though still an employee of the Association of International Tin Roofers, must register as an individual contract lobbyist (lobbying firm) by filing Form 601 and an amended Form 604 and disclose on his Form 625 quarterly reports the payments received from the Dome Corporation and his compensation for lobbying services provided on behalf of his employer, the Association of International Tin Roofers. The Association must file an Amendment, Form 605, deleting him as an in-house lobbyist, and complete an Authorization Form, Form 602.*

Megan Moen was a lobbyist for Communications, Inc., a lobbying firm. She left to work as a lobbyist for another lobbying firm, Capital Services. Communications, Inc. wants to retain Megan directly (not Capital Services) to lobby on behalf of one of its clients. In order to lobby for clients of both Capital Services and Communications, Inc., Megan must register as a separate lobbying firm. Her lobbying firm would indicate that it is a subcontractor to Communications, Inc., and Capital Services.

A **business entity** will qualify as a lobbying firm when:

-- It receives or is entitled to receive compensation for lobbying AND at least one employee, partner, owner, or officer is a lobbyist; **or**

-- It receives at least $5,000 in a calendar quarter for lobbying AND at least one employee, partner, owner, or officer directly communicates on behalf of a client (even if no one in the firm is a lobbyist).

Questions and Answers

Q. *Will an entity qualify as a lobbying firm if, in a calendar quarter, the entity receives $4,500 from a client for testifying before a hearing of the State Legislature and $600 for travel expenses?*

A. No. Because payments for reasonable travel expenses do not count toward qualification as a lobbying firm, the firm has not met the qualifying threshold of *$5,000.*

Lobbyist Employers

A lobbyist employer is any individual, business entity, association, local government agency, or other organization, other than a lobbying firm, that:

-- directly employs an in-house lobbyist to influence or attempt to influence legislative or administrative action; or

-- retains a lobbying firm to engage in direct communication for the purpose of influencing or attempting to influence legislative or administrative action.

Examples *Wayne Butterfield's principal duties include direct communication to influence legislative or administrative action on behalf of his employer, the Association of Preservationists. Because Wayne spends one-third or more of his time lobbying in a calendar month, he qualifies as a lobbyist. The Association must register as a lobbyist employer and must also submit Wayne's lobbyist certification statement. Both Wayne and the Association of Preservationists will prepare quarterly lobbying disclosure reports.*

The lobbying firm of High & Lowe is retained by the Camptown Corporation to prepare and present administrative testimony on Camptown's behalf. Camptown does not employ an in-house lobbyist. However, by *retaining a lobbying firm, Camptown qualifies as a lobbyist employer. Prior to engaging in any lobbying activity, High & Lowe must add Camptown to its registration statement. Camptown must complete an authorization statement and file quarterly lobbying reports.*

Lansdown International contracts with Pickett & Winnit, a public relations firm. On Lansdown's behalf, Pickett & Winnit hires the lobbying firm of Capital Crusaders to lobby a tax-related bill. Pickett & Winnit makes payments to Capital Crusaders for its lobbying services and is later reimbursed by Lansdown. As a lobbyist employer, Lansdown International must provide Capital Crusaders with an authorization statement and file quarterly lobbying reports. Both Lansdown and Capital Crusaders must disclose that payments were made and received through Pickett & Winnit on the quarterly disclosure statements. Pickett & Winnit is not required to register or report the payments because Pickett & Winnit does not lobby but instead has hired Capital Crusaders to lobby on behalf of Lansdown International.

Who is Not a Lobbyist Employer?

- A person that only makes payments to a lobbying coalition is not required to file lobbyist employer reports. However, such a person is required to file reports as a "$5,000 Filer" if payments totaling $5,000 or more are made to a lobbying coalition during a calendar quarter. Refer to page 1-7 for guidance.
- A person that hires an entity (which is not a lobbying firm) for the sole purpose of providing administrative testimony.

  Example *The Recycle Now Corporation makes a payment to a law firm, that is not a lobbying firm, to prepare and present testimony for a public hearing of the California Integrated Waste Management Board. Except for the testimony that becomes part of the public record at the hearing, the firm does not communicate with officials. Because the payment to the law firm is only for administrative testimony, Recycle Now does not qualify as a lobbyist employer.*

- A person that hires a lobbying firm for the sole purpose of monitoring and/or drafting legislation.

Questions and Answers

Q. *Will a member of a bona fide association become a lobbyist employer by making regular dues payments to the association, some portion of which is used for lobbying activity?*

A. No. A member of an association will not qualify as a lobbyist employer by making regular dues or similar payments for membership in a bona fide association, even if a portion of the dues or similar payments is used by the association to employ a lobbyist or make other payments to influence legislative or administrative action.

However, if a member of an association makes a payment earmarked for lobbying purposes, the member may qualify as a lobbyist employer or $5,000 filer.

Q. *Fifteen companies, all in the gravel business, decide to become a lobbying coalition and hire a lobbying firm to lobby the Legislature on bills affecting their industry. Each company provides Earthmovers, Inc., one of the companies, $1,200 per month to pay the lobbying firm. Is Earthmovers, Inc., a lobbyist employer?*

A. No. If Earthmovers, Inc., is acting only as the administrative agent for the lobbying coalition, it will not become a lobbyist employer. Since no one company is paying $5,000 or more in a calendar quarter for lobbying services, none of the companies will qualify as a "$5,000 Filer." The lobbying coalition must register and file reports as discussed below.

Lobbying Coalitions

A lobbying coalition is a group of **10** or more persons or entities formed primarily to influence legislative or administrative action whose members make payments to the coalition for the purpose of sharing the expenses of employing a lobbyist or contracting for the services of a lobbying firm.

Example *Fifteen manufacturers pool their funds and contract with the Best Lobbying Firm to lobby a piece of legislation. The group qualifies as a lobbying coalition and must complete the authorization statement, Form 602, and file quarterly lobbying reports disclosing payments to the lobbying firm as well as payments received from the coalition members.*

Who is Not a Lobbying Coalition?

- A bona fide federation, confederation, trade association, or labor or membership organization that is ongoing in nature and whose membership services are not limited to influencing legislative or administrative action. Such an organization will qualify as a lobbyist employer if it employs an in-house lobbyist or makes payments to a lobbying firm.
- A group consisting of fewer than 10 persons or entities formed primarily to influence legislative or administrative action whose members make payments for the purpose of sharing the expenses of employing a lobbyist or contracting for the services of a lobbying firm. However, each of the persons or entities will qualify as a lobbyist employer.

Example *Eight companies pool their funds to hire a lobbying firm for the purpose of influencing a legislative bill. The companies plan to have more entities pay toward the lobbying firm's expenses. Until there are 10 companies making payments to the lobbying firm, the entities do not qualify as a lobbying coalition, but do qualify as lobbyist employers. Each of the eight companies must file the authorization statement, Form 602, and file quarterly lobbyist employer reports, Form 635.*

Important Notes:

- Because lobbying coalitions and lobbyist employers have common reporting obligations, examples of lobbying coalition disclosure requirements are incorporated with the lobbyist employer sections of this manual.
- Lobbying coalitions must include Form 635-C with each quarterly filing. In addition, a coalition member must include Form 630 with each quarterly filing if the coalition member files reports as a lobbying firm, lobbyist employer, or $5,000 filer.

Persons Who Spend $5,000 or More to Influence Legislative or Administrative Action "$5,000 Filer"

Persons (including business entities, associations, and other organizations) who do not employ an in-house lobbyist or contract with a lobbying firm, but who directly or indirectly make payments of $5,000 or more in any calendar quarter to influence or attempt to influence legislative or administrative action, have disclosure obligations. The following types of payments must be aggregated to determine if the $5,000 threshold has been met:

- Payments for or in connection with direct communication with state officials;
- Payments for or in connection with soliciting or urging other persons to enter into direct communication with state officials;
- Payments to an organization, other than regular dues payments, for the purpose of hiring a lobbyist;
- Payments to a lobbying coalition; and
- Payments that directly or indirectly benefit state officials or members of their immediate families ("activity expenses"), but only if other payments to influence are made during the same calendar quarter.

For purposes of determining whether an entity qualifies as a $5,000 filer, compensation paid to an employee (other than a lobbyist or an employee that provides clerical, secretarial, manual, or statistical services) must be counted if 10% or more of his or her compensated time in a calendar month is spent in connection with the activities described above.

However, all payments for travel and expenses incurred in connection with these activities must be counted whether or not the employee spends 10% of his or her time on lobbying activities.

$5,000 filers are required to:

- File a Report of Person Spending $5,000 or More to Influence Legislative or Administrative Action, Form 645, for each calendar quarter in which $5,000 has been spent to influence legislative or administrative action.

QuickTIP $5,000 filers are not required to register or terminate.

Examples *In February, the Valencia Corporation sends an employee to Sacramento to testify before a state agency regarding a proposed regulation. The employee spends more than 10% of his or her time during the month preparing and presenting the testimony. The amount of the employee's salary and the travel expenses attributable to the trip exceed $5,000. The corporation qualifies as a $5,000 filer and must file a report for the first quarter, January 1 - March 31.*

In April, the Association of Valley Growers pays for newspaper advertisements urging readers to communicate with the Governor on a piece of legislation. The total cost of the advertisements exceeds $5,000 during the second calendar quarter. The Association qualifies as a $5,000 filer and must file a report for the second quarter, April 1 - June 30.

In October, the Association of Valley Growers pays a telephone solicitor $10,000 to call voters regarding a piece of legislation. The solicitor may connect the voter to a legislator's office so that the voter can speak directly to the legislator's staff regarding the legislation. The Association qualifies as a $5,000 filer and must file a report for the fourth quarter, October 1 – December 31.

The Association of Preservationists is a lobbyist employer and its in-house lobbyist is paid from the general membership dues fund. However, in one quarter, the Association solicits a $6,000 special assessment to pay lobbying expenses. Association members who pay the assessment and are ***not*** *already lobbyist employers will each qualify as a $5,000 filer.*

Who is Not a $5,000 Filer?

- A person or entity that employs an in-house lobbyist or contracts with a lobbying firm.
- A person or entity that does not spend $5,000 or more in a calendar quarter to influence legislative or administrative action.
- A person or entity whose only payments are gifts to state officials.

Statutory and Regulatory References

Statutes

82002	*Administrative Action*
82032	*Influencing Legislative or Administrative Action*
82037	*Legislative Action*
82038.5	*Lobbying Firm*
82039	*Lobbyist*
82039.5	*Lobbyist Employer*
82045	*Payment to Influence Legislative or Administrative*
82047	*Person*
86115	*Periodic Reports; Employers and Others*
86300	*Exemptions*

Regulations

18202	*Quasi-Legislative Administrative Action*
18238.5	*Definition of Lobbing Firm; Individual Contract Lobbyist*
18239	*Definition of Lobbyist*
18239.5	*Definition of Lobbyist Employer*
18249	*State Agency*
18614	*Payments for Lobbying Services*
18616.4	*Reports by Lobbying Coalitions Which are Lobbyist Employers; Reports by Members of Lobbying Coalitions*

Note:

All statutory references are to the California Government Code. The Political Reform Act is found in Government Code sections 81000-91014. Commission regulations may be found in Title 2, sections 18109-18997 of the California Code of Regulations.

Chapter 2
Where and When to File Reports

This chapter reviews where and when lobbying reports must be filed. A review of the electronic and online filing requirements is provided as most filers must file reports electronically. For those filers who are not required to file electronically (see below), paper reports are required.

Where to File

All reports and statements discussed in this manual are filed with the Secretary of State. Paper statements should be addressed as follows:

Secretary of State
Political Reform Division
1500 11th Street, Room 495
Sacramento, CA 95814

Electronic or Online Filing

Lobbying reports must be filed electronically once the total amount of any category of reportable payments, expenses, contributions, gifts, or other items is $5,000 or more in a calendar quarter. Each quarter and each category of payments are calculated separately to determine if electronic filing is required. A lobbyist employer is not required to count campaign contributions toward the $5,000 threshold for any quarter in which the employer does not report contributions but instead refers to its sponsored committee's campaign statement.

If a lobbyist employer or lobbying firm is required to file electronically, lobbyists employed by the employer or firm also must file electronically. If a lobbyist employer hires a lobbying firm that files electronically, the employer is not automatically required to file electronically. Until the electronic filing requirements have been triggered, only paper reports are required. However, once a filer is required to file electronically, all future reports, including registration forms, must be filed electronically. Electronic filers must file registration forms on paper as well as electronically, but quarterly reports are not required to be filed on paper.

Electronic filers obtain a login identification number and password from the Secretary of State. Only the filer is able to access his or her files using the identification number and password. When filing a report electronically, the filer files under penalty of perjury. The filer may also designate a vendor or other service provider to file on his or her behalf and provide the vendor with the identification number and password. If the filer authorizes another vendor to file and does not file the forms personally, the filings are still presumed to be filed under penalty of perjury.

The Secretary of State offers free online filing and there are several software vendors that offer programs. Visit the Secretary of State's website at *www.ss.ca.gov* for information or call the Cal-Online Help Desk toll free at (877) 745-3453 or in Sacramento at (916) 653-7283.

Examples *In the first quarter of the calendar year, a newly registered lobbyist employer paid its in-house employee lobbyists $3,000 for lobbying activity and made $4,000 in reportable contributions. Since this was the first time this company qualified as a lobbyist employer, and it did not expend $5,000 or more in any one category of reportable payments, it was required to file its quarterly report, Form 635, on paper only. In the second calendar quarter, the employer paid its in-house employee lobbyists a total of $6,000 for lobbying activity. The employer and the in-*

house lobbyists are required to file their Forms 635 and 615 electronically for the second quarter and all subsequent quarters, even if the employer does not expend $5,000 or more in any one category of reportable payments in the future. Paper copies of the quarterly reports are no longer required. However, any future amendments to the lobbyist employer's registration must be filed electronically as well as on paper.

A lobbying firm files its reports electronically. Robert Schneckner, a new part-time lobbyist for the firm, does not receive $5,000 in compensation for lobbying, nor does he have activity expenses totaling $5,000. Although Robert's activities do not reach $5,000, because his lobbying firm is required to file electronically, his Lobbying Report, Form 615, must also be filed electronically. The lobbying firm also recently added a new lobbyist employer as a client. On its first quarterly disclosure report, the lobbyist employer did not make $5,000 or more in any category of reportable payments. The lobbyist employer may file its Lobbyist Employer Report, Form 635, electronically, but is not required to do so. The report must be filed on paper.

Once a lobbying filer is required to file reports electronically, the following statements are not required to be filed on paper:

- 615 – Lobbyist Report
- 625 – Report of Lobbying Firm
- 630 – Attachment Form 630 Payments Made to Lobbying Coalitions
- 635 – Report of Lobbyist Employer and Report of Lobbying Coalition
- 635-C – Attachment Form 635-C Payments Received by Lobbying Coalition
- 640 – Attachment Form 640 – Government Agencies Reporting of "Other Payments to Influence Legislative or Administrative Action"
- 645 – Report of Person Spending $5,000 or More to Influence Legislative or Administrative Action
- 690 – Amendment to Lobbying Disclosure report

Questions and Answers

Q. *We are a lobbyist employer and have never reached the $5,000 threshold for any calendar quarter. However, between April 1 and June 30 of this year, we contributed $5,000 or more to state candidates we are otherwise required to report. We made the contributions through our sponsored committee and will reference our committee's report on the Form 635 instead of itemizing the contributions. Must we now file electronically as well as on paper?*

A. No. As long as the contributions were made from your sponsored committee and you reference your committee's campaign statement on your Form 635, you are not required to count those contributions toward the $5,000 e-filing reporting threshold.

Q. *We file our quarterly reports electronically. At the beginning of the next legislative session, we intend to renew our registration. Are we required to file our registration statements electronically as well as on paper?*

A. Yes. If you filed reports electronically in one legislative session and re-registered for the following session, you must file your registration statements electronically as well as on paper. In addition you must continue filing your quarterly reports electronically.

When to File

General Rules

- If a report or statement required to be filed on paper is sent by first-class mail to the Secretary of State, it is considered received on the date of the postmark. Reports sent by mail that are not received by the Secretary of State are presumed not to have been sent unless the filer has a post office receipt with the date of deposit and the name and address of the Secretary of State.
- Deadlines that fall on a Saturday, Sunday, or an official state holiday are extended to the next business day.
- Reports may not be submitted by facsimile transmission.
- Persons who file after a deadline are liable for a fine of $10 per day, calculated from the day after the deadline, until the report is received. For registration statements filed both electronically and on paper, the $10 per day fine may be imposed on both versions of the reports if they are not filed on time.
- Persons who fail to file required lobbying reports may be subject to an administrative penalty of up to $5,000.
- Reports may be filed at any time prior to the deadline, so long as the report includes all information required. An amendment must be filed by the filing deadline if activity was omitted from the early filing.
- An unsigned paper report is not considered received by the Secretary of State and is subject to the $10 per day fine, even if the report is filed on time. If the individual required to sign a report is not available on or before the deadline, an agent may sign the report and attach an explanatory note. An amendment with the proper signature must be filed as soon as possible. (See Chapter 5.)

Registration Statements

Initial Registration

Lobbyists must complete a Lobbyist Certification Statement, Form 604. Form 604 must be filed within 10 days of qualifying as a lobbyist.

Lobbying firms must complete a Lobbying Firm Registration Statement, Form 601. Form 601 must be filed within 10 days of qualifying as a lobbying firm.

Lobbyist employers/lobbying coalitions complete different forms depending upon whether they employ an in-house lobbyist or a lobbying firm.

- A Lobbyist Employer Registration Statement, Form 603, must be filed within 10 days after a partner, owner, officer, or employee qualifies as an in-house lobbyist.
- Lobbyist employers/lobbying coalitions that contract with a lobbying firm must complete a Lobbying Firm Authorization Statement, Form 602, before lobbying activity occurs. The Form 602 is provided to the lobbying firm for filing with its registration statement or amendment to registration.

$5,000 filers are not required to file registration statements.

QuickTIP A person that employs both an in-house lobbyist and a contract lobbyist must complete both the Lobbyist Employer Registration Statement, Form 603, and the Lobbying Firm Authorization Statement, Form 602, on or before the applicable deadlines.

Amending Registration

If any information on a registration statement changes, Amendment to Registration, Form 605, must be filed as follows:

Lobbying firm adding a new client	Prior to attempting to influence legislative or administrative action on behalf of the client.
Firm or employer adding a new lobbyist	Within 20 days of effective date.
Firm or employer deleting a client, lobbyist, lobbying firm	Within 20 days of effective date.
Other changes	Within 20 days of any other change.

Renewal of Registration

Between November 1 and December 31 of each even-numbered year, lobbyists, lobbying firms and lobbyist employers/ lobbying coalitions must file new registration statements, Form 601, Form 602, Form 603, or Form 604, as applicable. A paper statement must be filed. If the filer filed any lobbying disclosure report electronically in the prior legislative session, an electronic registration statement must also be filed. At the end of each legislative session, all registration statements for that legislative session expire. If a filer will not engage in lobbying activity after the end of a legislative session, no additional reports indicating termination are required.

Quarterly Disclosure Reports

Quarterly reports disclose receipts and payments in connection with lobbying activity. The law imposes different disclosure requirements depending upon the type of filer. There are four quarterly disclosure reports:

Filer	Form
Lobbyist	615
Lobbying Firm	625
Lobbyist Employer/Coalition	635
$5,000 filer	645

Filers must file a report electronically or on-line, if applicable, or on paper for each calendar quarter, regardless of the level of activity, and whether or not any payments have been made or received during the calendar quarter. The period covered for all quarterly reports is the first day of the calendar quarter through the last day of the calendar quarter. Quarterly reports may be filed early so long as the report includes all information required for the period covered by the report.

$5,000 filers must file a report electronically for each calendar quarter in which they make payments totaling $5,000 or more. They are not required to file a report for any calendar quarter in which they do not spend $5,000, or if all of the payments are "activity expenses." (See Page 4-1 for the definition of "activity expenses.")

Reporting Period	**Filing Deadline**
January, February, and March	April 30
April, May, and June	July 31
July, August, and September	October 31
October, November, and December	January 31

Deadlines that fall on a Saturday, Sunday, or an official state holiday are extended to the next business day.

Ceasing Lobbying Activity

If, during the legislative session, a lobbyist, lobbying firm, or registered lobbyist employer/lobbying coalition **ceases all lobbying** activities, a Notice of Termination, Form 606, must be filed electronically, if applicable, or on paper within **20 days** after ceasing lobbying activities.

As noted earlier, a filer ceasing all lobbying activities at the close of a regular (biennial) session of the Legislature is not required to file a termination statement.

A person that files either a lobbyist certification statement or a lobbying firm registration statement but, in fact, never meets the Act's definition of "lobbyist" or "lobbying firm" may use the Notice of Withdrawal statement, Form 607, to discontinue filing requirements.

Important Note:

Lobbyists and lobbying firms remain subject to the $10 gift prohibition for six months after filing a Notice of Termination. (See Chapter 7.) Lobbyists and lobbying firms that cease all lobbying activities at the end of the regular session of the Legislature remain subject to the gift prohibition for six months after the end of the regular session. Individuals and entities eligible to file a Notice of Withdrawal, Form 607, are not subject to the prohibition.

Statutory and Regulatory References

Statutes

81007	*Filing Dates; Mailing of Report or Statement*
84605	*Who Shall File Online*
84606	*Operation of Online System*
86100	*Registration*
86101	*Registration; Time*
86103	*Lobbyist Certification; Requirements*
86104	*Lobbying Firm; Registration Requirements*
86105	*Lobbyist Employer; Registration Requirements*
86106	*Renewal of Registration*
86107	*Registration Statement; Amendment; Termination*
86117	*Periodic Reports; Filing; Time*
86118	*Lobbying Reports; When to File*
91013	*Fines; Late Filing of Statements*

Regulations

18116	*Reports and Statements; Filing Dates*
18465.1	*Verification of Online Filers*
18601	*Withdrawal of Lobbyist Certification or Lobbying Firm Registration*
18617	*Early Filing of Periodic Reports*

Chapter 3
Registration and Termination

The Political Reform Act requires most lobbying filers to submit registration statements that identify persons engaged in lobbying activity. This chapter provides guidance on when the forms are due and how to complete them. All registration forms are filed with the Secretary of State, either electronically, in paper format, or both. (See Chapter 2.) Each legislative session, the Secretary of State's office publishes *The Directory of Lobbyists, Lobbying Firms & Lobbyist Employers* based on information provided by lobbying firm and lobbyist employer registration statements. Registration information is also available online through the Secretary of State's website at *www.ss.ca.gov*.

Name Identification Requirements

The Act requires disclosure of the names of entities that engage in lobbying activity. If a lobbyist employer is a business entity with subsidiaries, the name of the subsidiaries may be required to be separately identified along with the corporate parent's name. This manual can not address all of the different relationships of affiliated entities. Following is a selected summary of Commission advice. Lobbyist employers are encouraged to contact the FPPC for specific guidance.

Examples *A corporation and its subsidiary both make payments to a lobbying firm; the name of the filer should be listed as: ABC Company and its affiliate, XYZ subsidiary.*

A lobbying firm represents the lobbying interests of a corporation and its subsidiary, and each entity provides direction to the lobbying firm. The corporation makes all of the payments to the lobbying firm. The name of the filer should be listed as: ABC Company and its affiliate, XYZ subsidiary.

A corporation has several subsidiaries. The corporation, alone, directs and controls the lobbying activity and makes all payments to the lobbying firm. The subsidiaries are not involved with lobbying activity nor do they make payments to the lobbying firm. Even though the subsidiaries may benefit from the lobbying firm's services, the name of the filer should be listed as: ABC Corporation. The subsidiaries are not required to be identified.

A corporation makes payments to a lobbying firm. A subsidiary of the corporation makes payments to a different lobbying firm. The lobbying activities of the corporation and the subsidiary are independent. The corporation does not pay for the subsidiary's activities or control its lobbying activities. The corporation is not required to identify the name of the subsidiary on its reports, nor is the subsidiary required to identify the name of the parent corporation on its reports.

Filing Electronically or Online

When a registration statement is being filed for the first time, no electronic filing of the form is required. However, if the filer is renewing or amending the registration, or filing a termination statement, and was required to file statements electronically, the form must be filed electronically, as well as on paper. (See Chapter 2 to determine if you are required to file electronically.)

Registration & Certification Statements

The law requires all lobbying firms to register, along with all lobbyist employers who employ in-house lobbyists. Lobbyists must file certification papers. Registration and certification are required when the filer first qualifies as a firm, employer, or lobbyist, *and* at the beginning of each legislative session. Only $5,000 filers do not have to file registration or certification forms. All registration and certification forms require persons to disclose their names and addresses. This chapter reviews the sections of the forms that prompt the most questions from filers.

Filer	Form
Lobbyist	604
Lobbying Firm	601
Lobbyist Employer (with in-house lobbyist)	603
Lobbyist Employer (with lobbying firm)	602
All (amending a Form 601, 603, or 602)	605

All lobbyists must complete Form 604, Lobbyist Certification Statement. All lobbying firms file Form 601, Lobbying Firm Registration Statement. Lobbyist employers that employ an in-house lobbyist file Form 603, Lobbyist Employer Registration Statement, and lobbyist employers that contract with a lobbying firm complete Form 602, Lobbying Firm Authorization Statement. A lobbyist employer may be required to file both Form 603 and Form 602 if the lobbyist employer employs both an in-house lobbyist and contracts with a lobbying firm.

Registration statements must be verified and signed. Lobbyists must verify the Form 604. An individual must be designated on the lobbying firm's registration statement, Form 601, as the responsible officer of the firm, and this individual must verify the lobbying firm's reports. In the case of a lobbyist employer/lobbying coalition, the verification must be signed by a responsible officer, or by an attorney or a certified public accountant who acts as an agent for the lobbyist employer/lobbying coalition.

Lobbyist Certification Statement, Form 604

Lobbyists file the Lobbyist Certification Statement, Form 604. An individual who qualifies as a lobbyist must complete this form which will be filed along with the registration or amendment to registration form submitted by his or her lobbying firm or lobbyist employer/lobbying coalition, whichever is applicable. A recent photograph of the lobbyist's head and shoulders along with a $25 registration fee payable to the Secretary of State are required. The Secretary of State will not accept photographs delivered by diskette. The photograph must be recent and of professional quality.

Filing Deadlines:

New Lobbyist:

- Within 10 days of qualifying as a lobbyist.

Lobbyist Renewing Certification:

- Between November 1 and December 31 of each even-numbered year.

Examples *Susan Gomez is hired by a lobbyist employer to perform duties as an in-house lobbyist. Susan must complete a Lobbyist Certification Statement, Form 604. Her employer will submit this form along with her picture and a $25 payment to the Secretary of State. The employer must file a Form 605, Amendment to Registration Statement, to indicate Susan as a new in-house lobbyist.*

Al Johnson is promoted to become the first lobbyist for his employer. Al must complete a Lobbyist Certification Statement, Form 604. The employer must submit this form along with Al's picture and a $25 payment to the Secretary of State. The employer must file the Lobbyist Employer Registration Statement, Form 603, to indicate that the company has qualified as a lobbyist employer and that Al Johnson has been employed to lobby on its behalf.

Lobbyist Ethics Orientation Course

All lobbyists are required to attend a lobbyist ethics course as part of the registration process. The course is conducted by the Assembly Legislative Ethics Committee and the Senate Committee on Legislative Ethics. To make reservations for the ethics course, call (916) 324-6929.

The Legislature will notify lobbyists of the course dates, and will provide a certificate upon completion of the course.

A lobbyist must file a conditional certification statement, Form 604, if he or she has not taken the course within the previous 12 months. The validity period of the conditional certification is determined by whether the lobbyist is renewing the certification or filing his or her first certification.

- New lobbyists must take the course within 12 months after registering as a lobbyist.
- Lobbyists who were registered in the prior legislative session, but have not taken the course in the 12 months prior to renewing their certification, must take the course by June 30 of the following year.

Examples *Susan White is a new lobbyist. She did not lobby in the 2003-2004 Legislative Session. Susan begins lobbying activities on September 1, 2005. She must take the course before September 1, 2006.*

Margaret Johnson was a registered lobbyist in the 2003-2004 Legislative Session and took the course on March 5, 2004. Margaret renewed her certification for the 2005-2006 Legislative Session in December 2004. Her certification is valid throughout the 2005-2006 session.

Larry Colfax was a registered lobbyist during the 2003-2004 Legislative Session and took the course on December 10, 2002. Larry may begin lobbying activities in the 2005-2006 Legislative session. However, his certification is conditional and he must take the course by June 30, 2005.

QuickTIP Failure to take the course at the times prescribed will void the conditional certification. Once voided, an individual is prohibited from acting as a lobbyist until he or she has completed the ethics training course and has filed an amended certification statement indicating the date the course was taken. The FPPC may not grant waivers to the ethics training requirement.

How to Complete Form 604

The Form 604 is an identification form that contains the lobbyist's name, address, telephone number, and name of his or her lobbying firm or lobbyist employer/lobbying coalition. The date the individual qualified as a lobbyist must be provided only on the initial statement; it is not required on renewals. The paper version of the report must be verified and signed by the lobbyist. No other individual may sign Form 604 on behalf of the lobbyist.

Part II. Agencies Lobbied

If the lobbyist will not be lobbying all the agencies listed on the Lobbyist Employer or Lobbying Firm Registration Statement (Form 603 or 601, respectively) filed by his or her employer or firm, check the second box, indicate if the lobbyist will be lobbying the State Legislature, and specify the state agencies to be lobbied.

Form 604
Lobbyist Certification Statement

II. AGENCIES LOBBIED
Check one box:
☐ I will lobby the agencies identified on the Lobbyist Employer or Lobbying Firm Registration Statement (Form 601/603) and subsequent amendments.
☒ I will *only* lobby the agencies identified below:
Will you lobby the State Legislature? ● Yes ○ No — State Agencies: Department of Education

QuickTIP The lobbyist gift limit and contribution restrictions apply to agencies lobbied by the lobbyist. (See Chapter 7.)

Questions and Answers

Q. *How frequently are the ethics courses held?*

A. Because there is no set schedule, the number of ethics courses conducted will vary from year to year. Contact one of the Legislature's ethics committees, or visit the FPPC's website at *www.fppc.ca.gov*, click on "Lobbyists," then click on "Ethics Course" for information.

Q. *Is a lobbying firm or a lobbyist employer/lobbying coalition required to pay the $25 registration fee when it hires a lobbyist who has been previously registered with another lobbying firm or lobbyist employer/lobbying coalition?*

A. Yes. Contact the Secretary of State to determine if a new photograph is required.

Lobbying Firm Registration Statement, Form 601

An individual or business entity that qualifies as a lobbying firm must register within 10 days of qualifying as a lobbying firm.

Each lobbying firm must renew its registration between November 1 and December 31 of each even-numbered year. If the registration is not renewed, the lobbying firm will be automatically terminated.

Registration and renewal of registration requirements may include:

- Completion of Form 601;
- Submission of Form 602 completed by each lobbyist employer that contracts with the lobbying firm for lobbying services;
- Submission of Form 604 completed by each partner, owner, officer, or employee of the lobbying firm who qualifies as a lobbyist;
- A recent photograph of each lobbyist picturing only the lobbyist's head and shoulders; and
- A $25 registration fee payable to the Secretary of State for each of the firm's lobbyists. Payment is required at time of filing.

QuickTIP A lobbying firm is not required to register a client that does not pay the firm (e.g., pro-bono services).

How to Complete Form 601

The Lobbying Firm Registration Statement provides identifying information about the lobbying firm and its clients. Enter the date qualified as a lobbying firm only on an initial registration. The qualification date is not necessary on subsequent renewals.

Form 601
Lobbying Firm Registration Statement

II Lobbyist Employers

- Use Section A to report each client with whom your firm has a direct contract to provide lobbying services.
- Use Section B to report lobbying firms with which your firm subcontracts to provide lobbying services and the clients on whose behalf your firm will lobby.
- Attach a Form 602 for each person identified in Section A or B.

SECTION A

Employer's Name, Address and Telephone Number	Effective Date	Period of Contract
City of Rolling Hills Estates 4045 Palos Verdes Drive North Rolling Hills Estates, CA 90274 (310) 377-1577	1/1/05	2005/2006
Agencies to be Lobbied Legislature Dept. of Housing and Community Development Governor Dept. of Parks and Recreation	**Description of Employer's Lobbying Interests** Government	
California Electricity Distributors 555 Capitol Mall, Suite 900 Sacramento, CA 95814 (916) 441-5500	1/1/05	2005
Agencies to be Lobbied Legislature Public Utilities Commission Governor	**Description of Employer's Lobbying Interests** Regulation of Utilities	

QuickTIP When reporting the names of lobbyists, do not list any individual who is separately registered as a lobbying firm or who is employed by a lobbying firm with which this firm contracts.

QuickTIP A partner, owner, or officer of the lobbying firm must be designated to be responsible for filing statements and reports and keeping records. An individual contract lobbyist filing the Form 601 as a lobbying firm is the responsible officer.

Part II. Lobbyist Employers

Under "Agencies to be Lobbied," list each state office (including the Governor's office, if applicable), department, division, bureau, board, or commission the lobbyist employer/ lobbying coalition will attempt to influence. Do not include the courts, or federal or local agencies. It is permissible to list "all state agencies." In addition, provide a description of the lobbying interests of the lobbyist employer/lobbying coalition.

Example *ZB Corporation develops, manufactures, and distributes pharmaceuticals. The description should state "legislation relating to the development, manufacturing, and distribution of pharmaceuticals." It is not sufficient to describe the corporation's lobbying interests as "legislation relating to business" or "health care."*

A lobbying firm that contracts to lobby for a client of another lobbying firm must identify both the subcontracting lobbying firm and the client(s)/employer(s) on whose behalf the firm will lobby.

Form 601

SECTION B -- Subcontracted Clients

Name, Address and Telephone Number of Subcontracting Lobbying Firm:	
Alvarez, Greene, Ho, and Douglas 1127 11th Street, Suite 1020 Sacramento, CA 95814 (916) 441-6010	
Effective Date of Contract 1/1/05	**Period of Contract** 2005
Name, Address and Telephone Number of Client on Whose Behalf Your Firm will Lobby: Four Mesas Municipal Water District 5000 Indio Blvd. Indio, CA 92203 (760) 861-1220	
Agencies to be Lobbied Legislature Dept. of Water Resources Governor	**Description of Client's Lobbying Interests** Water Rights

Questions and Answers

Q. *May an entity or individual register as a lobbying firm if it intends to lobby but does not have a client at the time of registration?*

A. Yes. If the firm subsequently never engages in lobbying activity, it should file a Notice of Withdrawal, Form 607.

Q. *If the lobbying firm intends to lobby all state agencies, may it declare "All State Agencies" under "Agencies to be Lobbied," or must it itemize each agency?*

A. In lieu of listing every state agency, the lobbying firm may declare that all state agencies will be lobbied. Remember, this means that the gift limits and contribution prohibitions will apply to all state agency officials and all state candidates and officeholders. (See Chapter 7.)

Q. *If the responsible officer of the lobbying firm changes, must the lobbying firm amend its registration to indicate the new responsible officer?*

A. Yes. The registration must be amended within 20 days of the change.

Q. *I am a lobbyist and will lobby for clients of my employer, Capital Services, a lobbying firm. I will also be paid directly to lobby on behalf of a client of my former lobbying firm, Communications, Inc. How do I register?*

A. You must file as a separate lobbying firm and disclose, as a subcontractor, all the clients for whom you will lobby, including those on behalf of your current employer. Complete Lobbying Firm Registration Statement, Form 601, and include your Lobbyist Certification Statement, Form 604. As a subcontractor, identify in Section B of the Form 601 all clients for whom you will lobby. Include a Form 602 completed by Capital Services identifying the clients for whom you will lobby on behalf of that firm and another Form 602 completed by Communications, Inc., identifying the client for whom you will lobby on its behalf.

Lobbying Firm Activity Authorization, Form 602

Each client that retains a lobbying firm must complete a Lobbying Firm Activity Authorization, Form 602, to authorize the lobbying firm to lobby on its behalf. The lobbying firm must submit the Form 602 along with its Lobbying Firm Registration Statement, Form 601, or its Amendment to Registration, Form 605.

A lobbying firm that subcontracts clients to another lobbying firm must complete Form 602 and identify the names of the subcontracted client(s). It is not required to complete the "Nature and Interests" section for the subcontracted client(s).

Example *Capital Watch, a lobbying firm, has a client, Silo Manufacturers of California (SMC). Capital Watch wishes to subcontract this client to Meyers & Nguyen, another lobbying firm. Before Meyers & Nguyen may begin lobbying on behalf of SMC, Capital Watch must complete a Form 602, signed by its responsible officer, identifying SMC as the subcontracted client and authorizing Meyers & Nguyen to lobby on behalf of SMC.*

How to Complete Form 602

Nature and Interests of Lobbyist Employer

Provide a description of the lobbying interests of the lobbyist employer/lobbying coalition.

Example *A trade association that represents electricity distributors will complete C. 1. A trade association that represents only one segment of an industry should complete C. 1. and 2. For example, an association representing insurance companies that sell only automobile policies may identify in section C. 1., " insurance," and identify in C. 2., "automobile insurance policies."*

When listing the nature and interests of the filer, an association with fewer than 50 members must also provide the names of all members. Affiliated entities must report the nature and interests of all entities that comprise the lobbyist employer. (See 3-1.)

Form 602
Lobbying Firm Activity Authorization

Nature and Interests of Lobbyist Employer

Check *one* box only:

☐ INDIVIDUAL (Complete only Parts A and E)
☐ BUSINESS ENTITY (Complete only Parts B and E)
☒ INDUSTRY, TRADE OR PROFESSIONAL ASSN. (Complete only Parts C and E)
☐ OTHER (e.g., lobbying coalition) (Complete only Parts D and E)

A. Individual
1. Name and address of employer (or principal place of business if self-employed):
2. Description of business activity in which you or your employer are engaged:

B. Business Entity
Description of business activity in which engaged:

C. Industry, Trade or Professional Association
1. Description of industry, trade or profession represented:
Electricity Distributors
2. Specific description of any portion or faction of the industry, trade, or profession which the association exlusively or primarily represents:
3. Number of members in association *(check appropriate box)*
☐ 50 OR LESS (provide names of all members on an attachment.)
☒ MORE THAN 50

Lobbyist Employer and Lobbying Coalition Registration Statement, Form 603

An individual, business entity, organization, or lobbying coalition that has an in-house employee who qualifies as a lobbyist must register with the Secretary of State within 10 days of qualifying as a lobbyist employer.

Each registered lobbyist employer/lobbying coalition must renew its registration between November 1 and December 31 of each even-numbered year. If the registration is not renewed, the lobbyist employer/lobbying coalition will automatically be terminated.

Registration and renewal of registration requirements include:

- Completion of the Form 603;
- Submission of a Form 604 completed by each partner, owner, officer, or employee who qualifies as an in-house lobbyist;
- Submission of a recent photograph of only the lobbyist's head and shoulders; and
- A $25 registration fee payable to the Secretary of State for each individual who qualifies as an in-house lobbyist. Payment is required at time of filing.

QuickTIP A lobbyist employer that ***only*** contracts with a lobbying firm, including an individual contract lobbyist, must complete the Lobbying Firm Authorization Statement, Form 602, and does not complete the Lobbyist Employer Registration Statement, Form 603.

QuickTIP A registered lobbyist employer that employs an in-house lobbyist and ***also*** contracts with a lobbying firm is required to complete the Lobbying Firm Activity Authorization, Form 602, for the lobbying firm.

How to Complete Form 603

If this is an initial registration, enter the date qualified as a lobbyist employer/lobbying coalition.

List the full name of each in-house employee lobbyist and of each lobbying firm, if any, with which the employer or coalition contracts.

Part II. State Agencies Whose Actions You Will Attempt to Influence

List each state office, (including the Governor's office, if applicable), department, division, bureau, board, or commission the lobbyist employer/lobbying coalition will attempt to influence. Do not include the courts, or federal or local agencies. It is permissible to list "all state agencies."

Form 603
Lobbyist Employer and Lobbying
Coalition Registration Statement

II List Below the State Agencies Whose Actions you Will Attempt to Influence

- Will you attempt to influence the State Legislature? ☒ Yes ☐ No

Governor	
Dept. of Housing & Community Development	
Dept. of Parks & Recreation	

☐ If more space is needed, check box and attach continuation sheets.

Part III. Description of Lobbying Interests

Provide a description of the lobbying interests of the lobbyist employer/lobbying coalition and complete the Nature and Interests of the Filer section. Affiliated entities must report the nature and interests of all entities that comprise the lobbyist employer in Part B. (See 3-1.) When listing the nature and interests of an association with fewer than 50 members, the names of all members must be identified in Part C. A city, county, or other governmental agency will complete Part D.

Amendment to Registration, Form 605

Whenever any information reported on a registration statement changes, a Form 605 must be filed.

Deadlines for filing Form 605:

- If a lobbying firm is adding a new lobbyist employer/lobbying coalition, the amendment **must be filed prior to attempting to influence legislative or administration action on behalf of that lobbyist employer/lobbying coalition**.
- Within 20 days of any **other** change.

How to Complete Form 605

Adding a Lobbyist

Complete and file Form 605 and Form 604. A $25 registration fee payable to the Secretary of State, and, if the lobbyist is newly qualified, a recent photograph (head and shoulders only) must also be submitted. A photograph is not necessary if the lobbyist is already registered for the current legislative session.

Form 605
Amendment to Registration

I **Description of Changes** (See instructions on cover sheet and examples on the back of this page.)

Check appropriate box(es)

☒ Adding Lobbyist
Andrew Puzankov — 3 / 1 / 05
Name of Lobbyist — Effective Date
Attach Form 604

☐ Lobbying Firm Deleting Lobbyist Employer
Name of Employer — Effective Date / /
No attachment required

Deleting a Lobbyist

File Form 605 and Form 606, if a lobbyist is ceasing **all** activities as a lobbyist. If a lobbyist will no longer be employed by you, but is continuing activities as a lobbyist on behalf of others, a Form 606 is not required.

Lobbying Firm Adding Lobbyist Employer/Lobbying Coalition

File Form 605 (Parts I and II A) and Form 602.

Registered Lobbyist Employer Adding Lobbying Firm

File Form 605. The lobbying firm must also file a Form 605 and attach a Form 602 signed by a responsible officer of the lobbyist employer.

Lobbying Firm Subcontracting a Lobbyist Employer/Lobbying Coalition

A lobbying firm that is adding a client through a subcontract must complete Form 605 (Parts I and II B) and include a Form 602 signed by the subcontracting firm. The applicable registration forms related to the subcontract must be filed before lobbying may begin. The client is not required to file Form 602, either electronically or on paper.

Example *Capital Watch, a lobbying firm, has a client, Silo Manufacturers of California (SMC). Capital Watch wishes to subcontract this client to Meyers & Nguyen, another lobbying firm. Before Meyers & Nguyen may begin lobbying on behalf of SMC, Capital Watch must provide a Form 602 to Meyers & Nguyen identifying SMC as the subcontracted client and authorizing Meyers & Nguyen to lobby on behalf of SMC. Meyers & Nguyen must file a Form 605 indicating the new subcontracted client, along with the Form 602 from Capital Watch.*

Lobbying Firm Deleting a Lobbyist Employer/Lobbying Coalition

File Form 605. No attachment is necessary.

A Change in a Lobbying Firm's Designated Responsible Officer

File Form 605 and Part III of Form 601. No amendment is required when a lobbyist employer/lobbying coalition changes its designated responsible officer.

Lobbyist Employer Deleting a Lobbying Firm

When a registered lobbyist employer terminates a contract with a lobbying firm, a Form 605 must be filed by both the registered lobbyist employer and the lobbying firm. A lobbyist employer that is not registered (i.e., has no in-house lobbyists) is not required to file Form 605 when it terminates a contract with a lobbying firm.

Other Changes

An amendment is required when the agencies to be lobbied change.

If a change occurs in any of the information on the Form 604, an amended Form 604 must be filed.

Questions and Answers

Q. *Is a lobbying firm or lobbyist employer/lobbying coalition required to pay the $25 registration fee when it hires a lobbyist who has been previously registered with another lobbying firm, or lobbyist employer/lobbying coalition?*

A. Yes.

Q. *When is a registered lobbyist employer required to amend its registration to add a state agency to be lobbied?*

A. Within 20 days of engaging in direct communication with officials of the agency for the purpose of influencing administrative action.

Q. *Must a lobbyist employer list on its registration statements all departments under the umbrella of a state agency (e.g., Board of Nursing within the Department of Consumer Affairs)?*

A. Yes, all departments that will be lobbied must be listed.

Q. *If the lobbyist employer or lobbying firm intends to lobby all state agencies, may it declare "All State Agencies" under "Agencies to be Lobbied," or must it itemize each agency?*

A. In lieu of listing every state agency, the lobbyist employer or lobbying firm may declare that all state agencies will be lobbied. Remember, this means that the gift limits and contribution prohibitions will apply to all state agency officials and all state candidates and officeholders. (See Chapter 7.)

Notice of Termination, Form 606

If, during the legislative session, a lobbyist, lobbying firm, or registered lobbyist employer/lobbying coalition ceases all lobbying activity, a Notice of Termination, Form 606, must be filed. The Form 606 is not required if the lobbyist, lobbying firm, or lobbyist employer/lobbying coalition ceases all lobbying activity at the end of the legislative session.

Exceptions:

- Lobbyist employers/lobbying coalitions that only contract for the services of a lobbying firm do not file Form 606. The lobbying firm must file an Amendment to Registration Statement, Form 605, to delete the lobbyist employer.
- A lobbyist who changes employment and continues to lobby does not file a Form 606. The lobbying firm or lobbyist employer/lobbying coalition the lobbyist is leaving must file a Form 605 indicating the lobbyist's termination. The lobbyist's new lobbying firm or lobbyist employer/ lobbying coalition must also file a Form 605 (or file a registration statement if it is not currently registered) adding the new lobbyist, along with a Form 604 signed by the lobbyist.

How to Complete Form 606

Form 606 must be filed within 20 days of ceasing all lobbying activity. A quarterly report(s) covering the period until the filing of the notice is required, unless lobbying ceases at the end of the legislative session.

Example *United Farmers of California ceased all lobbying activity on March 31, 2003, and filed its Report of Lobbyist Employer, Form 635, covering the period January 1, 2005, through March 31, 2005. United filed its Form 606 on April 30, 2005. It must file another Form 635, covering the period April 1, 2005, through the effective date of termination, April 30, 2005.*

If a lobbyist employer terminates a contract with a lobbying firm and there remains a dispute over payment of fees, or the lobbying firm fails to terminate the lobbyist employer after the employer instructs the firm in writing to do so, the lobbyist employer may file a Form 606, but must file a Form 635 at a later date if additional payments are made to the lobbying firm as a result of the dispute.

Lobbyists and lobbying firms remain subject to the $10 gift prohibition for six months after ceasing lobbying activity.

Notice of Withdrawal, Form 607

Individuals who have filed a Lobbyist Certification Statement, Form 604, or persons who have filed a Lobbying Firm Registration Statement, Form 601, but, in fact, never met the definition of lobbyist or lobbying firm may file a Notice of Withdrawal, Form 607 to terminate reporting obligations. This form may not be used to terminate filing obligations of a person who has qualified as a lobbyist or lobbying firm.

Individuals who filed a Form 604, but never met the definition of lobbyist, are not subject to the $10 gift prohibition once the Form 607 is on file with the Secretary of State's office.

The following chart summarizes several common situations that result in the filing of registration and/or amendment statements. Quarterly disclosure statements are also required of lobbying firms, lobbyists, and lobbyist employers.

Situation	Registration Requirement	Deadline
Entity qualifies as lobbyist employer by retaining an existing lobbying firm.	Firm files 605, attaches 602 signed by lobbyist employer.	Before the firm engages in direct communication.
Entity qualifies as lobbyist employer by employing an in-house lobbyist.	Lobbyist employer files 603, attaches 604 signed by lobbyist.	Within 10 days of qualifying as a lobbyist employer.
Entity qualifies as a lobbying firm by contracting with a lobbyist employer.	Firm files 601, attaches 602 signed by lobbyist employer.	Within 10 days of qualifying as a lobbying firm.
Lobbying firm A subcontracts a client to Lobbying firm B.	Firm B files 605 and attaches a 602 signed by Firm A. No registration requirement for the client.	Before Firm B lobbies for the client.
Lobbyist changes employment. Leaves lobbyist employer to work for existing lobbying firm.	Employer files 605 – no attachment. Firm files 605, attaches 604 signed by lobbyist (fee required).	Within 20 days of the effective date.
Lobbying firm stops lobbying for a client. Client does not employ a lobbyist.	Firm files 605. No termination requirement for client.	Within 20 days of the effective date.
Lobbying firm stops lobbying for a client. Client then employs an in-house lobbyist.	Firm files 605. Lobbyist employer files 603, attaches 604 signed by lobbyist (picture & fee required).	Within 20 days of the effective date.
Lobbyist employer with an in-house lobbyist renews registration.	Employer files 603, attaches 604 signed by lobbyist (picture & fee required).	Between November 1 and December 31 of each even-numbered year.
Lobbying firm renews registration.	Firm files 601, attaches 602 signed by each client and 604 signed by each lobbyist (picture & fee required).	Between November 1 and December 31 of each even-numbered year.

Statutory and Regulatory References

Statutes

8956	*Ethics Training Courses*
86100	*Registration*
86101	*Registration; Time*
86102	*Registration Fees*
86103	*Lobbyist Certification; Requirements*
86104	*Lobbying Firm; Registration Requirements*
86105	*Lobbyist Employer; Registration Requirements*
86106	*Renewal of Registration*
86107	*Registration Statement; Amendment; Termination*
86108	*Registration Statement; Publication*
86109	*Directory of Lobbyists, Lobbying Firms, and Lobbyist Employers*
86109.5	*Directory of Lobbyists, Lobbying Firms, and Lobbyist Employers; Online Version*
86118	*Lobbying Reports; Where to File*

Regulation

18601	*Withdrawal of Lobbyist Certification or Lobbying Firm Registration*

Chapter 4
Gifts and Other Activity Expenses

Activity Expenses

Among other things, lobbyists, lobbying firms, lobbyist employers/lobbying coalitions, and $5,000 filers are required to disclose activity expenses, i.e., payments which benefit the persons identified below under "Definition of Activity Expense." This section provides guidance on reporting activity expenses, the most common of which are gifts (e.g., food, beverages, flowers). However, activity expenses also include any form of compensation, such as consulting fees and salaries.

Complying with the Act's provisions regulating activity expenses often depends upon the nature of the particular event or activity. This section provides guidance for the more commonly asked questions regarding activity expenses. Do not rely on the examples alone to ensure compliance with the Act. For reference, several regulations relating to activity expenses have been reproduced and are included in Appendix 1. Detailed reporting, notice requirements, and gift limits are discussed below. Also discussed are the exceptions that apply to both reporting requirements and to the gift limits.

Definition of Activity Expense

An "activity expense" is any payment that benefits, in whole or in part:

- An elected state officer;
- A legislative official;
- A state agency official;
- A state candidate; or
- A member of the immediate family of such officials or candidates (i.e., spouse and dependent children).

A payment that benefits a state agency official or member of an agency official's immediate family is an activity expense only if the agency that employs the official is, or should be, listed on the donor's lobbying registration statement.

This manual refers to an "agency official" and a "member of an agency official's immediate family" as "reportable persons."

Report activity expenses during the period in which they occurred, regardless of whether the expenses were actually paid during the period. All activity expenses must be reported whether or not lobbying occurs at the time of the event.

Examples *While awaiting the arrival of their respective airplanes, lobbyist Kathy Taylor purchases a cup of coffee for Senator Jim Smith. Even though they only engage in social conversation, the beverage is an activity expense that must be reported on Kathy's Form 615.*

Colleen Jones is a lobbyist for the Olson Corporation. She only lobbies legislation affecting labor relations issues before the California Legislature. Colleen invited Mary Ann Ward, a state official with the Department of Water Resources, to breakfast. Because Colleen does not lobby the Department of Water Resources, the payment for Mary Ann's breakfast is not a reportable activity expense.

Tomas & Winters is a law firm and a lobbying firm. Geneva is a lobbyist registered with Tomas & Winters to lobby the legislature. Recyclers United is a client of the law firm but is not a lobbyist employer. Recyclers United asks Geneva to set up a luncheon meeting with some legislative staff members. Even though Recyclers United is not a *lobbyist employer, since Geneva is a lobbyist, she may not arrange the luncheon meeting if the legislative staff members will receive a gift of more than $10 (i.e., if the lunch will cost more than $10 each). If the gift to the legislative staff members will be $10 or less and Geneva arranges for the meeting, the amount of the gift each legislative staff member receives must be reported by Geneva on her Form 615.*

Kempler Hospital is a lobbyist employer. Janice Duke is a surgeon employed by Kempler Hospital and is the spouse of the Director of Health Services, a state agency the hospital lobbies. Kempler Hospital must report Janice's salary as an activity expense.

Definition of Gift

Gifts are the most commonly reported activity expense. The Act defines a gift as any "payment" (which may be money or anything else of value, such as goods or services) that provides a personal benefit to the recipient for which consideration of equal or greater value is not received by the donor. The term "gift" includes, but is not limited to, payments made for food, beverages, and travel. Exceptions to the term "gift" are provided in Commission regulation 18942 which is contained in Appendix 1, under "Exceptions to Gift and Exceptions to Gift Limits."

Gift Limits

Lobbyists and lobbying firms may not make, or act as an agent or an intermediary in the making of a gift, or arrange for the making of a gift in excess of $10 in a calendar month. This limit applies to any payment made directly or indirectly to any state candidate, elected state officer, legislative official, or to an official of any state agency required to be listed on the registration statement of a lobbying firm or a lobbyist employer/lobbying coalition. In addition, lobbyists and lobbying firms are prohibited from making any payment toward a gift to state officials listed above if the value of the gift is more than $10, even if the gift has multiple donors. Gifts made directly to members of an official's immediate family are not subject to the gift limits unless the family member is also a public official described above, but are subject to disclosure on quarterly reports.

In addition, state agency officials may not receive gifts aggregating more than $360 per calendar year from most other sources, including all lobbyist employers/lobbying coalitions and $5,000 filers.

QuickTIP The $360 gift limitation is revised each odd-numbered year based on changes in the Consumer Price Index. It was last revised January 1, 2005. The $10 gift limit restricting gifts from lobbyists and lobbying firms is not revised.

Arranging a Gift

Lobbyists and lobbying firms are prohibited from making or "arranging" a gift of more than $10 in a calendar month to any state candidate, elected state officer, legislative official, or to an official of any state agency required to be listed on the registration statement of a lobbying firm or lobbyist employer/lobbying coalition. It is not necessary for a lobbyist or lobbying firm to actually pay for or incur an expense to meet the definition of "arranging" a gift.

A lobbyist or lobbying firm "arranges for the making of a gift" if the lobbyist or lobbying firm, either directly or through an agent, does any of the following:

- Delivers a gift to the recipient;
- Invites or sends an invitation to an intended recipient regarding the occasion of a gift;
- Solicits responses from an intended recipient concerning his or her attendance or non-attendance at the occasion of a gift;

- Acts as an intermediary in connection with the reimbursement of a recipient's expenses; or
- Acts as an intermediary in connection with the reimbursement of a recipient's expenses.

Examples *Lobbyist Dan Martinez invites a legislator to lunch. After the lunch has been arranged, Dan invites lobbyist Shirley Than to attend. Dan pays the entire cost of the lunch. Shirley is not required to report the luncheon because she did not pay for or "arrange" the gift. On his Form 615, Dan must report the entire cost of the lunch, provide the legislator's name, and the amount that was attributable to the legislator.*

Together, Dan and Shirley invite a legislator's aide to lunch. The lobbyists share the cost of the lunch. They must both report the activity. In addition to reporting the amount they each paid, each lobbyist must report the total value of the aide's meal, indicate that the amount paid was a portion of the total cost, and report the total cost.

A lobbying firm's client hosts a reception for some legislators and their staff. The lobbying firm is the contact for the legislative officials, and the officials call the lobbying firm to RSVP. Although the lobbying firm does not make any of the payments in connection with the reception, the lobbying firm must report the event as an activity expense because the firm's activities come within the definition of "arranging a gift." If the client is a lobbyist employer, it must also report the activity expense.

Adrianne Kent is an employee of a law firm. The law firm is also a lobbying firm, although Adrianne is not a lobbyist. Adrianne is going to take a legislative staff member to lunch and charge it to the law firm's credit account. Even though Adrianne is not a lobbyist, the law firm must report the lunch as an activity expense.

QuickTIP In each of the previous examples, the benefit provided to the legislative officials may not exceed $10 in value.

Example *The California Insurance Coalition, a lobbyist employer, held its annual convention in South Lake Tahoe. Staff of the Coalition invited legislative officials and directed and controlled the event's preparations. The Coalition's lobbyist did not solicit responses to the event or direct or control any payment in connection with the event. The lobbyist may attend the event as long as an officer, manager, or executive of the Coalition is also present. The lobbyist is not required to report activity expenses in connection with the event on his or her Form 615. The activity expenses are reported on the Coalition's Form 635. The amount benefiting each legislative official is subject to the $360 annual gift limit.*

Source of a Gift

Generally, a person is the source of a gift if the person makes a gift to a reportable person and is not acting as an intermediary. Determining the source of a gift is based on the specific facts of each event. If you need assistance to determine the source of a gift, contact the Technical Assistance Division prior to the event. Also, guidance for determining the source of a gift may be found in regulation 18945, Appendix 1, under "Gift, Source."

Examples *The Association of Consultants, a lobbyist employer, is holding a reception to entertain the California Legislature, legislative staff, and other public officials. The Association directs and controls the event's preparations, including determining the guest list, and planning the reception and entertainment. Although other business entities have been solicited to help fund the event, the contributing entities are not involved in any of the reception's* *preparations, including the invitations. The Association is the source of the gift (activity expense) to each reportable person who attends the event. In addition, the gift counts toward each official's $360 annual gift limit from the Association. The other business entities are not considered the source of the gift and do not incur reporting obligations.*

On another occasion, at the request of the Olson Corporation, the Association invites an Assembly member to dinner to discuss a bill. The Olson Corporation, an Association member and also a lobbyist employer, agreed earlier to reimburse the Association for this specific event. The Olson Corporation is the source of the gift because it directs and controls a payment benefiting a clearly-identified official. Therefore, the Olson Corporation, not the Association, must report the dinner as an activity expense on its Form 635.

Gift Notifications

Filers of lobbying disclosure reports are required to notify officials to whom they make gifts aggregating $50 or more in a calendar year. The notification requirements are provided below.

Invitations

Lobbyists, lobbying firms, lobbyist employers/ lobbying coalitions, and $5,000 filers are required to include the following notice in all written or printed invitations to events at which an elected state officer, a candidate for elective state office, a legislative official, or a state agency official will receive a reportable gift. The notice must be printed in no less than 8-point type and in a color or print that contrasts with the background of the invitation and must state:

> *Attendance at this event by a public official will constitute acceptance of a reportable gift.*

WORLD WIDE BOX

July 14, 2004

Honorable Sonia Montana
State Senator, SD 40
State Capitol, Room 8
Sacramento, CA 95814

Dear Senator Montana:

Thank you for attending our reception on April 10, 2004. Please be advised that we will be reporting on our second quarter lobbying disclosure statement that you received a gift of $75.21.

If you have any questions, please contact me at 415/555-5438.

Sincerely,
Alice Hummer
Vice President/California

Notification to the Beneficiary of a Gift

Correspondence notifying an official who is the beneficiary of a gift must be sent to the official within 30 days following the end of each calendar quarter in which the gift was provided. The correspondence must provide the following information:

– The date the gift was provided to the official;

– The amount of the gift; and

– A description of the goods or services provided.

QuickTIP In lieu of this notice, a copy of the "activity expense" section of the donor's quarterly lobbying disclosure report may be provided.

Important Notes:

- Elected state officers and candidates for elected state office must report gifts received from a single source totaling $50 or more in a calendar year.

- Designated employees of state agencies and members of state boards and commissions must report gifts totaling $50 or more in a calendar year from sources specified by their agency's conflict-of-interest code.

Valuing Gifts

In most circumstances, to determine the amount of a gift, the fair market value must be used. (See exceptions below.) The fair market value is the amount the recipient would pay for the item on the open market.

Example *The Franco Winery, a lobbyist employer, provides a bottle of its wine to a reportable person. The wine constitutes a gift and is a reportable activity expense. For reporting purposes, the wine is valued at what it would cost a member of the public to buy the same bottle of wine on the open market.*

Passes and Tickets

Passes or tickets given to an official that provide admission or access to facilities, goods, services, or other benefits are reportable gifts and activity expenses if they are used by the official or if the official transfers the item to another person. Such gifts are subject to the Act's $10 and $360 gift limits. The value of a pass or ticket that provides:

– One-time admission: the face value of the pass or ticket, excluding service fees associated with the purchase of the ticket, or if there is no stated cost, the price offered to the general public.

– Repeated admission or access to facilities, goods, services, or other benefits: the fair market value of the actual use of the pass or tickets by the recipient official, including guests who may accompany the official and who are admitted with the pass or tickets, plus the fair market value of any possible use by any person to whom the official transfers the privilege or use of the pass or tickets.

Tickets to Nonprofit & Political Fundraisers

– Nonprofit associations not exempt under Section 501(c)(3) of the Internal Revenue Code: The value of a ticket to a fundraising event that clearly states that a portion of the ticket price is a donation to a nonprofit organization is the face value of the ticket reduced by the amount of the donation. If the ticket has no stated price or no stated donation portion, the value of the gift is the fair market value of any food, beverage, or other tangible benefits provided to each attendee.

– Nonprofit associations exempt under Section 501(c)(3) of the Internal Revenue Code: A ticket to a fundraising event for a nonprofit organization exempt under Section 501(c)(3) of the Internal Revenue Code has no value.

– Political fundraiser: A ticket to a political fundraiser has no value.

Wedding Gifts

For purposes of valuing wedding gifts, one-half of the value of the gift is attributable to each spouse, unless the gift is intended exclusively for the use and enjoyment of one spouse. If this is the case, the entire value of the gift is attributable to that individual. Lobbyists and lobbying firms are subject to the $10 gift limit for wedding gifts. All other donors are not subject to a gift limit.

Example *A lobbyist purchases linens as a wedding gift for an Assembly member and spouse. The value of the gift may not exceed $20.*

Home Hospitality

The cost of providing hospitality involving food, beverage, or occasional lodging at the home of a lobbyist is a reportable gift only if:

- Part of the cost is paid or reimbursed by the lobbyist's employer or lobbying firm;
- The lobbyist deducts any cost as a business expense on a tax return;
- There is an understanding that some of the lobbyist's compensation is for home hospitality. (See regulation 18630, Appendix 1, under "Home Hospitality.")

Example *Andrea Singh, a lobbyist, hosts a private dinner at her home for some friends and invites Brenda Shoemaker, a legislative staffer. The costs incurred by Andrea for the dinner are not a gift to Brenda, as long as the provisions of regulation 18630 are met. On another occasion, Andrea offers to host a birthday party for Brenda in Andrea's home and invites several of Brenda's friends. Because attendees will bring gifts to Brenda, a reportable person, the home hospitality regulation does not apply. Brenda would be receiving a gift from Andrea subject to the $10 gift limit. The cost of hosting the event (e.g. the pro-rata value of the decorations and food) and any tangible item(s) would count toward the gift limit. In addition, Andrea is "arranging" for the making of gifts from others, which will also be subject to the $10 gift limit.*

Informational Tours

On-site demonstrations, tours, or inspections designed specifically for officials are not gifts and are not subject to either the $10 or $360 gift limits. Travel to the site and subsistence provided to an official during an informational tour are generally considered gifts and are reported as activity expenses. However, transportation that is an integral part of the tour and is not commercially available may be considered informational material and not a gift.

Example *A chartered bus tour of the Sacramento-San Joaquin Delta provided to legislators by an association of water agencies constitutes informational material, not a gift to the legislators. The tour enabled legislators to examine levees, fishing facilities, and local and state water projects in the Delta. Speakers from the California Departments of Water Resources and Fish and Game provided information throughout the tour. Thus, the tour served primarily to convey information and was provided to the legislators to assist them in performing their official duties of making decisions regarding California water policy. Expenses directly related to the bus tour are reported by the lobbyist employer under "Other Payments to Influence Legislative or Administrative Action." However, a legislator's air fare from Los Angeles to the tour site and the food and beverages provided in connection with the tour are gifts subject to the limits and disclosed under "Activity Expenses."*

Informational Material

In general, informational material (e.g., books, reports, pamphlets, calendars) provided to an official for the purpose of assisting him or her in the performance of his or her official duties is not considered a gift or an activity expense. If the official can also use the informational material for personal purposes, the informational material provided is a reportable activity expense. For example, providing an official with a *Consumer Reports* magazine subscription and a decorative map have been determined to be an activity expense because the items also provided a personal benefit to the official.

See page 5-9 for information on reporting the costs of studies, surveys, reports, or other materials used in connection with lobbying activities.

Personalized Plaques and Trophies Valued at Less than $250

A personalized plaque or trophy valued at less than $250 is not considered a gift to a public official and is not reportable as an activity expense by the donor.

Example *The Association of College Students hosts an awards banquet and presents a "Legislator of the Year" engraved plaque to a legislative member. The value of the engraved plaque is less than $250. The legislative member does not report the plaque as a gift, nor does the Association report the plaque as an activity expense.*

Testimonial Events

When an official is honored at a testimonial dinner or similar event, the official's gift is valued at his or her pro rata share of the cost of the event plus the value of any specific item presented to the official at the event.

If the honored official has left office at the time the event is held, the $10 and $360 gift limits do not apply.

Invitation Only Events

When an official attends an invitation-only event such as a banquet, party, gala, celebration or other similar function, the official's gift is valued at his or her pro rata share of the cost of the event plus the value of any specific item presented to the official at the event.

Invitation Only Events Official Performs a Ceremonial Function

When an official, by virtue of his or her position, performs a ceremonial role at an event, only food and beverages plus the value of any specific item provided to the official, are valued to determine the official's gift.

Ticketed Events Official or Ceremonial Functions

When an official otherwise performs an official or ceremonial role or function on behalf of his or her agency, tickets given to the official and his or her spouse and immediate family are not gifts.

Baby Showers

When an official is honored at a baby shower, the official's gift is valued at his or her pro rata share of the cost of the baby shower (e.g., decorations and refreshments) plus any gifts for the specific use of the official (e.g., gift certificates). These gifts are subject to the $10 and $360 gift limits and must be reported as an activity expense.

Gifts for the specific use of the baby (e.g., stroller, blanket, and clothing) are gifts to the baby and are not subject to the $10 or $360 gift limits.

Valuing Food and Beverage

Gifts of food and beverage are the most commonly reported activity expenses.

- Restaurants. When food and beverage is provided to an official at a restaurant, the value of the gift is the actual cost of the items consumed by the official plus a pro rata amount for tax and tip.
- Testimonial Dinners and Invitation-Only Events: The value of such events is the pro rata share of the cost of the event. This includes the cost of all food and beverages, rent of the facilities, decorations, entertainment and all other costs associated with the event divided by the number of acceptances or the number of attendees. It is not permissible to divide the total cost of the event by the number of individuals invited.

However, if an official notifies the donor/host in writing that he or she did not stay for any meal or entertainment and received only minimal appetizers and drinks, the value of the gift is the cost of the food and beverage consumed by the official and guests accompanying the official plus the value of any specific item provided to the official at the event. If the amount has been disclosed on a quarterly statement, the donor may adjust the amount benefiting the reportable person by filing a Form 690, Amendment to Lobbying Disclosure Report.

General Rules:

- An official has not received a gift if he or she returns the gift, unused, to the donor or donates the gift, unused, to a government entity or charitable organization within 30 days. The official may also reimburse the donor for some or all of the value of the gift. The reimbursement must occur within 30 days.
- The term "pro rata share of the cost of the event" means the cost of all food and beverages, rent of the facilities, decorations, entertainment, and all other costs associated with the event, divided by the number of acceptances or the number of attendees.
- A lobbyist who does not make or arrange for a gift to an official may attend an event where the official receives a gift of more than $10 if the person making the gift (or the person's representative) is also in attendance.
- When a reception or other event to entertain or meet with officials is held in conjunction with other meetings, such as an organization's annual meeting, report the total cost of the reception and not the total cost of the organization's annual meeting in the column "Total Amount of Activity."
- When the expenses of an event are shared, report the amount the lobbyist, lobbying firm, lobbyist employer/lobbying coalition, or $5,000 filer paid toward the event in the "Total Amount of Activity" column. In addition, report the total cost of the event in a footnote. See page 5-9 for an example.
- At large gatherings, a guest book or sign-in sheet should be used to identify the reportable persons that attended the event. Records must indicate the total number of individuals who attended and the amount attributable to each. However, it is not necessary to list guests who are not reportable persons on a lobbying disclosure statement.
- The $10 and $360 gift limits do not apply to a member of the immediate family (spouse and dependent children) of a state candidate, legislative official, elected state officer, or state agency official. However, gifts provided to immediate family members are reportable activity expenses.
- Generally, gifts given directly to members of an official's immediate family are not gifts to the official as long as the official does not use the gift or exercise direction and control over it. However, if an official enjoys a direct benefit from a single gift, as well as members of the official's family, the gift's full value is attributed to the official.

Example *Senator Ivan Reeves and spouse attend an event at which the benefit received is $25 per person. If the invitation is addressed to "Senator Reeves and Spouse," the amount of the gift attributable to the Senator is $25. However, if the invitation is addressed to "Senator Reeves and Guest," and the spouse or another individual attends the event, the amount of the gift attributable to the Senator is $50 because he determined who the guest would be.*

- If the guest of an official stays in the same hotel room as the official, the full amount for the lodging is attributable to the official, even if the guest is the official's spouse.

Payments for Legislative, Governmental or Charitable Events ("Behested Payments")

Periodically, lobbying entities are asked by state elected officeholders to make payments or provide goods or services to support an event or activity. Because such activities are at the behest of an officeholder, the issue arises whether these payments are reportable contributions or gifts.

In general, payments are considered contributions if they are made principally for election-related activities. If a portion of a payment is for election-related activities, the payment is considered a "contribution." For guidance, a list of election-related activities is provided in Government Code section 82015 (b)(2)(C)(i-viii). As reviewed in Chapter 5, filers of lobbying reports must disclose contributions of $100 or more made to state candidates and officeholders.

The following types of payments made at the behest of a candidate are presumed to be for purposes unrelated to a candidate's candidacy for elective office and, therefore, are not contributions:

- A payment made principally for personal purposes;
- A payment made by a governmental agency or an organization with a tax exempt status under Internal Revenue Code Section 501(c)(3); and
- A payment made principally for a legislative, charitable, or governmental purpose.

As reviewed in the preceding pages, a payment made principally for a personal purpose may be considered a gift and a reportable activity expense. Officeholders are also required to report certain gifts of $50 or more received from the same source in a calendar year. Gifts are also subject to limits.

State elected officeholders are required to report a payment made at their behest if the payment was made principally for a legislative, charitable, or governmental purpose. State officials file this report with their agency and, within 30 days, a copy of the report must be forwarded to the FPPC. Only sources of payments aggregating $5,000 or more in a calendar year are disclosed. The public document must include, among other items, the date of the payment, source, payee, and a description of the specific purpose or event for which the payment was made.

When a lobbyist employer or $5,000 filer makes such a payment under this provision, the payment must be reported if the payment was made in connection with "influencing legislative or administrative action." Such determination is made on a case by case basis. Donations to charities (e.g., a nonprofit organization exempt under section 501(c)(3) of the Internal Revenue Code) are not required to be reported on the quarterly lobbying disclosure statement.

Examples *At the behest of a state Senator, the Opti Company made a $7,000 direct payment to the Cancer Society, a 501(c)(3) organization. The Opti Company is not required to report the payment on its quarterly lobbying report. The Senator will file a report disclosing the charitable payment. The Senator's report is filed with the Senate Rules Committee, and a copy is sent to the Fair Political Practices Commission. The report is a public document.*

On another occasion, the Opti Company, at the Governor's behest, made a $10,000 payment to the nonprofit corporation set up for the Governor's inaugural. The Opti

Company must report the payment on its quarterly lobbyist report under the category, "Other Payments to Influence."

The Opti Company, at the behest of an Assembly member, made a payment to a Sacramento restaurant for food and beverages for several legislators and staff who were working late one evening. This payment is a gift and must be reported on the quarterly lobbying report under the category, "Activity Expense." The legislators and staff may also be required to report this gift.

Honoraria Ban

Legislative officials, most state and local officials and employees, and candidates for state and local office may not accept honoraria payments.

"Honorarium" means any payment made in consideration for any speech given, article published, or attendance at any public or private conference, convention, meeting, social event, meal, or like gathering.

While most officials are subject to the ban on accepting honoraria, payments or reimbursements for an official's transportation, lodging, and subsistence are generally not considered honoraria.

Travel Payments

In general, payments for travel (ground or air transportation, lodging, and meals) that benefit an official constitute gifts. However, depending on the circumstances, a travel payment may not be subject to limits, or may be considered a contribution or income to the official.

Regulations 18944.2 (Gifts to an Agency), 18950.1 (Gifts of Travel: Exceptions), 18950.3 (Travel in Connection with Speeches, Panels, and Seminars: Exception for All Filers), and 18950.4 (Payments for Travel) in Appendix 1 provide guidance for determining whether a specific travel payment is a gift, income, or a contribution and whether the payment is reportable and subject to gift limits. The regulations address:

- Travel in connection with a speech;
- Travel provided by governmental entities and charities;
- Travel provided to an official's agency;
- Travel in connection with a bona fide business; and
- Travel in connection with campaign activities.

Following is a selected summary of the Commission's current advice. This advice is based on specific sets of circumstances and is provided for informational purposes only. Do not rely on the examples alone to ensure compliance with the Act. It is recommended that persons contact the Commission before making travel payments.

- An official was advised that acceptance of Super Bowl tickets from a nonprofit organization that promotes local sports and the use of its private corporate jet to attend the Super Bowl would violate the gift limit. However, the official could reimburse the organization for the amount over the gift limit within 30 days of receipt.
- An Assembly member has been advised that payment for airfare to Maui, Hawaii, to participate as a keynote speaker at an association's convention that focused on developing Pacific Rim markets for agricultural products was reasonably related to a governmental purpose. The airfare payment is not subject to gift limits, but must be reported as an activity expense. The requirement to report the payments for lodging and meals will depend on the specific facts of the trip.
- An organization provided travel and accommodations to a state agency's employees so that the employees could

attend a training program. Because the state agency received and controlled the payments for travel from the organization, used the payments for agency business, selected the employees who attended the training program, and recorded the payments in a public record, the Commission advised that the travel payments constituted a gift to the state agency and not gifts to the state employees who attended.

- An Assembly member's administrative assistant has been advised that he may accept payments from a lobbyist employer for transportation, room and board, and a speaking fee for his performance as a stand-up comic. The payments for his performance constitute earned income in connection with his bona fide business. The lobbyist employer is required to report the payments as an activity expense.
- The Commission has advised that a third party's payments for an elected official's air travel to attend the official's campaign fundraiser is a contribution. Contributions of $100 or more must be reported on a lobbying disclosure quarterly report.
- An association paid an official's transportation, meals, and lodging expenses directly in connection with an event at which the official gave a speech in Pebble Beach, California. The payments are not subject to the gift limits and are not reportable by the association or the official.

Important Notes:

- If an official claims that a payment for travel is income and not a gift, the official has the burden of proving that the consideration he or she provided was of equal or greater value than the payment received. There is no exact formula to determine whether an official has provided consideration of equal or greater value, and, ultimately, this determination is a factual one. Such payments are generally considered a gift, although they may not be subject to the gift limits.
- Regulation 18950.1 exempts certain travel payments from the $360 gift limit but does not exempt the payments from the $10 gift limit imposed on lobbyists and lobbying firms.

Questions and Answers

Q. *A lobbyist uses personal funds to take an official to lunch. The lobbyist is later reimbursed by his or her employer. Is the lobbyist subject to the $10 gift limit under these circumstances?*

A. Yes. Whether a lobbyist is reimbursed by his or her employer, a lobbyist may not make a gift benefiting an official of more than $10 in a calendar month.

Q. *Is a lobbying firm prohibited from arranging an out-of-state speaking engagement for an official on behalf of one of the firm's clients?*

A. Out-of-state travel is a gift which is subject to the $10 gift limit. Therefore, any employee of the lobbying firm is prohibited from arranging the travel.

Q. *Must the gift notification language be provided on all invitations to events?*

A. No. Only invitations to an event at which an official will receive a reportable gift. Officials must report gifts aggregating $50 or more in a calendar year from a single source.

Q. *When a lobbyist employer makes a gift of $50 or more to the spouse of a legislator, is the lobbyist employer required to send the gift notification?*

A. The notice is not required unless the legislator's spouse is a state officeholder, state candidate, or an official of a state agency lobbied by the filer.

Q. *May an official and spouse spend a weekend at the vacation home of a* *lobbyist when the lobbyist does not stay at the house the entire weekend?*

A. No. The time the lobbyist does not stay with the official is considered a gift from the lobbyist and subject to the $10 gift limit. Since the value of the use of the house exceeds the $10 gift limit, the lobbyist is prohibited from permitting the official's use of the vacation home without the lobbyist or a member of the lobbyist's immediate family present.

Q. May a trade association provide a T-shirt, valued at $10, to a public official who gives a speech at the association's annual conference?

A. Yes. Regulation 18950.3 provides that a non-cash, nominal benefit such as a coffee mug, T-shirt, pen, etc., may be provided to an official attending an event when the official gives a speech, participates in a panel or seminar, or provides a similar service. The item is not reportable or subject to the $10 or $360 gift limits. The regulation is intended to provide an official the opportunity to accept a nominal item for his or her services.

Q. If a lobbyist pays for a reportable official's meal and within 30 days is reimbursed by the person for the full amount of the meal, must the lobbyist disclose the meal as an activity expense?

A. No. As long as reimbursement occurs within 30 days, the lobbyist is not required to disclose the activity.

Q. May a lobbyist, who is acting in his or her capacity as the executive director of an association, make or arrange a gift benefiting an official of more than $10?

A. No. No matter what other position a lobbyist holds, the gift limit and the prohibition against making or arranging gifts over $10 apply.

Q. May a lobbyist take an official to lunch and pay more than $10 if the official buys the lobbyist's lunch the next time they meet?

A. No. There is no provision in the law for reciprocating or exchanging gifts with a lobbyist.

Statutory and Regulatory References

Statutes

82015	*Contribution*
82028	*Gift*
82038	*Legislative Official*
86111	*Activity Expense; Agency Official*
86112.3	*Invitations*
86112.5	*Notification to Beneficiary of a Gift*
86201	*Gift*
86203	*Unlawful Gifts*
87207	*Disclosure of Income*
89501	*Honoraria (Definition)*
89502	*Honorarium (Prohibition)*
89503	*Gift Limits*
89506	*Travel Payments, Advances and Reimbursements*

Regulations

18624	*Lobbyist Arranging Gifts*
18630	*Home Hospitality (86203)*
18640	*Activity Expenses*
18940.2	*Gift Amount Limit*
18941	*Receipt, Promise and Acceptance of Gifts*
18942	*Exceptions to Gift and Exceptions to Gift Limits*
18942.1	*Definition of "Informational Material"*
18943	*Return, Donation, or Reimbursement of a Gift*
18944	*Valuation of Gifts to An Official and His or Her Family*
18944.2	*Gifts to an Agency*
18945	*Source of Gifts*
18945.3	*Intermediary of a Gift*
18946	*Reporting and Valuation of Gifts*
18946.1	*Reporting and Valuation of Gifts: Passes and Tickets*

18946.2 *Reporting and Valuation of Gifts: Testimonial Dinners and Events*
18946.3 *Reporting and Valuation of Gifts: Wedding Gifts*
18946.4 *Reporting and Valuation of Gifts: Tickets to Nonprofit and Political Fundraisers*
18950.1 *Gifts of Travel: Exceptions*
18950.3 *Travel in Connection With Speeches, Panels, and Seminars: Exception for All Filers*
18950.4 *Payments for Travel in Connection with Campaign Activities*

Chapter 5
Quarterly Disclosure Reports

Lobbyists, lobbying firms, lobbyist employers, lobbying coalitions, and $5,000 filers must file quarterly disclosure reports. This chapter reviews the common issues associated with completing the quarterly statements.

There are four different quarterly reports: Lobbyist Report, Form 615; Report of Lobbying Firm, Form 625; Report of Lobbyist Employer and Report of Lobbying Coalition, Form 635; and, Report of Person Spending $5,000 or More to Influence Legislative or Administrative Action, Form 645. Although there are four different forms, the disclosure provisions are similar and, therefore, have been summarized into general guidelines. Following the "General Guidelines" section is a discussion of those issues that are unique to each form.

General Guidelines

When and Where to File

Reports are due at the end of the month following the end of each calendar quarter. Reports must be filed for each calendar quarter, regardless of the level of activity.

Exception: $5,000 filers are only required to file a report for each calendar quarter in which they spend $5,000 or more to influence legislative or administrative action. This amount does not include "activity expenses." (See Page 4-1 for a definition of activity expenses.)

Most lobbying filers must file quarterly reports electronically or online, although some may be required to file on paper (an original and one copy). (See Chapter 2 for guidance.) All reports are filed with:

Secretary of State
Political Reform Division
1500 11th Street, Room 495
Sacramento, CA 95814

Reporting Period

The period covered on each report is the entire calendar quarter. The "cumulative period" begins with January 1 of the current biennial legislative session. (Legislative sessions begin in odd-numbered years.)

Exceptions:

- For a person who qualifies as a lobbying firm or lobbyist employer/lobbying coalition after the first quarter of the current legislative session, the cumulative period begins with the first day of the calendar quarter in which the lobbying entity qualified.
- For a $5,000 filer, the cumulative period is the first day of the calendar quarter in which the $5,000 filer qualified.

Record Retention

Records and substantiating documents must be retained for a period of five years following the date of the filer's final report for that calendar year. (See Chapter 6.)

Legislative or State Agency Administrative Action "Actively" Lobbied

Report only those legislative or administrative actions that were "actively lobbied" during the quarter. An action has been "actively lobbied" if a partner, owner, officer, or employee of the filer, or a lobbying firm with which the filer has contracted, has either engaged in direct communication, or been directed by the filer to engage in direct communication with a qualified official for the purpose of influencing the action on behalf of the filer. (See Chapter 1 for the definitions of "direct communication," and "legislative or administrative action.") When listing state administrative action, provide the name of the state agency or department. In lieu of bill numbers and regulation numbers, a specific description of each legislative or administrative action actively lobbied during the quarter may be provided.

Do not list bills or administrative actions that:

- Have died prior to the reporting period;
- Are only being watched or monitored; or
- The lobbyist employer/lobbying coalition has not attempted to influence during the calendar quarter.

Activity Expenses

Itemize all activity expenses that were incurred or arranged during the quarter, regardless of whether they were actually paid during the calendar quarter. An activity expense reported on a previous quarterly report as incurred need not be reported again when actual payment is made.

An itemized activity expense must include the date, name and address of payee, name and position of each reportable person and a description of the expense (e.g. reception, flowers). Disclose the amount of benefit for each reportable person and the total amount of the activity. Do not list employees or members of the lobbyist employer/lobbying coalition or other non-reportable individuals.

Lobbying firms must report activity expenses reimbursed by a lobbyist employer/lobbying coalition that contracts with the lobbying firm.

Notes:

- Do not attach copies of invoices, credit card receipts, or checks to the statement. Such documents should be kept in the recordkeeping file.
- When an activity expense is shared, list the filer's payment in the "Total Amount of Activity" column. Indicate in a note the total cost of the activity expense and that the cost was shared by others.
- When an activity expense is charged to a credit card, report both the credit card company and the vendor.
- When an activity expense is paid by a lobbyist employer's or lobbying firm's sponsored recipient committee, the expense must be reported on the quarterly report as though it were made by the filer directly. In addition, if a subsidiary of a filer pays for an activity expense on the filer's behalf, the filer must report the payment.

QuickTIP See Chapter 4 for more information on activity expenses.

Prohibited Campaign Contributions

Lobbyists and lobbying firms are prohibited from making certain contributions. (See Chapter 7.)

Campaign Contributions Disclosure

Lobbyists, lobbying firms, lobbyist employers/ lobbying coalitions, and $5,000 filers must disclose all contributions made that total $100 or more during the calendar year to state candidates, elected state officers, their controlled committees (including controlled ballot measure committees), and committees primarily formed to support or oppose such officers or candidates. (Do not report contributions to federal candidate committees.) Report the date of the contribution, the name of the recipient, the recipient's committee identification number, if applicable, and the amount of the contribution.

Form 635
Part B

B. Contributions of $100 or more which have not been reported on a campaign disclosure statement, including contributions made by an organization's sponsored committee, must be itemized below.

Date	Name of Recipient	I.D. Number if Committee	Amount
5/15	Shawna Overland for State Senate	120663	$ 1,000
5/15	Carlton Kennedy for Governor	1205101	2,500

☐ If more space is needed, check box and attach continuation sheets.

NOTE: Disclosure in this report does not relieve a filer of any obligation to file the campaign disclosure statements required by Gov. Code Section 84200, et seq.

If a lobbyist, lobbying firm, or lobbyist employer/lobbying coalition makes a contribution prior to qualifying as a lobbying filer, but within the same calendar quarter of registering to lobby, the filer must disclose the contribution.

Example *In January 2004, Emily Browski made a contribution from her personal funds to State Senator Karl Najimy's local committee for mayor. In March 2004, Emily became a lobbyist registered to lobby the Legislature. Because Senator Najimy is an elected state officer, Emily must report the contribution on her Form 615 for the first quarter of the year. (As a lobbyist, Emily is prohibited from making future contributions to a state or local committee controlled by the Senator.) Later that year, Emily made a personal contribution to a candidate for Attorney General. This contribution was permissible because Emily does not lobby the Department of Justice. Nevertheless, if the contribution was $100 or more, it must be reported.*

If all of the contributions made during the quarter by the lobbying firm, lobbyist employer/lobbying coalition, $5,000 filer, or by its sponsored committee are reported on a campaign disclosure statement required under Government Code section 84200 et seq. (e.g., Form 460 or 461), which is on file with the Secretary of State, identify the name of the committee and, if applicable, the committee's identification number. It is not necessary to itemize these contributions.

QuickTIP If a lobbying firm, lobbyist employer/ lobbying coalition, $5,000 filer, or a sponsored committee of one of these filers has made a late contribution to a state candidate or officeholder within a calendar quarter, but has not yet filed the corresponding campaign disclosure statement (e.g., Form 460 or 461) with the Secretary of State, the late contribution should be reported on the quarterly lobbying statement, even if a Late Contribution Report, Form 497, has been filed.

Delivering Contributions

Contributions may not be personally delivered in the State Capitol, in any state office building, or in any office for which the State of California pays the majority of the rent. The only exception to this prohibition is a legislative district office. "Personally delivered" includes the delivery of a copy or facsimile of a contribution, and the original or a copy of a contribution transmittal letter. "Personally delivered" does not include contributions sent through the mail.

Lobbyists must report contributions they make during the calendar quarter that total $100 or more in the calendar year and those that they personally deliver to state candidates or elected state officers, regardless of the source of the contribution. However, contributions delivered for a lobbyist employer or another person need not be reported by the lobbyist unless the lobbyist personally delivers the contribution to the candidate or officeholder, or to the candidate/officeholder's treasurer or agent, in the candidate/officeholder's presence and with their knowledge.

Example *Luisa Torres is an in-house lobbyist for Campbell Trucking Company. On the company's behalf, Luisa delivers a campaign contribution to Senator Debbie Mizuki's reelection campaign headquarters. The Senator is not present, so Luisa gives the contribution to the campaign committee's treasurer. Since the contribution was not from Luisa, nor was it personally delivered to the Senator or in the Senator's presence and with her knowledge, Luisa is not required to report the contribution on her Lobbyist Report, Form 615.*

Question & Answer

Q. *May a lobbyist attend a fundraiser if the ticket is paid in full by a lobbyist employer?*

A. Yes. A lobbyist may attend a fundraiser as long as the lobbyist's personal funds or assets are not used to pay for the ticket. See FPPC regulation 18572 for restrictions.

Verification

In the case of the lobbyist report, Form 615, the paper report must be signed by the lobbyist. If the lobbyist is not available to sign the report on or before the filing deadline, an agent of the lobbyist may sign the report. The agent should attach a note stating that, as soon as the lobbyist is available, he or she will sign the report and an amendment with the proper signature will be filed.

In the case of the lobbying firm report, Form 625, the paper report must be verified and signed by the individual who is designated on the lobbying firm's registration statement as the responsible officer of the lobbying firm. If the designated responsible officer is not available to sign the report on or before the filing deadline, another responsible officer of the lobbying firm or an attorney or certified public accountant may sign the report. An explanatory note should be attached stating that, as soon as the designated responsible officer is available, he or she will file an amendment with the proper signature.

In the case of the lobbyist employer/lobbying coalition report, Form 635, and $5,000 Filer report, Form 645, the verification must be signed by a responsible officer, or by an attorney or a certified public accountant who acts as an agent for the entity or organization. The same individual is not required to sign all statements.

Amendments to Disclosure Reports

To amend information disclosed on a lobbying disclosure report, e.g. Form 615, 625, 630, 635, 635-C, 640, or 645, file an Amendment to Lobbying Disclosure Report, Form 690. (For more information, see page 5-14.)

Quarterly Report and Attachments

The following section provides instructions and examples for completing the four quarterly reports: Forms 615, 625, 635, and 645. The attachment forms, Forms 640, 635C, and 630, are reviewed immediately following the Form 635, since these are the most commonly used attachments for this form. The form to amend the quarterly reports, Form 690, concludes the chapter.

Lobbyist Report, Form 615

A lobbyist must identify his or her name and address, and disclose activity expenses and campaign contributions.

All "activity expenses" arranged, incurred, or paid by the lobbyist must be itemized during the period in which they occurred regardless of whether they were actually paid during the period. When reporting under the "Name and Official Position of Reportable Person and Amount Benefiting Each," neither the lobbyist nor any other person who is not a reportable person is required to be listed. However, the total number of persons who benefited must be kept in the lobbyist's records. When reporting under the "Total Amount of Activity," the total amount paid, arranged, or incurred for the activity must be reported, not just the amount benefiting reportable people.

Form 615
Part I

PART I - ACTIVITY EXPENSES PAID, INCURRED, ARRANGED OR PROVIDED BY THE LOBBYIST (See definitions and instructions on reverse.)

☐ I have reviewed the form and instructions for reporting Activity Expenses and I have nothing to report.

Date	Name and Address of Payee	Name and Official Position of Reportable Persons and Amount Benefiting Each		Description of Consideration	Total Amount of Activity
5/2	See's Candy 1009 L Street Sacramento, CA 95814	Amanda Burr Senator Black's Daughter	$ 15.00	Candy	$ 15.00
6/5	The River Eatery 400 Front Street Sacramento, CA 95814	Cecil Prakash Senator	6.00	Cocktail	24.00

The completed Form 615 must be submitted to the lobbyist's employer or lobbying firm for filing within two weeks following the end of each calendar quarter.

If a lobbyist changes employers in the middle of a quarter, the lobbyist will file two Form 615s: one covering the period with the former employer and one covering the period with the new employer.

Report of Lobbying Firm, Form 625

A lobbying firm must file Form 625. In addition, a Form 615, completed by each partner, owner, officer, or employee of the lobbying firm who qualifies as a lobbyist also must be filed. A lobbying firm that is a member of a lobbying coalition must also include Form 630, Payments Made to Lobbying Coalitions, with its quarterly Form 625.

Partners, Owners, Officers, and Employees Who Engaged in Direct Communication

If no partner, owner, officer, or employee of the firm qualifies as a lobbyist, list the name and title of each partner, owner, officer, or employee of the lobbying firm who, **on at least five separate occasions during the quarter, engaged in direct communication** with any elected state official, legislative official, or agency official for the purpose of influencing legislative or administrative action. Do not include employees whose actions were solely clerical.

Payments Received in Connection With Lobbying Activity

List the name, address, and telephone number of each lobbyist employer/lobbying coalition on whose behalf the lobbying firm is registered to lobby whether or not the firm has received a payment from the client during the calendar quarter.

If a payment for a client is received from another source (e.g., a public relations firm, or administrative services company), the lobbying firm must report both entities.

If a lobbying firm receives a payment in connection for lobbying on behalf of another lobbying firm's client, the lobbying firm receiving the payment must report the other lobbying firm and the client.

Form 625
Part II

PART II - PAYMENTS RECEIVED IN CONNECTION WITH LOBBYING ACTIVITY (Amounts may be rounded off to whole dollars. See instructions on reverse.)

Employer's Name, Address and Telephone Number
City of Rolling Hills Estates
4045 Palos Verdes Drive North
Rolling Hills Estates, CA 90274 (310) 377-1577

Legislative or State Agency Administrative Actions "Actively" Lobbied During the Period. (See instructions on reverse.)
SB 160
AB 12

Fees and Retainers	Reimbursements of Expenses	Advances or Other Payments (attach explanation)	Total This Period	Cumulative Total to Date
$ 2,500	$ 175*	$ - 0 -	$ 2,675	$ 4,675

Employer's Name, Address and Telephone Number
California Electricity Distributors
55 Capitol Mall, Suite 900
Sacramento, CA 95814 (916) 441-5500

Legislative or State Agency Administrative Actions "Actively" Lobbied During the Period. (See instructions on reverse.)
PUC rulemaking re: establishment of electrical rates charged to commercial entities.

Fees and Retainers	Reimbursements of Expenses	Advances or Other Payments (attach explanation)	Total This Period	Cumulative Total to Date
$ - 0 -	$ - 0 -	$ - 0 -	$ - 0 -	$ 3,500

Employer's Name, Address and Telephone Number
Alvarez, Greene, Ho & Douglass
1127 11th Street, Suite 1020
Sacramento, CA 95814
(916) 441-6010

On behalf of its client:
Four Mesas Municipal Water Dist.
5000 Indio Blvd.
Indio, CA 92203 (760) 861-1220

Legislative or State Agency Administrative Actions "Actively" Lobbied During the Period. (See instructions on reverse.)
Dept. of Water Resources Reg. #12931

Fees and Retainers	Reimbursements of Expenses	Advances or Other Payments (attach explanation)	Total This Period	Cumulative Total to Date
$ 900	$ - 0 -	$ - 0 -	$ 900	$ 2,700

☐ If more space is needed, check box and attach continuation sheets. **SUBTOTAL** $ 3,575

*For services performed during 1/1/05-3/31/05

Lobbying firms must identify clients that make payments for and direct their lobbying activity. For more information on corporate clients and their subsidiaries, see Chapter 3.

Fees and Retainers

If a lobbying firm provides services other than lobbying (e.g., legal or administrative services) to a client on whose behalf the firm is registered to lobby, only report payments received for lobbying-related activities.

It is not necessary to disclose payments for initiative-related or legislative-related services (e.g., bill monitoring) on issues for which the lobbying firm has not been authorized to directly communicate with legislative or agency officials. However, a lobbying firm must retroactively report payments received for initiative-related and legislative-related services if, within one year of receiving such payments, the firm is authorized to lobby on the same or substantially the same matter. The nature of the payment and the date the firm was authorized to lobby must be noted. Regulation 18624 (Reportable Lobbying Services) provides guidance on this reporting requirement.

Reimbursement of Expenses

If reimbursement is received for expenses incurred in a prior quarter, indicate in a footnote during which calendar quarter the expenses were incurred.

Payments Made in Connection With Lobbying Activities

Activity Expenses Arranged, Incurred, or Paid by the Lobbying Firm

Itemize activity expenses arranged, incurred, or made on behalf of the firm by individuals in the lobbying firm, other than a registered lobbyist. The total of these payments is reported in Part III, Section A. 2. If a lobbyist incurs or makes an activity expense, the lobbyist should itemize the expenses on his or her Form 615.

If a client later reimburses the lobbying firm, report the reimbursement in Part II. Do not itemize activity expenses paid or incurred by a salaried lobbyist that were merely reimbursed by or charged to an account paid by the firm.

Form 625
Part III, Section A

PART III - PAYMENTS MADE IN CONNECTION WITH LOBBYING ACTIVITIES

SECTION A: ACTIVITY EXPENSES (See instructions on reverse.)

1. ACTIVITY EXPENSES ARRANGED, INCURRED, OR PAID BY THE LOBBYING FIRM (OTHER THAN THOSE PAID OR INCURRED BY A LOBBYIST)

Date	Name and Address of Payee	Name and Official Position of Reportable Persons and Amount Benefiting Each		Description of Consideration	Total Amount of Activity
4/20	Capital Cafe 440 Capital Mall Sacramento, CA	Senator Guy Walsh	$ 8.50	Breakfast	$ 40.00

Payments Made to Other Lobbying Firms

If the lobbying firm subcontracts with another lobbying firm to lobby on behalf of a client, payments to the subcontracting firm are itemized in Part III, Section B.

Form 625
Part III, Section B

PART III - PAYMENTS MADE (Continued)

SECTION B: PAYMENTS MADE TO OTHER LOBBYING FIRMS

Name, Address and Telephone Number of Firm Contracted With	Name of Employer or Client for Whom Subcontractor was Retained to Lobby	Amount This Period	Cumulative Total to Date
Government Insiders 600 N Street, Suite 2401 Sacramento, CA (916) 929-8844	California Electricity Distributors	$ 500	$ 500

Questions and Answers

Q. *Is the responsible officer of the lobbying firm the only person who may sign the Report of Lobbying Firm, Form 625?*

A. Yes. The report must be verified and signed by the individual who is designated on the lobbying firm's registration statement.

Q. *Is a lobbying firm required to list lobbying clients that have not made payments to the firm during the calendar quarter covered by the report?*

A. Yes. The lobbying firm must list the name, address, and telephone number of each of its clients on whose behalf the lobbying firm is registered to lobby, whether or not the firm has received a payment from the client.

Q. *Must a lobbying firm report payments from clients contracting only for bill tracking services?*

A. No. Lobbying firms are only required to report payments from persons who pay the firm to engage in direct communication for the purpose of influencing legislative or administrative action.

Q. *When are fees and retainers reported?*

A. A lobbying firm must report receipt of a client's fee or retainer on the report covering the calendar quarter in which the payment was received. If the payment was for services provided in a prior calendar quarter, indicate on the report the quarter in which services were provided.

Q. *A lobbying firm purchased 10 tickets to a charitable (501(c)(3)) organization's fundraiser. The firm gave some of the tickets to legislative staff members. Do these tickets to reportable persons need to be disclosed as an activity expense?*

A. No. A ticket to a fundraising event of an organization established under IRS code 501(c)(3) has no value under FPPC regulation 18946.4, and is therefore not an activity expense.

Report of Lobbyist Employer and Report of Lobbying Coalition, Form 635

Form 635

NAME OF FILER:
City of Rolling Hills Estates

BUSINESS ADDRESS: (Number and Street)	(City)	(State)	(Zip Code)	TELEPHONE NUMBER:
4045 Palos Verdes Drive North	Rolling Hills Estates	CA	90274	(310) 377-1577

PART I - LEGISLATIVE OR STATE AGENCY ADMINISTRATIVE ACTIONS ACTIVELY LOBBIED DURING THE PERIOD
(See instuctions on reverse.)

SB 160
AB 12
Dept. of Housing and Community Development Reg. #1057

If the organization or entity employs an in-house lobbyist, Form 615 must be filed by the lobbyist in addition to the Form 635. In addition, if the lobbyist employer is a member of a lobbying coalition or is a lobbying coalition, Form 630 or Form 635-C is also required to be filed. All governmental entities must also complete Form 640, which requires additional itemization of the agency's general expenses for lobbying. Forms 630, 635-C, and 640 are reviewed below.

Part III of Form 635. Payments Made in Connection With Lobbying Activities

In Section A of Part III payments to in-house lobbyists are disclosed. Such payments include:

- Salaries. Salary includes gross wages paid, plus any fringe benefits that are in lieu of wages, such as the granting of stock options or purchase of annuities. Salary does not include routine fringe benefits, such as the employer's contributions to a health plan, retirement plan, or payroll taxes;
- Reimbursements of expenses (including activity expenses);
- Advances for expenses or salary; and
- Any other payments made directly to the lobbyist(s).

Important Notes:

- Do not include payments made directly to a vendor for lobbying expenses of an in-house lobbyist (e.g., automobile lease agency, restaurant, credit card company, membership club). Such payments are reported under "Other Payments to Influence," Part III, Section D. 2.
- If an in-house lobbyist performs duties other than lobbying, only report the portion of his or her salary and expenses allocated to lobbying. (See Chapter 6 for instructions on how to allocate lobbying expenses.)

Part III Section B. Payments to Lobbying Firms (Including Individual Contract Lobbyists)

Payments to lobbying firms are reported in Section B of Part III. If a lobbying firm provides services other than lobbying, only report payments for lobbying-related activities. List each lobbying firm authorized to lobby on behalf of the lobbyist employer/ coalition, even if no payments to the firm have been made during the period covered by this report.

Form 635
Part III, Sections A and B

PART III - PAYMENTS MADE IN CONNECTION WITH LOBBYING ACTIVITIES

A. *PAYMENTS TO IN-HOUSE EMPLOYEE LOBBYISTS* (See instructions on reverse. Also enter the Amount This Period (Column 1) on Line A of the Summary of Payments section on page 1.)	(1) Amount This Period	(2) Cumulative Total To Date
	$ 4,500	$ 9,000

B. *PAYMENTS TO LOBBYING FIRMS* (Including Individual Contract Lobbyists)

Name and Address of Lobbying Firm/Independent Contractor	(1) Fees & Retainers	(2) Reimbursements of Expenses	(3) Advances or Other Payments (attach explanation)	(4) Total This Period	(5) Cumulative Total to Date
Governmental Relations Management 921 J Street, Suite 780 Sacramento, CA 95814	1,000	150	- 0 -	1,150	1,250

Part III Section C. Activity Expenses

Lobbyist employers must report activity expenses they make, as well as activity expenses paid by their sponsored campaign committees in Section C of Part III.

Example: The PAC for California Dairy Association, a lobbyist employer, pays for a dinner for a legislative official and his spouse. The PAC reports the payment as an expenditure and the Dairy Association reports the payment as an activity expense on its Form 635.

Do not list activity expenses paid or incurred by a salaried lobbyist that were merely reimbursed by or charged to an account paid by the lobbyist employer/lobbying coalition. Such activity expenses are itemized on the lobbyist's Form 615 and reported as an overhead expense on the Form 635.

Example: At a lunch meeting with a Social Services Department official, in-house lobbyist Ron McPherson charged sandwiches and beverages on his employer's credit card. Ron must itemize the activity expense on his Form 615. His employer must include the payment in Part III Section D "Other Payments" on the Form 635.

The lobbyist employer's disclosure of reimbursements for expenses incurred by an in-house lobbyist depends on how the expenses were paid:

- If payment is made directly to the lobbyist, the amount is reported on the Form 635 in Part III, Section A.
- If the lobbyist charges an expense to an account for which a direct payment is made by the employer to the credit card company or vendor, the amount is reported on the Form 635 in Part III, Section D.

Lobbyist employers must itemize costs associated with events that are activity expenses (e.g., a legislative reception). If a lobbyist employer shares the costs of a reception or similar event, list the lobbyist employer's payment in the total amount of activity column. Indicate in a note the total cost of the activity and that the cost was shared by others. (See Chapter 4 for more information on activity expenses.)

Form 635
Part III, Section C

C. *ACTIVITY EXPENSES* (See instructions on reverse.)

Date	Name and Address of Payee	Name and Official Position of Reportable Persons and Amount Benefiting Each		Description of Consideration	Total Amount of Activity
4/20	Sheraton Hotel 1328 J Street Sacramento, CA 95814	Senator Chris Deguzman Legislative Staffer Carolyn Aalstad	$ 7.00 7.00	Cocktails	$ 34.00
6/28	Torrance Hilton 18495 Hawthorne Blvd. Torrance, CA 90205	Sen. Dan McCollough Sen. Kate Sprang Assem. Curt Imai Assem. Seth Jones	35.00 35.00 35.00 35.00	Reception	500.00*
	*Total Cost: $1,000, of which the city paid 50%. For gift limit purposes, each reportable person received a gift of $17.50 from the city.				

Part III Section D. Other Payments to Influence Legislative or Administrative Action

Filers that are governmental agencies do not complete this section, but must use Form 640 instead. (See page 5-11.) In this section, all other filers report:

- Payments made to a lobbying coalition.
- Compensation paid to non-lobbyist employees who spend 10 percent or more of their compensated time in any one calendar month in connection with lobbying activities. This would include time spent by non-lobbyist employees engaging in or urging others to engage in direct communication, and providing research services and preparing materials to be used in direct communication or in connection with soliciting or urging others to engage in direct communication.

  Compensation includes gross wages paid plus any benefits which are in lieu of wages (e.g., granting of stock options or the purchase of annuities). It does not include routine fringe benefits, such as the employer's contributions to a health plan, retirement plan, or payroll taxes.

  Exception: Compensation paid to an employee whose duties are solely clerical, manual, or are limited to the compilation of data or statistics is not required to be reported.

Examples *Pattie Pinkerton, a non-lobbyist employee of a lobbyist employer, spent 75% of her time performing secretarial duties for the lobbyist that included tracking the status of legislation and administrative regulations. She did not provide analytical support to the lobbyist. Pattie's salary is not reportable.*

During the first quarter of 2005, Marvin Javin, a non-lobbyist employee of a lobbyist employer, spent 30% of his time preparing testimony for the lobbyist to present and 20% of his time providing clerical services involving the employer's legislative program. Fifty percent of Marvin's salary must be reported in the "Other Payments" section.

- The payment of expenses incurred by a lobbyist but not paid directly to the lobbyist (e.g., a direct payment to a credit card company).
- The payment of expenses incurred for goods or services used by a lobbyist or used to support or assist a lobbyist in connection with his or her activities as a lobbyist, such as legislative bill service, periodicals, automobile lease.

  Exception: It is not necessary to report the costs of research (e.g., books, surveys, studies, reports) that was undertaken for solely non-lobbying purposes even if the research is later used in lobbying-related communications.
- The payment of any other expenses that would not have been incurred but for the filer's activities to influence or attempt to influence legislative or administrative action, including office overhead and operating expenses, payments to expert witnesses, and expenses incurred by employees other than a lobbyist.

Example *Tony Malone is the General Counsel and lobbyist for the Alliance for Public Schools. On one day, he incurred travel expenses to attend a meeting during which two hours were spent on legislative business and two hours on non-legislative business. These expenses were charged to his employer's credit card. For reporting purposes, the travel expenses (transportation, lodging and subsistence) may be allocated between the legislative and non-legislative activities.*

- Payments in connection with soliciting or urging persons other than employees to enter into direct communication with a reportable person for the primary purpose of influencing legislative or administrative action.

Example *The Alliance for Public Schools sends a special mailing asking readers to call their legislators and request a "yes" vote on Assembly Bill 1010. Also included in the mailing is non-legislative material. For reporting purposes, any reasonable allocation method made in good faith may be used to determine the amount reported under "Other Payments."*

Important Note:

A lobbyist employer must retroactively disclose in Section B payments made to a lobbying firm for initiative-related or legislative-related services (e.g. bill monitoring, drafting statutes) if, within one year of making such payments, the lobbyist employer authorizes the lobbying firm to lobby on the same or substantially the same matter. If the lobbyist employer had previously reported the payments as "Other Payments," the payments must be deducted from Section D and a note provided to indicate the amount of the deduction.

Part III Section E. Payments in Connection with Administrative Testimony in Ratemaking Proceedings Before the California Public Utilities Commission

Report payments made in connection with administrative testimony in PUC ratemaking or quasi-legislative proceedings in Section E, unless the payments are made to a lobbyist or lobbying firm.

PUC ratemaking and quasi-legislative proceedings are defined in Appendix 1 under "Administrative Action" and "Administrative Testimony."

Reporting payments made in connection with administrative testimony in PUC regulatory proceedings is limited to the following:

- Compensation paid to all attorneys (excluding lobbyists) for their time spent appearing as counsel and their time preparing the oral testimony.
- Compensation paid to all witnesses (excluding lobbyists) for their time spent testifying and their time preparing to testify.
- Payments made for "grass-roots" lobbying of the PUC, such as soliciting others to urge the PUC to act in a certain way.

No other in-house expenses or overhead in connection with administrative testimony before the PUC are reportable. However, payments in connection with direct communication outside the regulatory proceedings may be reportable.

Form 635
Part III, Section D and E

D. OTHER PAYMENTS TO INFLUENCE LEGISLATIVE OR ADMINISTRATIVE ACTION
☐ NOTE: State and local government agencies do not complete this section. Check box and complete Attachment Form 640 instead.

1. PAYMENTS TO LOBBYING COALITIONS (NOTE: You must attach a completed Form 630 to this Report.)	$ - 0 -	
2. OTHER PAYMENTS	$ 1,550	
	TOTAL SECTION D (1 + 2) Also enter the total of Section D on Line D of the Summary of Payments section on page 1.	$ 1,550
E. PAYMENTS IN CONNECTION WITH ADMINISTRATIVE TESTIMONY IN RATEMAKING PROCEEDINGS BEFORE THE CALIFORNIA PUBLIC UTILITIES COMMISSION Also, enter the total of Section E on Line E of the Summary of Payments section on page 1. (See instructions on reverse.)		$ 3,100

Questions and Answers

Q. *Who may sign the Report of Lobbyist Employer, Form 635?*

A. A responsible officer of the lobbyist employer/lobbying coalition or an attorney or certified public accountant who acts as an agent of the lobbyist employer/lobbying coalition may sign the Form 635.

Q. *Must a lobbyist employer/lobbying coalition itemize the activity expenses incurred or paid by its lobbyist?*

A. No. However, if a lobbyist arranges any payment incurred by a lobbyist employer/lobbying coalition that benefits a reportable person, both the employer and the lobbyist must itemize the expense.

Example *In-house lobbyist Sally Jones personally invites a legislator to attend a breakfast meeting with her supervisor. Sally will not be attending the meeting. For disclosure purposes, because Sally arranged for the event, she must disclose the activity expense on her Form 615. In addition, the activity expense must be itemized on her employer's Form 635. Because Sally arranged the meeting, the gift (e.g., food and beverage) may not exceed $10.*

Q. *How does a lobbyist employer/lobbying coalition retroactively report payments made to a lobbying firm for legislative-related or initiative-related services when the payments are made 12 months before the lobbying firm is authorized to lobby on behalf of the lobbyist employer/lobbying coalition?*

A. On the first report covering the period the lobbying firm is authorized to lobby, the lobbyist employer must note in Part III, Section B the date the lobbying firm was authorized to lobby and identify the nature of the previous payments (e.g., legislative-related or initiative-related services). If applicable, a note must indicate that the amount has been deducted from Section D, "Other Payments."

Q. *If a lobbyist employer hires a lobbying firm and that lobbying firm subcontracts with another lobbying firm, does the lobbyist employer report the second lobbying firm on the Form 635?*

A. No.

Q. *If a lobbyist employer/lobbying coalition terminates all lobbying activity in the middle of a quarter, does the period covered on the statement continue through the end of the quarter?*

A. No. The period covered on that statement ends on the date the lobbyist employer/lobbying coalition terminates all lobbying activity (e.g., lobbyist employer terminates on 2/15/05. The period covered would be 1/1/05 through 2/15/05.)

Governmental Agencies Reporting of "Other Payments to Influence Legislative or Administration Action," Form 640

State and local government agencies that qualify as lobbyist employers/lobbying coalitions or $5,000 filers are subject to additional disclosure requirements and are required to include Form 640 with their quarterly lobbying reports (Form 635 or 645). Form 640 replaces Part III, Section D of Form 635 or Part II, Section B of Form 645.

State and local agencies are required to itemize payments of $250 or more made during a calendar quarter for the following:

- Goods or services, other than normal overhead, used by a lobbyist or used to support or assist a lobbyist in connection with his or her activities.
- Dues or similar payments to any organization, including a federation, trade, labor, or membership organization that is a lobbyist employer and makes expenditures equal to 10 percent of its total expenditures, or $15,000 or more during any calendar quarter to lobby the State Legislature or state administrative agencies. When reporting dues or similar payments, report the entire amount of the dues payments made during the calendar quarter covered by the report. It is not necessary to determine what portion of the agency's dues payments were used by the organization for lobbying.

QuickTIP Dues or similar payments made to organizations need not be counted for purposes of determining if the agency qualifies as a lobbyist employer/lobbying or a $5,000 filer unless the organization assesses dues or other payments specifically for lobbying activities.

- Any other expenses, other than normal overhead, which would not have been incurred but for the agency's lobbying activities.

  "Overhead" means payments for goods or services that one would normally think of as necessary to maintain an office, such as rent, utilities, janitorial services, etc.

Form 640 should not include payments to salaried lobbyists, lobbying firms, activity expenses incurred by the governmental agency, or payments made in connection with PUC lobbying activity.

Form 640

For Use By: A state or local government agency that qualifies as a lobbyist employer or a $5,000 filer. Refer to the instructions on the cover page before completing this attachment.

Other Payments to Influence Legislative or Administrative Action:

1. Total payments for overhead expenses related to lobbying activity. Report as a lump sum.	$ 500
2. Total payments to Lobbying Coalitions. Report as a lump sum. (Form 630 must be attached)	$ 0
3. Total payments of less than $250 during the calendar quarter for lobbying activity (excluding overhead). Report as a lump sum.	$ 800
4. Total payments of more than $250 during the calendar quarter for lobbying activity (excluding overhead). Such payments must be itemized below.	$ 250
5. Grand total of "Other Payments to Influence Legislative or Administrative Action." Also enter this total on the appropriate line of the Summary of Payments section on Page 1 of Form 635 or Form 645.	$ 1,550

Itemize below payments of $250 or more made during the quarter for lobbying activity. Provide the name and address of the payee, the amount paid during the quarter, and the cumulative amount paid to the payee since January 1 of the biennial legislative session covered by the report.

Also itemize dues or similar payments of $250 or more made to an organization that makes expenditures equal to 10% of its total expenditures or $15,000 or more in a calendar quarter to influence legislative or administrative action. Provide the organization's name and address, the amount paid to the organization during the quarter, and the cumulative amount paid to the organization since January 1 of the biennial legislative session covered by the report.

Name & Address of Payee	Amount This Quarter	Cumulative Amount Since January 1
League of California Cities 1400 K Street Sacramento, CA 95814	$ 250	$ 500
	$	$
Subtotal of all payments itemized above	$ 250	

☐ If more space is needed, check box and attach continuation sheets.

Questions and Answers

Q. *Is a governmental agency required to include a Form 640 with its quarterly report if it does not make payments that have to be reported as "Other Payments to Influence" (Part III, Section D of Form 635 or Part II, Section B of Form 645)?*

A. No. The Form 640 is not required as long as the agency clearly indicates on Form 635 or 645 (including the Summary of Payments Section on page 1) that no "other payments" were made during the quarter.

Q. *Is a governmental agency required to itemize three separate payments totaling $250 or more for travel arrangements (e.g., $100 to a hotel, $125 to a travel agency and $25) for an employee to attend a legislative hearing on its Form 640?*

A. No, because a single payment of $250 was not made. However, if the employee paid for the expenses and the agency reimbursed the employee with a check for $250 or more, the agency must itemize the payment on its Form 640.

Q. Is an association that is a lobbyist employer required to file Form 640 if its membership is comprised of governmental agencies?

A. No. Only governmental agencies that are lobbyist employers or $5,000 filers are required to file the Form 640.

Q. Is a governmental agency required to report on its Form 640 the dues payments it makes on behalf of its employees who are members of associations that lobby (e.g., membership to the State Bar)?

A. No. Dues paid by a governmental agency for an employee's membership in an organization, whether or not the organization lobbies, are not reportable. Such payments are considered part of the employee's routine fringe benefits.

Q. Is a county required to file Form 640 if it makes dues payments to the California State Association of Counties (CSAC) but does not employ a lobbyist and does not make payments to a lobbying firm?

A. No. The county must first qualify as a lobbyist employer or a $5,000 filer before it is required to itemize its dues payments on a Form 640.

Q. Is a governmental agency required to report a non-lobbyist employee's salary on its Form 640?

A. Only if the employee spends 10% or more of his or her compensated time in a calendar month on lobbying activity. This portion of the salary is considered overhead for purposes of disclosure on Form 640 and must be reported in "Other Payments" as a lump sum amount.

Compensation paid to an employee whose duties are solely clerical, manual, or are limited solely to the compilation of data or statistics is not required to be reported.

Lobbying Coalition-Related Attachments

Payments Received By Lobbying Coalitions, Form 635-C

A lobbying coalition must include a Form 635-C with its quarterly Form 635 to disclose payments received from members of the lobbying coalition. Each member of the coalition must be identified on each quarterly report even if the member has not made a payment during the quarter. If a member has not made a payment during a quarter, enter zero and the cumulative amount received since January 1 of the biennial legislative session.

Form 635-C

Name of Lobbying Coalition:
California Amateur Golfer's Association

Name and Business Address of Coalition Members	Amount Received This Period	Cumulative Amount Received Since January 1 of Biennial Legislative Session
Lake County California Amateur Golfer's Association 200 10th Street Clearlake, CA 95422	$ 250	$ 500

Payments Made to Lobbying Coalitions, Form 630

Lobbyist employers that are members of a lobbying coalition must include Form 630 with their quarterly Form 635s to disclose payments made to the coalition. Reports must be filed for each calendar quarter even if no payment was made.

Form 630

Name of Lobbying Firm or Lobbyist Employer Making Payments:
Lake County California Amateur Golfer's Association

Name and Business Address of Lobbying Coalition Receiving Payments	Amount Paid This Period	Cumulative Amount Paid Since January 1 of Biennial Legislative Session
California Amateur Golfer's Association 1106 East Branch Street Pismo Beach, CA 93420	$ 250	$ 500

Report of Person Spending $5,000 or More to Influence Legislative or Administrative Action, Form 645

A person who does not employ a lobbyist or contract with a lobbying firm but makes payments totaling $5,000 or more in a calendar quarter to influence legislative or administrative action must report activity for that calendar quarter on Form 645. Form 645 is not required to be filed for any quarter in which the person does not spend $5,000. If a person's only expenses are activity expenses, they are not counted to determine the $5,000 threshold.

Example *The Alliance of Healthcare Providers paid $7,500 for newspaper advertisements urging voters to call their legislator for a 'yes' vote on AB 557. The Alliance is not a lobbyist employer. The Alliance must file a Form 645 and report $7,500 under "Other Payments to Influence Legislative or Administrative Action."*

Form 645

NAME OF FILER:
Alliance of Healthcare Providers

BUSINESS ADDRESS: (Number and Street) (City) (State) (Zip Code) TELEPHONE NUMBER:
1400 Wilshire Blvd., #3200 Los Angeles CA 91007 (213) 621-4400

PART I - LEGISLATIVE OR STATE AGENCY ADMINISTRATIVE ACTIONS ACTIVELY LOBBIED DURING THE PERIOD
(See instructions on reverse.)

AB 557

☐ If more space is needed, check box and attach continuation sheets.

SUMMARY OF PAYMENTS THIS PERIOD

A. Total Activity Expenses (Part II, Section A)	$ 0
B. Total Other Payments to Influence (Part II, Section B)	$ 7,500
Total (A + B above)	$ 7,500
C. Total Payments in Connection with PUC Activities (Part II, Section C)	$ 0

CAMPAIGN CONTRIBUTIONS: ☒ Part III completed and attached ☐ No campaign contributions made this period

Amendment to Lobbying Disclosure Report, Form 690

Form 690 is used to amend information reported on Forms 615, 625, 630, 635, 635-C, 640, and 645. A separate Form 690 should be used for each report being amended. If further clarification is needed, include the appropriate revised pages of the form being amended to show changed information. Electronic filers must file a complete report when filing an amendment.

Form 690

(The information required must correspond to the information provided on the original report filed.)

1. The following information amends the lobbying disclosure report Form No. 625 executed on 7/15/03 (Mo. - Day - Year)
for the period 4/1/03 to 6/30/03.

2. Amended information affects items on Part(s) II Section(s) ______.

3. Describe changes below.
For the city of Rolling Hills Estates, SB 480 was actively lobbied during the reporting period.

There is no deadline for filing a Form 690. However, all amendments should be filed as soon as practical.

The lobbyist must sign the verification if the amendment is in connection with a Form 615. Only the designated responsible officer of a lobbying firm can sign the verification when the amendment is in connection with a Form 625. In the case of an amendment filed by a lobbyist employer/lobbying coalition or $5,000 filer, a responsible officer or an attorney or a certified public accountant who acts as an agent for the entity or organization may sign the verification.

Question and Answer

Q. *To amend a quarterly report that was filed both electronically and on paper, must a paper amendment be filed now that paper copies of electronically filed reports are no longer required?*

A. No. Only an electronic amendment is required for Forms 615, 625, 635, 645 and attachment forms.

Statutory and Regulatory References

Statutes

84309	*Transmittal of Campaign Contributions in State Office Buildings*
85702	*Contributions from Lobbyists*
86110	*Recordkeeping*
86111	*Activity Expense; Agency Official*
86112	*Activity Expenses; Reporting*
86113	*Periodic Reports; Lobbyists; Contents*
86114	*Periodic Reports; Lobbying*
86115	*Periodic Reports; Employers and Others*
86116	*Periodic Reports; Employers and Others; Contents*
86116.5	*Periodic Reports; State and Local Government Agencies*
86117	*Periodic Reports; Filing; Time*
86118	*Periodic Reports; Where to File*

Regulations

18572	*Lobbyist Contributions--Making a Contribution Defined.*
18610	*Lobbyist Accounting*
18611	*Lobbyist Reporting*
18612	*Accounting by Lobbying Firms*
18613	*Reporting by Lobbying Firms*
18614	*Payments for Lobbying Services*
18615	*Accounting by Lobbyist Employers and Persons Spending $5,000 or More to Influence Legislative or Administrative Action*
18616	*Reports by Lobbyist Employers and Persons Spending $5,000 or More to Influence Legislative or Administrative Action*
18616.4	*Reports by Lobbying Coalitions Which Are Lobbyist Employers; Reports by Members of Lobbying Coalitions*
18617	*Early Filing of Periodic Reports*

Chapter 6
Recordkeeping

A recordkeeping system should ensure the accuracy and reliability of all information in connection with lobbying activities. Records must be maintained in accordance with accepted accounting principles.

The following recordkeeping guidelines conform with FPPC regulations. The guidelines address the most common transactions and will assist in keeping adequate records of payments received and payments made for lobbying activities. An electronic or paper recordkeeping system may be used.

In the event of an audit, the cash disbursements records, cash receipt records, and supporting documentation must be provided so the auditor can verify the accuracy of the reported expenses and receipts.

Lobbyists, lobbying firms, and lobbyist employers/lobbying coalitions are required to keep financial records and substantiating documents for a period of five years from the date of the filer's final report for that calendar year.

Example *On January 1, 2006, a filer may discard records and substantiating documents maintained prior to January 1, 2001. Records must be kept for calendar years 2001-2005.*

Allocating Payments

When payments are made or received for both lobbying and non-lobbying activities, only payments in connection with attempting to influence the California State Legislature or state administrative agencies should be disclosed.

Example *A lobbying firm received $50,000 from a client to:*

-- *Engage in direct communication with the State Legislature on a pending law enforcement bill, $15,000;*

-- *Lobby the U.S. Congress on a similar bill, $10,000; and*

-- *Provide legal representation in a court case, $25,000.*

The lobbying firm reports $15,000 on its Form 625.

In some circumstances, it will be necessary to apportion payments based on the percentage of activity related to lobbying. If an allocation method is used, a written statement should be prepared detailing the percentages that are applicable for the reporting periods and the method for determining those percentages. The allocation formula should be reviewed on a regular basis.

The example on the next page shows a format for in-house memoranda.

QuickTIP FPPC Regulation 18614 clarifies when payments to a lobbying firm are reportable as payments for "lobbying services." The regulation addresses legislative-related services, initiative-related services, and litigation services. (See Appendix 1.)

Industrial Buildings, Inc.

January 15, 2005

Memorandum

To: File
From: Accounting Office
Subject: Lobbying Activity

Based on a review of our lobbyist's 2004 timesheets, we have determined that during the first three quarters of 2004, 75 percent of her time was spent on lobbying activities. During the fourth quarter, the rate was 10 percent. Since our activities are fairly consistent from year to year, we have decided to apply the 2004 allocations to 2005. We will review our activities each quarter to ensure that no significant changes have occurred. Therefore, for purposes of reporting salary to our lobbyist and other expenses to support the lobbyist, we will allocate as follows:

1st, 2nd, and 3rd Quarters	75%
4th Quarter	10%

Compensation paid to other employees who spend 10 percent or more of their compensated time on lobbying activities varies and will, therefore, be calculated each quarter.

With respect to overhead and operating expenses, a review of our records for 2004 indicates that during the first, second, and third quarters, 15 percent of our overhead and operating expenses were directly attributable to lobbying activities. During the fourth quarter, the rate was less than one percent. Unless significant changes occur, 2005 operating and overhead expenses will be allocated as follows:

1st, 2nd, and 3rd Quarters	15%
4th Quarter	- 0 -

Activity Expenses

A cash disbursements journal or other form of record must be maintained that shows all activity expenses incurred, paid, or reimbursed.

Substantiating documentation, including restaurant or credit card receipts, invoices, or canceled checks, must also be maintained for each activity expense.

The substantiating documentation must contain the following information:

- The full name of the payee;
- A description of the goods or services for which the payment was made;
- The date and amount of the payment;
- A breakdown of the total amount showing the amount of benefit received by each person;
- The full name, official position, and, if applicable, the state agency of the reportable person(s) who benefited from the activity expense. The names of nonreportable individuals do not have to be listed; and
- The total number of beneficiaries.

Example *Six individuals, including two legislators, attended a dinner party hosted by a lobbyist employer. The two legislators' names and position titles, and the total number of individuals in attendance, must be documented.*

If it is not possible to get a receipt or invoice to support an expenditure, a written voucher must be prepared to support the expenditure. The voucher must be prepared in a timely manner (the same day of the expenditure) and must contain the information listed above. In most cases, the names and the number of beneficiaries must be added to the receipt or invoice, or attached on a separate document, since this information is not normally listed.

Campaign Contributions

Records of all monetary (including loans) and nonmonetary contributions of $25 or more made to a state candidate, an elected state officer, a committee controlled by an elected state officer or state candidate, or a committee primarily formed to support such an officeholder or candidate must be maintained.

The cash disbursements records must contain the following information:

- The full name of the payee and the full name of the recipient of the contribution if other than the payee;
- The date of the contribution;

- The amount of the contribution;
- In the case of a nonmonetary contribution, a description of the goods or services or other consideration provided; and
- In the case of a contribution personally delivered by a lobbyist on behalf of another person, the name of the contributor.

Substantiating documentation must also be maintained, including canceled checks and other bank records supporting the monetary contributions. Such documentation may also include correspondence and fundraising invitations.

Important Notes:

- Lobbyists are prohibited from making contributions to certain state candidates, officeholders, committees controlled by them, or committees primarily formed to support or oppose certain state candidates or officeholders. (See Chapter 7 for more information.)
- For information regarding the "delivery" of campaign contributions, see Chapter 7.
- Lobbying firms and lobbyist employers/ lobbying coalitions that are required to maintain records as campaign committees are not required to keep separate records for lobbying disclosure. The records required for campaign disclosure statements meet the lobbying recordkeeping requirements for the campaign contributions reported on a lobbying disclosure report. This documentation may be requested in an audit.

Example *A lobbyist employer sponsors a general purpose committee ("PAC") and regularly files campaign statements (Form 460). As long as the PAC maintains the required supporting documentation, separate documentation is not required in the lobbying records.*

Payments Received and Made by Lobbying Firms

A cash receipts journal or other form of record must be maintained showing all payments received for lobbying services (e.g., fees, retainers, reimbursements). The records must contain the following information:

- The date each payment was received by the lobbying firm;
- The full name of each person who makes payments to the lobbying firm;
- The amount of each payment;
- The calendar quarter during which the services paid for were rendered.

If a lobbying firm subcontracts with another lobbying firm, including an independent contract lobbyist, for lobbying services, the cash disbursements records must contain the payments made to the subcontractor, including:

- The full name of the client/lobbyist employer;
- The full name of the subcontractor;
- The date of each payment; and
- The amount of each payment.

Substantiating documentation must be maintained, including copies of contracts or correspondence, canceled checks, bank statements, and invoices.

Payments Made by Lobbyist Employers/Lobbying Coalitions

All payments made to an in-house employee lobbyist, such as salaries, fees, reimbursements of expenses, advances, or other payments, must be recorded in the disbursements records. Salary includes gross wages paid, plus any fringe benefits that are in lieu of wages but does not include routine fringe benefits such as the employer's contributions to a health plan or retirement plan or payroll taxes. The disbursements records must include:

- The full name of the lobbyist;
- The date of the payment; and
- The amount of the payment.

For each payment made to a lobbying firm (including an independent contract lobbyist) for lobbying services, the disbursements records must show:

- The full name of the lobbying firm that received the payment;
- The date of the payment;
- The amount of the payment; and
- The calendar quarter during which the services paid for were rendered.

Substantiating documentation must be maintained, including canceled checks, receipts or invoices, and bank statements.

Other Payments to Influence Legislative or Administrative Action

"Other payments" by lobbyist employers/ lobbying coalitions include:

- Compensation paid to non-lobbyist employees who spend 10 percent or more of their compensated time in any one calendar month in connection with lobbying activities.

  Compensation includes gross wages paid plus any benefits that are in lieu of wages such as the granting of stock options or the purchase of annuities. It does not include routine fringe benefits, such as the employer's contributions to a health plan, retirement plan, or payroll taxes.

  Exception: This does not include employees or contractors who provide solely secretarial, clerical, or manual services or only compile data.
- The payment of expenses incurred by an in-house lobbyist, but not paid to the lobbyist (e.g., credit card charges billed directly to the employer or car lease);
- The payment of expenses incurred for goods or services used by a lobbyist or used to support or assist a lobbyist in connection with his or her activities as a lobbyist;
- The payment of any other expenses that would not have been incurred but for the filer's activities to influence or attempt to influence legislative or administrative action, including office overhead, operating expenses, and payments to expert witnesses; and
- Payments made by a lobbyist employer to a lobbying coalition.

  For each "other payment," the disbursements records must include:

  – The full name of the payee;
  – The date of the payment;
  – The amount of the payment; and
  – A description of the goods or services or other consideration for which the payment was made.

  Following is a list of some of the types of payments that are required to be disclosed under "Other Payments to Influence":

  – Bill service;
  – Bill monitoring services;
  – Payments made directly to a vendor for the lobbyist's air travel, meals, and automobile expenses;
  – Conference fees for a lobbyist;
  – Payments to a public relations firm for advice, goods, or services in connection with influencing legislative or administrative action;

- Payments to a law firm for drafting or analyzing legislation when the firm does not engage in direct communication on behalf of the lobbyist employer/lobbying coalition; and
- Payments for informational brochures, videos, pamphlets, and similar materials specifically designed for lobbying purposes.

Exception: Payments for research that is undertaken for non-lobbying purposes are not required to be reported even if the results are subsequently used in lobbying-related videos, pamphlets, etc.

Payments in Connection with Administrative Testimony in Proceedings Before the California Public Utilities Commission

Filers reporting expenses incurred in connection with proceedings before the California Public Utilities Commission must maintain records of compensation paid to attorneys for their time spent appearing or preparing to appear as counsel in those proceedings, and compensation paid to witnesses for their time spent testifying or preparing to testify at those proceedings.

For each payment, the disbursements records must include:

- The full name of the payee;
- The date and amount of the payment; and
- A description of the payment.

Sample Recordkeeping Journal

The following is an example of a recordkeeping journal that may be used as a guideline. Any system of recordkeeping is permissible if it is in accordance with accepted accounting principles. In the event of an audit, journals and all substantiating documentation must be provided so that the auditor can verify the accuracy of the information disclosed.

Check No.	***Cash***	***Date***	***Name and Address of Payee***	***Description***	***Total Amount***	***Percent Lobbying***	***Amount***
Other Payments:							
150		2005 1/24	Mid-Town Rentals 200 C Street Sacramento, CA	Office Space	6,000.00	50%	3,000.00
180		2/8	E-Z Travel 100 Broadway Sacramento, CA	Lobbyist Travel to S.F.	186.00	100%	186.00
Activity Expenses:							
	X	1/19	Sam's Club 900 Capitol Avenue Sacramento, CA	Lunch Sen. Smith $9.98 Dan D. Lyon $14.32	24.30	100%	24.30
210		3/23	Bank of Charlie Brown Visa Café Condor 9 Front Street Sacramento	Lunch Trevor Green Consultant to Assemblywoman Amelia Tiburon $9.56 Sharon Silva $12.96	22.52	100%	22.52
Campaign Contributions:							
340		3/6	Sally Grindley for Senate 103 Malton Blvd. Shasta, CA	Campaign Contribution ID #952468	250.00	N/A	250.00
345		3/10	Snappy Buttons 703 Broadway Sacramento, CA Committee to Elect Zelda Corey	Campaign Contribution Non-monetary ID #958899 Election Buttons	632.00	N/A	632.00
Payments to Lobbyists:							
348		3/1	Dan D. Lyon 3600 Sandpiper Drive Sacramento, CA	Salary Reimburse. of Expenses	5,000.00 800.00	50% 100%	2,500.00 800.00
Payments Received:							
1369		3/5		SR Services, Inc. December Retainer Reimbursement of Expenses	9,000.00 600.00	100% 100%	9,000.00 600.00

Audits

Lobbying firms and lobbyist employers/lobbying coalitions that employ one or more lobbyists will be subject to audit on a random basis every two years and will have a 25 percent chance of being audited. When a lobbying firm or lobbyist employer/lobbying coalition is selected for audit, all of the individual lobbyists employed by the firm or employer will also be audited. Audits are conducted by the Franchise Tax Board.

Statutory and Regulatory References

Statutes

82002	*Administrative Action*
82032	*Influencing Legislative or Administrative Action*
82037	*Legislative Action*
82045	*Payment to Influence Legislative or Administrative Action*
86110	*Recordkeeping*

Regulations

18610	*Lobbyist Accounting*
18611	*Lobbyist Reporting*
18612	*Accounting by Lobbying Firms*
18613	*Reporting by Lobbying Firms*
18614	*Payments of Lobbying Services*
18615	*Accounting by Lobbyist Employers and Persons Spending $5,000 or More to Influence Legislative or Administrative Action*
18616	*Reports by Lobbyist Employers and Persons Spending $5,000 or more to Influence Legislative or Administrative Action*

Chapter 7
Restrictions

This chapter provides an overview of important restrictions regarding campaign contributions, gifts, honoraria, lobbying conduct, disqualification of public officials, and post-governmental employment restrictions for former state officials. Only these provisions are discussed. Refer to the referenced statutes and regulations for specific information.

Campaign Contributions

Restrictions on Lobbyists and Campaign Contributions

Lobbyists may not mail, deliver, or otherwise transmit a campaign contribution, including a nonmonetary contribution, from their own personal assets to the following: 1) an elected state official, 2) a candidate for elective state office, 3) a state or local committee controlled by the state official or candidate, or 4) a committee primarily formed to support or oppose such a candidate if the candidate is seeking an office with, or the official is an elected officeholder of, an agency the lobbyist is registered to lobby. This prohibition applies to any legal defense fund committees controlled by such a state official or candidate.

A business entity, including a lobbying firm, may not contribute to such a state elected official or candidate if it is owned, in whole or in part, by a lobbyist and the lobbyist participates in the decision to make the contribution. Otherwise, lobbying firms are not prohibited from making campaign contributions.

A campaign committee is prohibited from making a contribution to such a state elected official or candidate if the contribution is comprised of the personal assets of a lobbyist, in whole or in part, and the lobbyist participates in the decision to make the contribution.

A lobbyist is not prohibited from advising his or her clients or employer regarding the making of a contribution.

Examples *Bert Rogers is registered to lobby the Legislature and the Attorney General's office. He is prohibited from making a contribution to any State Assembly member or Senator, any legislative candidate, the Attorney General, any candidate for Attorney General, any of their controlled committees, or any committee primarily formed to support or oppose such candidates. This prohibition would apply to any ballot measure, local candidate, or legal defense fund committees the state candidates or officials may control. However, Bert may contribute to any other state official, such as the Secretary of State or Controller, or candidates for these offices. Bert must report contributions he makes on his Form 615.*

Melissa Tamonang is a lobbyist registered to lobby the Legislature. While Melissa is prohibited from making a contribution to any State Assembly member or Senator, any legislative candidate, any of their controlled committees, or any committee primarily formed to support or oppose such candidates, Melissa's spouse may make a contribution. If the spouse uses their joint checking account, he must sign the check.

Dana Bethel is a lobbyist for the California Furniture Manufacturers' Coalition and is registered to lobby the State Legislature, the Governor, and all state agencies.

- *Dana contributes to and sits on the board of a general purpose recipient committee for a state environmental group. Dana may not participate when the board decides which state candidates to support with a contribution.*

- *Dana makes a personal contribution to another general purpose recipient committee formed to support candidates that endorses the committee's views on taxation. Dana does not participate in deciding which state candidates receive contributions from this committee. Dana's contribution does not preclude the committee from making contributions to state officials.*

Sandra Monahan is a lobbyist who lobbies only the PUC. She is asked by a candidate for State Controller to make a contribution to his campaign. Sandra may make the contribution since she is not registered to lobby the State Controller's office and must report the contribution on her next Form 615. Later that same month, Sandra is asked to attend a fundraiser for a PUC commissioner who is also seeking election to the State Assembly. Sandra declined because she is prohibited from making a contribution to this candidate.

A lobbyist is permitted to make contributions to federal candidate committees controlled by a state officeholder or candidate. A lobbyist may also make a personal contribution to political parties and state general purpose recipient committees, as long as the lobbyist does not participate in deciding whether contributions will be made by the parties or committees to support or oppose state candidates. A lobbyist may also contribute to a committee formed to support or oppose the recall of a state officeholder, as long as the committee is not controlled by a state officeholder or candidate whose office the lobbyist is registered to lobby. These contributions are not reported on the Form 615.

Contribution Limits

Candidates for state office are subject to contribution limits. Campaign committees, including political parties, which make contributions to state candidates, are also subject to contribution limits. These limits are reviewed for adjustment every odd-numbered year. For easy reference, the FPPC's website, *www.fppc.ca.gov*, posts the current limits in effect.

Delivery of Campaign Contributions

No person may deliver or accept a campaign contribution in the State Capitol, a state office building, or any building for which the State of California pays the majority of the rent. This includes delivery of a copy of a contribution check or a contribution transmittal letter. Contributions sent to the State Capitol or other building by mail, and contributions delivered to a legislator's district office, are not prohibited.

Gift Limit for Lobbyists and Lobbying Firms

No lobbyist or lobbying firm may:

- Make a gift(s) aggregating more than ten dollars ($10) in a calendar month, act as an agent or intermediary in the making of such a gift, or arrange such a gift to any of the following officials:
  - A state candidate;
  - An elected state officer;
  - A legislative official;
  - An agency official employed by an agency that is or should be listed on the lobbying registration statement.

  A lobbyist or lobbying firm "arranges for the making of a gift" if the lobbyist or lobbying firm, either directly or through an agent, does any of the following:

  - Delivers a gift to the recipient;
  - Acts as the representative of the donor, if the donor is not present at the occasion of a gift. This does not include accompanying the recipient to

an event where the donor will be present;

– Invites or sends an invitation to an intended recipient regarding the occasion of a gift;

– Solicits responses from an intended recipient concerning his or her attendance or non-attendance at the occasion of a gift; or

– Acts as an intermediary in connection with the reimbursement of a recipient's expenses.

Chapter 4 provides a detailed overview of the gift restrictions.

General Prohibitions for Lobbyists and Lobbying Firms

No lobbyist or lobbying firm may:

- Do anything for the purpose of placing any elected state officer, legislative official, agency official, or state candidate under personal obligation to the lobbyist, lobbying firm, or a lobbyist employer, including making secured or unsecured loans;
- Deceive or attempt to deceive any elected state officer, legislative official, agency official, or state candidate with regard to any material fact pertinent to any pending or proposed legislative or administrative action;
- Cause or influence the introduction of any bill or amendment thereto for the purpose of thereafter being employed to secure its passage or defeat;
- Attempt to create a fictitious appearance of public favor or disfavor of any proposed legislative or administrative action or cause any communication to be sent to any elected state officer, legislative official, agency official, or state candidate in the name of any fictitious person or in the name of any real person, except with the consent of such real person;
- Represent falsely either directly or indirectly that the lobbyist or lobbying firm can control the official action of any elected state officer, legislative official, or agency official; or
- Accept or agree to accept any payment in any way contingent upon the defeat, enactment, or outcome of any proposed legislative or administrative action.

General Prohibitions for Officials

The following restrictions apply to public officials and are only briefly reviewed to acquaint lobbying filers of other restrictions in the Political Reform Act.

Gift Limit

Legislative officials, most state and local officials and employees, and candidates for state and local office may not accept gifts from a single source aggregating more than $360 in a calendar year. The gift limit is adjusted each odd-numbered year to reflect changes in the Consumer Price Index, and was last adjusted January 1, 2005. Certain payments are not subject to the gift limit. For further information, refer to Chapter 4.

Honoraria Ban

Legislative officials, most state and local officials and employees, and candidates for state and local office may not accept honoraria payments. "Honorarium" means any payment made in consideration for any speech given, article published, or attendance at any public or private conference, convention, meeting, social event, meal, or like gathering.

However, honorarium does not include earned income for personal services that are customarily provided in connection with the practice of a bona fide business, trade, or profession, such as teaching, practicing law, medicine, insurance, real estate, banking, or building contracting, unless the sole or predominant activity of the business, trade, or profession is making speeches. A fact sheet titled "Limitations and other Restrictions on Gifts, Honoraria, Travel and Loans for State Officials" is a good reference document available on FPPC's website at *www.fppc.ca.gov*.

Disqualification

A state official may need to disqualify himself or herself from voting or otherwise participating in a governmental decision affecting a source of income (including a person that has provided a gift to the public official) if the payment was received or promised to the official within 12 months preceding the decision. Whether an official must disqualify himself or herself relies heavily on the facts of each governmental decision.

Post-Governmental Employment Restrictions – Revolving Door Provisions

The Act restricts the lobbying activities of certain state agency officials once the official has left government employment. Many officials are subject to both a one-year and a lifetime lobbying ban.

- One-year ban: State agency officials are prohibited for 12 months after leaving an agency from receiving compensation to appear before or communicate with the agency to influence certain agency decisions; and
- Lifetime ban: A state agency official may never receive compensation for the purpose of appearing before, or assisting another person in appearing before, a former agency in certain proceedings on which the official worked while employed by the agency.

State agency officials are also prohibited from participating in certain governmental decisions when they are negotiating employment or have an employment arrangement with a prospective employer.

Important Note:

Legislators are not subject to the lifetime ban, but are prohibited from lobbying the Legislature for one year. Employees of the Legislature are not subject to either the one-year or lifetime revolving door provisions.

Questions and Answers

Q. May a lobbyist registered to lobby the Legislature make a contribution to a ballot measure committee controlled by an Assembly member or State Senator?

A. No. A lobbyist may not make a contribution to state or local committee controlled by a candidate or officeholder if the lobbyist is registered to lobby the candidate or officeholder's agency.

Q. May a lobbyist employer deliver a campaign contribution in a legislator's Capitol inner office?

A. No. Even though there is no prohibition on lobbyist employers making a contribution to a state legislator's campaign, nowhere in the Capitol building may a contribution be delivered personally, unless it is also the legislator's district office.

Q. May a lobbyist make a contribution to a legislator's committee for federal office even if the lobbyist would otherwise be prohibited from making a contribution to the legislator's state committee?

A. Yes. There is no prohibition under the Act on lobbyists making contributions to a candidate's committee for federal office.

Q. The partners of a lobbying firm are not lobbyists. May these partners make a contribution to a state candidate from funds of the lobbying firm?

A. Yes. A lobbying firm may make a contribution to a state candidate, as long as a lobbyist does not participate in the decision to make a contribution.

Q. I am registered to lobby the Secretary of State's office. May I attend the fundraiser of a candidate running for that office if I use my employer's funds to pay for attendance?

A. Yes. The prohibition against a lobbyist making a contribution to state candidates does not preclude a lobbyist from delivering a contribution made by his or her lobbyist employer.

Q. May a lobbying firm reimburse or make payments to its lobbyist for the purpose of entertaining officials at the lobbyist's home?

A. Yes, as long as the fair market value of the food and beverage provided to each official does not exceed $10. However, a lobbyist may entertain officials in the lobbyist's home without regard to the $10 gift limit as long as no one reimburses the lobbyist; the cost for entertaining the officials is not claimed as a tax deduction by the lobbyist; and no portion of the lobbyist's salary is allocated for home entertainment. (See Chapter 4.)

Q. Will a $300 gift of dinner and entertainment provided to an official by a lobbyist employer violate the $10 gift limit?

A. The $10 gift limit does not apply to lobbyist employers as long as a lobbyist or lobbying firm is not involved in making or arranging the gift. However, most officials may not receive gifts that exceed $360 in a calendar year from a single source. (The gift limit is adjusted every odd-numbered year.)

Q. When a lobbyist has lunch with a reportable person and the reportable person pays for his or her own lunch, must the lobbyist report the lunch as an activity expense?

A. No. The reportable person has not received a gift because he or she paid for his or her own lunch.

Q. What is the maximum amount a lobbyist employer/lobbying coalition or $5,000 filer may spend on an official during the calendar year?

A. The gift limit is $360 per official in a calendar year. This amount is adjusted every odd-numbered year.

Q. May a lobbyist receive "contingency" payments based on the outcome of legislative or administrative actions?

A. No. Lobbyists are prohibited from accepting or agreeing to accept any payment that is in any way contingent upon the defeat, enactment, or outcome of any proposed legislative or administrative action.

Q. May a lobbying firm receive a contingency fee for obtaining a state contract for a client?

A. Yes. The definition of "lobbying" does not include bidding for a state contract. Therefore, the prohibition on lobbying contingency fees does not apply.

Statutory and Regulatory References

Statutes

84309 *Transmittal of Campaign Contributions in State Office Buildings*

85301 *Limits on Contributions from Persons*

85303	*Limits on Contributions to Committees and Political Parties*
85702	*Contributions from Lobbyists*
86201	*Gift*
86203	*Unlawful Gifts*
86205	*Acts Prohibited*
87100	*Public Officials; State and Local*
87102.5	*Legislature; Use of Position to Influence Decisions*
87401	*Restrictions on Activities of Former State Officers*
87402	*Restrictions on Activities of Former State Officers; Assisting Others*
87406	*Milton Marks Postgovernmental Employment Restrictions Act*
89501	*Honoraria*
89502	*Honorarium*
89503	*Gift Limits*

Regulations

18439	*Definition of "Personally Deliver"*
18545	*Contribution Limit and Voluntary Expenditure Ceiling Amounts*
18572	*Lobbyist Contributions -- Making a Contribution Defined*
18624	*Lobbyist Arranging Gifts*
18625	*Loans from Lobbyist or Lobbying Firm; Placing Official Under Personal Obligation*
18940.2	*Gift Limit Amount*

Appendix 1
Definitions

Note:

All statutory references are to the California Government Code. The Political Reform Act is found in Government Code sections 81000-91014. Commission regulations may be found in Title 2, sections 18109-18997 of the California Code of Regulations.

$5,000 Filer
(Section 86115)

Any person who does not employ a lobbyist or contract with a lobbying firm, but who directly or indirectly makes payments of $5,000 or more in any calendar quarter to influence legislative or administrative action.

Activity Expense
(Section 86111)

An expense that either wholly or partially benefits an elected state official, a legislative official, a state agency official, a state candidate, or a member of the immediate family of such an official or candidate. Activity expenses include gifts, honoraria, consulting fees, salaries, and any other form of compensation, but do not include campaign contributions.

Administrative Action
(Section 82002; Regulation 18202)

The proposal, drafting, development, consideration, amendment, enactment, or defeat by any state agency of any rule, regulation, or other action in any rate-making proceeding or any quasi-legislative proceeding.

"Rate-making proceeding" means, for the purposes of a proceeding before the Public Utilities Commission, any proceeding in which it is reasonably foreseeable that a rate will be established, including, but not limited to, general rate cases, performance-based ratemaking, and other ratesetting mechanisms.

"Quasi-legislative proceeding" means, for purposes of a proceeding before the Public Utilities Commission, any proceeding that involves consideration of the establishment of a policy that will apply generally to a group or class of persons including, but not limited to, rulemakings and investigations that may establish rules affecting an entire industry.

Exception: A proceeding of a state agency is not a quasi-legislative proceeding if it is any of the following:

- A proceeding to determine the rights or duties of a person under existing laws, regulations, or policies;
- A proceeding involving the issuance, amendment, or revocation of a permit or license;
- A proceeding to enforce compliance with existing law or to impose sanctions for violations of existing law;
- A proceeding at which an action is taken involving the purchase or sale of property, goods, or services by such agency;
- A proceeding at which an action is taken that is ministerial in nature;
- A proceeding at which an action is taken awarding a grant or contract; or
- A proceeding involving the issuance of a legal opinion.

Administrative Testimony
(Regulation 18239)

Influencing or attempting to influence administrative action by acting as counsel in, appearing as a witness in, or providing written submissions, including answers to inquiries, which become part of the record of any regulatory or administrative agency's proceeding:

- Which is conducted as an open public hearing for which public notice is given;
- Of which a record is created in a manner that makes possible the creation of a transcript; and
- With respect to which full public access is provided to such record or transcript and to all written material that is submitted to become part of the record.

OR

Any communication made at a public hearing, public workshop, public forum, or included in the official record of any proceeding, as defined in section 82002(b) or (c), before the California Public Utilities Commission.

Agency Official
(Sections 82004 and 86111)

Any member, officer, employee, or consultant of a state agency whose administrative actions the lobbyist, lobbying firm, lobbyist employer/ lobbying coalition, or $5,000 filer has attempted or is attempting to influence. (Does not include persons who work in a purely clerical, secretarial, or ministerial position.)

Arranging a Gift
(Regulation 18624)

A lobbyist arranges for the making of a gift if the lobbyist, either directly or through an agent, does any of the following:

- Delivers a gift to a recipient;
- Acts as the representative of the donor, if the donor is not present at the occasion of a gift. This does not include accompanying the recipient to an event where the donor will be present;
- Invites or sends an invitation to an intended recipient regarding the occasion of a gift;
- Solicits responses from an intended recipient concerning his or her attendance or nonattendance at the occasion of a gift;
- Is designated as the representative of the donor to receive responses from an intended recipient concerning his or her attendance or nonattendance at the occasion of a gift; or
- Acts as an intermediary in connection with the reimbursement of a recipient's expenses.

Elected State Officer
(Sections 82021 and 82024)

Any person who holds the office of Governor, Lieutenant Governor, Attorney General, Controller, Secretary of State, Treasurer, Superintendent of Public Instruction, Insurance Commissioner, Member of the Legislature, Member elected to the Board of Administration of the Public Employees' Retirement System, Member of the State Board of Equalization, or any person who has been elected to such an office but has not yet taken office. A person who is appointed to fill a vacant elective state office is an elected state officer.

Exceptions to Gift and Exceptions to Gift Limits
(Regulation 18942)

(a) None of the following is a gift and none is subject to any limitation on gifts:

(1) Informational material as defined by regulation 18942.1.

(2) Except for passes and tickets as provided in regulation 18946.1, a gift that is not used and that, within 30 days after receipt, is returned or donated pursuant to regulation 18943, or for which reimbursement is paid pursuant to regulation 18943.

(3) A gift from an individual's spouse, child, parent, grandparent,

grandchild, brother, sister, parent-in-law, brother-in-law, sister-in-law, nephew, niece, aunt, uncle, or first cousin or the spouse of any such person, unless the donor is acting as an agent or intermediary for any person not identified in this subdivision (a)(3).

(4) A campaign contribution required to be reported under the Government Code, Title 9, Chapter 4 (commencing with section 84100).

(5) Any devise or inheritance.

(6) A personalized plaque or trophy with an individual value of less than two hundred fifty dollars ($250).

(7) Hospitality (including food, beverages, or occasional lodging) provided by an individual in his or her home when the individual or a member of the individual's family is present, to an official. (Note: See regulation 18630 for the rule concerning "home hospitality" provided by a lobbyist.)

(8) Presents exchanged between an official who is required to file a statement of economic interests and an individual, other than a lobbyist, on holidays, birthdays, or similar occasions provided that the presents exchanged are not substantially disproportionate in value.

(9) Leave credits, including vacation, sick leave, or compensatory time off, donated to an official in accordance with a bona fide catastrophic or similar emergency leave program established by the official's employer and available to all employees in the same job classification or position. This shall not include donations of cash.

(10) Payments received under a government agency program or a program established by a bona fide charitable organization exempt from taxation under Section 501(c)(3) of the Internal Revenue Code designed to provide disaster relief or food, shelter, or similar assistance to qualified recipients if such payments are available to members of the public without regard to official status.

(11) Free admission, and refreshments and similar non-cash nominal benefits provided to a filer during the entire event at which the filer gives a speech, participates in a panel or seminar, or provides a similar service, and actual intrastate transportation and any necessary lodging and subsistence provided directly in connection with the speech, panel, seminar, or service, including but not limited to meals and beverages on the day of the activity. These items are not payments and need not be reported by any filer.

(12) The transportation, lodging, and subsistence specified by regulation 18950.4.

(b) The following items, if they are otherwise gifts, are exempt from the limitations on gifts described in section 89503:

(1) Payments for transportation, lodging, and subsistence that are exempt from limits on gifts by section 89506 and regulation 18950, et seq.

(2) Wedding gifts.

Filer
(Section 82026)

A person who is required to file a report under the Political Reform Act.

Gift
(Section 82028)

Except as provided in Regulation 18942, a gift is any payment that confers a personal benefit to the extent that consideration of equal or greater value is not received and includes a rebate or discount in the price of anything of value unless the rebate or discount is made in the regular course of business to members of the public without regard to official status. Any person, other than a defendant in a criminal action, who claims that a payment is not a gift by reason of receipt of consideration has the burden of proving that the consideration received is of equal or greater value.

Gift
(Section 86201)

A gift made directly or indirectly to any state candidate, elected state officer, or legislative official, or to an agency official of any agency required to be listed on the registration statement of the lobbying firm or the lobbyist employer of the lobbyist.

Gift, Source
(Regulation 18945)

(a) General Rule. A person is the source of a gift if the person makes a gift to an official and is not acting as an intermediary.

(1) If a person makes a payment to a third party and in fact directs and controls the use of the payment to make a gift to one or more clearly identified officials, the person is the source of the gift to the official or officials.

(2) Dues. If a person pays dues or makes similar payments for membership in a bona fide association, including any federation, confederation, or trade, labor or membership organization, some portion of which dues or similar payments are used to make gifts to officials, that person is not the source of the gifts to those officials. However, the person is the source of the gift if the sole or primary purpose of the dues or similar payments is to make gifts to officials.

(b) Presumption of Source by Officials. An official may presume that the person delivering the gift or, if the gift is offered but has not been delivered, the person offering the gift to him or her is the source of the gift unless either of the following are met:

(1) The person delivering or offering the gift discloses to the official the actual source of the gift; or

(2) It is clear from the surrounding circumstances at the time the gift is delivered or offered that the person delivering or offering the gift is not the actual source of the gift.

Gifts to an Agency
(Regulation 18944.2)

(a) A payment, which is a gift as defined in section 82028, is deemed a gift to a public agency, and not a gift to a public official, if all of the following requirements are met:

(1) The agency receives and controls the payment.

(2) The payment is used for official agency business.

(3) The agency, in its sole discretion, determines the specific official or officials who shall use the payment. However, the donor may identify a specific purpose for the agency's use of the payment, so long as the donor does not designate the specific official or officials who may use the payment.

(4) The agency memorializes the payment in a written public record which embodies the requirements of subdivisions (a)(1) to (a)(3) above and which:

(A) Identifies the donor and the official, officials, or class of officials receiving or using the payment;

(B) Describes the official agency use and the nature and amount of the payment; and

(C) Is filed with the agency official who maintains the records of the agency's statements of economic interests where the agency has a specific office for the maintenance of such statements, or where no specific office exists for the maintenance of such statements, at a designated office of the agency, and the filing is done within 30 days of the receipt of the payment by the agency.

(b) Notwithstanding subdivisions (a)(3) and (a)(4) above, a donation to a California public college or university for a specific research project which is received consistent with the requirements of regulation 18702.4(c) and for meals received in the course of an official fundraising activity, which qualify under federal and state law for a deduction as a charitable contribution for educational purposes, is deemed a gift to the college or university.

Gifts of Travel; Exceptions
(Regulation 18950.1)

The following provisions apply to payments made for travel pursuant to sections 89501 through 89506:

(a) Travel In Connection With Speeches, Panels, and Seminars.

(1) Only a reportable payment is subject to the limitations on gifts specified in section 89503. See regulation 18950.3, to determine whether a payment in connection with a speech, panel, or seminar is reportable.

(2) A payment made for travel, including actual transportation and related lodging and subsistence, is not subject to the prohibitions or limitations on honoraria and gifts specified in sections 89501, 89502, or 89503 if:

(A) The travel is reasonably related to a legislative or governmental purpose, or to an issue of state, national, or international public policy, and

(B) The travel, including actual transportation and related lodging and subsistence, is in connection with a speech given by the official or candidate; the lodging and subsistence expenses are limited to the day immediately preceding, the day of, and the day immediately following the speech; and the travel is within the United States.

(b) Travel Provided By Governmental Entity or Charity. A payment made for travel, including actual transportation and related lodging and subsistence, is not subject to the prohibitions or limitations on honoraria and gifts specified in sections 89501, 89502, or 89503 if:

(1) The travel is reasonably related to a legislative or governmental purpose, or to an issue of state, national, or international public policy; and

(2) The payment is provided by a government, a governmental agency, a foreign government, a governmental authority, a bona fide public or private educational

institution, defined in section 203 of the Revenue and Taxation Code, or by a nonprofit organization that is exempt from taxation under section 501(c)(3) of the Internal Revenue Code, or by a person that is domiciled outside the United States and that substantially satisfies the requirements for tax exempt status under section 501(c)(3) of the Internal Revenue Code.

(c) Travel Paid From Campaign Funds. A payment made for transportation and necessary lodging and subsistence, which payment is made from campaign funds as permitted by section 89513, or which is a contribution, is not an honorarium or a gift.

(d) Travel Provided By Official's Agency. A payment made for transportation and necessary lodging and subsistence, which payment is made by the agency of an official, is not an honorarium or a gift.

(e) Travel In Connection With Bona Fide Business. A payment made for transportation, lodging, and subsistence, which payment is reasonably necessary in connection with a bona fide business, trade, or profession, and which satisfies the criteria for federal income tax deductions for business expenses specified in sections 162 and 274 of the Internal Revenue Code, is not an honorarium or gift unless the sole or predominant activity of the business, trade or profession is making speeches.

Home Hospitality
(Section 86203; Regulation 18630)

(a) The cost of providing hospitality involving food, beverage, or occasional lodging at the home of a lobbyist is a gift within the meaning of section 86203 and is reportable under the provisions of section 86113 only if:

(1) Any part of the cost of such hospitality is paid for by the lobbyist's employer or lobbying firm directly; or

(2) The lobbyist is reimbursed by his or her lobbyist employer or lobbying firm for any part of the cost of such hospitality; or

(3) The lobbyist deducts any part of the cost of such hospitality as a business expense on any tax return, either State or Federal; or

(4) There is an understanding between the lobbyist and his or her lobbyist employer or lobbying firm that the amount of compensation received by the lobbyist includes a portion to be utilized by the lobbyist to provide gifts of hospitality in the lobbyist's home.

(b) In determining the applicability of subsections (a)(1) through (a)(4) above, the cost of providing hospitality does not include any part of the value or rental of the home of the lobbyist, nor does it include any depreciation on the premises where the hospitality is extended.

Immediate Family
(Section 82029)

The spouse or dependent child of an official.

Influencing Legislative or Administrative Action
(Section 82032 and regulation 18239)

Communicating directly with any elective state official, legislative official, or state agency official or taking any other action for the principal purpose of promoting, supporting, influencing, modifying, opposing, delaying, or advancing any legislative or any administrative action.

Influencing legislative or administrative action, or "lobbying activity," is broadly defined to include such activities as following bills and regulations that one is attempting to influence, preparing testimony, attending hearings and floor debates, arranging for witnesses, waiting to meet with officials or staff, communicating with employers, and administering a lobbyist's office - all for the purpose of promoting, supporting, modifying, opposing, delaying, or advancing legislative or administrative action.

Legislative Action
(Section 82037)

The drafting, introduction, consideration, modification, enactment, or defeat of any bill, resolution, amendment, report, nomination, or other matter by the Legislature or by either house or any committee, subcommittee, joint or select committee thereof, or by a member or employee of the Legislature acting in his or her official capacity. Legislative action also means the action of the Governor in approving or vetoing any bill.

Legislative Official
(Section 82038)

Any employee or consultant of the Legislature whose duties are not solely secretarial, clerical, or manual.

Lobbying Coalition
(Regulation 18616.4)

A group of 10 or more persons formed primarily to influence legislative or administrative action, whose members make payments to the coalition for the purpose of sharing the expenses of employing a lobbyist or contracting for the services of a lobbying firm.

Lobbying Firm
(Section 82038.5; Regulation 18238.5)

Any business entity, including an individual contract lobbyist, which meets either of the following criteria:

(1) The business entity receives or becomes entitled to receive any compensation, other than reimbursement for reasonable travel expenses, for the purpose of influencing legislative or administrative action on behalf of any other person, and any partner, owner, officer, or employee of the business entity is a lobbyist.

(2) The business entity receives or becomes entitled to receive $5,000 in compensation in any calendar quarter other than reimbursement for reasonable travel expenses, to communicate directly with any elective state official, agency official, or legislative official, for the purpose of influencing legislative or administrative action on behalf of any other person.

Lobbyist
(Section 82039; Regulation 18239)

A lobbyist is an individual who:

(1) Receives or becomes entitled to receive $2,000 or more in compensation in any calendar month for engaging in direct communication, other than administrative testimony, with one or more qualifying officials for the purpose of influencing legislative or administrative action on behalf of any person other than his or her employer; or

(2) Spends one-third or more of the time, in any calendar month, for which he or she receives compensation only from his or her employer for engaging in direct communication, other than administrative testimony, with one or more qualifying officials for the purpose of influencing legislative or administrative action.

A person is not a lobbyist who:

- Attempts to influence on a voluntary basis without any compensation;
- Only engages in administrative testimony; or
- Only meets or speaks with a qualifying official in the company of a registered

lobbyist retained by the individual or individual's employer or by a bona fide trade association or membership organization of which the individual or individual's employer is a bona fide member.

Lobbyist Employer
(Section 82039.5; Regulation 18239.5)

Any person, other than a lobbying firm, who either:

(1) Employs one or more lobbyists for economic consideration, other than reimbursement for reasonable travel expenses, for the purpose of influencing legislative or administrative action; or

(2) Contracts for the services of a lobbying firm for economic consideration, other than reimbursement for reasonable travel expenses, for the purpose of influencing legislative or administrative action.

Lobbyist Contributions: Making a Contribution
(Section 85702; Regulation 18752)

A lobbyist makes a contribution when any of the following occurs:

- He or she mails, delivers, or otherwise transmits to an elected state officer, a candidate for elective state office or his or her controlled committee, or to a committee primarily formed to support or oppose such a candidate, that the lobbyist is registered to lobby, a contribution as defined in section 82015 and regulation 18215, and the contribution is made from the lobbyist's personal funds or assets. A contribution will be deemed to be made from a lobbyist's personal funds or assets when the contribution is made from assets that are the personal property of the lobbyist, unless pursuant to regulation 18533 the contribution is attributed to another person.
- The contribution is made by a business entity, including a lobbying firm, owned in whole or in part by a lobbyist, and the lobbyist participates in the decision to make the contribution.
- The contribution is made from funds of a committee comprised in part of personal funds or resources of a lobbyist and the lobbyist participates in the decision to make the contribution.

A lobbyist does not make a contribution simply by advising his or her client or lobbyist employer regarding the making of a contribution.

Payment to Influence Legislative or Administrative Action
(Section 82045)

A payment to influence legislative or administrative action is a payment:

- Made directly or indirectly to a lobbyist whether for salary, fee, compensation for expenses, or any other purpose, by a person employing or contracting for the services of the lobbyist separately or jointly with other persons;
- Made in support or assistance of a lobbyist or his or her activities, including but not limited to the direct payment of expenses incurred at the request or suggestion of the lobbyist;
- Which directly or indirectly benefits any elective state official, legislative official, agency official, or a member of the immediate family of any such official;
- For compensation or reimbursement for the services, time, or expenses of an employee, for or in connection with, direct communication with any elective state official, legislative official, or agency official;
- For or in connection with soliciting or urging other persons to enter into direct communication with any elective state

official, legislative official, or agency official.

Payments for Travel In Connection with Campaign Activities
(Regulation 18950.4)

Except as provided in regulation 18727.5, a payment made to an elected officer or candidate for his or her transportation, lodging, or subsistence is a gift unless the transportation, lodging, or subsistence provided to the elected officer or candidate is in "direct connection" with campaign activities, including attendance at political fundraisers.

(1) Any payment made to an elected officer or candidate for his or her transportation, lodging, or subsistence, during the six month period prior to an election in which the elected officer or candidate is to be voted upon is considered "in direct" connection with campaign activities if the payment is for necessary transportation, lodging, or subsistence, used specifically for the purpose of the elected officer's or candidate's:

(A) Participation in candidate forums, debates or similar voter gatherings at which he or she makes a speech; or

(B) Attendance at meetings with campaign staff or political consultants to develop or implement campaign strategy.

(2) A payment made to an elected officer or candidate for necessary transportation to, or lodging and subsistence at, an event described in subdivision (a)(1)(A) or subdivision (a)(1)(B), but not made within the six month period prior to the election in which the elected officer or candidate is being voted upon, is considered a gift unless it is clear from the surrounding circumstances that the payment is made directly in connection with campaign activities.

(b) When a payment is made to an elected officer or candidate for his or her necessary lodging and subsistence or transportation in direct connection with attendance at a political fundraiser or an event listed in subdivision (a)(1)(A) or subdivision (a)(1)(B), which fundraiser event is conducted to benefit another elected officer or candidate, or to benefit a committee as defined in section 82013 (a), the payment is a contribution to the officer, candidate, or committee benefiting from the fundraiser.

Person
(Section 82047)

An individual, proprietorship, firm, partnership, joint venture, syndicate, business trust, company, corporation, limited liability company, association, committee, and any other organization or group of persons acting in concert.

Qualifying Official
(Regulation 18239)

Any elected state official, any legislative official, or any appointed, elected, or statutory member or director of any state agency. "Qualifying official" also means any staff member of any state agency who makes direct recommendations to any appointed, elected, or statutory member or director of any state agency, or who has decision-making authority concerning such recommendations.

Reportable Lobbying Services
(Regulation 18614)

(a) The following payments from a client to a lobbying firm are considered payments for lobbying services:

(1) Payments for services related to a matter on which the client expressly or implicitly authorizes the lobbying firm to communicate directly with an

elected state official, legislative official or agency official for the purpose of influencing legislative or administrative action.

(2) Payments for legislative-related services only if, within one year after the services are provided, the client, either directly or through an affiliated entity, expressly or implicitly authorizes the lobbying firm to communicate directly with an elected state official, legislative official or agency official for the purpose of influencing legislative or administrative action on the same or substantially the same matter.

(3) Payments for research or preparation of a proposed initiative measure only if, within one year after the initiative-related services are provided, the client, either directly or through an affiliated entity, expressly or implicitly authorizes the lobbying firm to communicate directly with an elected state official, legislative official or agency official for the purpose of influencing legislative or administrative action on the same or substantially the same matter. However, such payments need not be reported if they are required to be disclosed, and are in fact disclosed pursuant to Chapter 4 (commencing with section 84100) of Title 9 of the Government Code.

(b) The following payments from a client to a lobbying firm are not considered payments for lobbying services:

(1) Payments for litigation.

(2) Payment for legislative-related or initiative-related services performed by a lobbying firm for a client which are not reportable pursuant to subsections (a)(2) or (a)(3). However, payments for legislative-related services must be reported by the client as "other payments to influence legislative or administrative action" pursuant to section 86116(i) if either of the following applies:

(A) At the time the payment is made, the client is required to be registered on the lobbying firm's registration statement.

(B) Within one year after the services are provided, the client, either directly or through an affiliated entity, expressly or implicitly authorizes another lobbying firm or a lobbyist employed by the client to communicate directly with an elected state official, legislative official or agency official for the purpose of influencing legislative or administrative action on the same or substantially the same matter.

(c) The following definitions apply to this section:

(1) "Legislative-related services" includes researching, monitoring, analyzing or drafting statutes, regulations or pending or proposed legislative or administrative action, providing advice or recommending strategy concerning pending or proposed legislative or administrative action, and similar services in the absence of express or implied authorization to engage in direct communication.

(2) "Direct communication" means appearing as a witness before, talking to (either by telephone or in person), corresponding with, or answering questions or inquiries from, any elected state official, legislative official or agency official, either personally or through an agent who acts under one's direct supervision, control or direction.

(3) "Affiliated entity" includes, but is not limited to, an organization which has a parent or subsidiary relationship to the client, an organization that is primarily funded or managed by the client or the parent entity of the client, or an organization of which the client is a member.

(d) When a payment for initiative-related or legislative-related services made to a lobbying firm in a previous reporting period must be reported retroactively pursuant to this section, the payment must be reported on the report for the then current calendar quarter and the lobbying firm and lobbyist employer must indicate the calendar quarter in which the payment was made or received. If the payment was previously reported in the current calendar year as "other payments to influence legislative or administrative action," the lobbyist employer must indicate on the report for the then current calendar quarter that the amount has been deducted from "other payments to influence legislative or administrative action" and instead reported as a payment to a lobbying firm. For purposes of subsections (a)(2) and (a)(3), the lobbying firm and lobbyist employer must indicate, in addition to the information required by regulations 18613(a) and 18616(b), that the payment was for initiative-related or legislative-related services and the date upon which the person making the payment or the affiliated entity authorized the lobbying firm to engage in direct communication.

(e) This section shall not be construed to require any entity to report payments it receives for services prior to the calendar quarter in which the entity qualifies as a lobbying firm.

State Agency
(Section 82049; Regulation 18249)

Every state office, department, division, bureau, board, and commission, and the Legislature.

Travel in Connection with Speeches, Panels, and Seminars: Exception for All Filers
(Regulation 18950.3)

Free admission, and refreshments and similar non-cash nominal benefits provided to a filer during the entire event at which the filer gives a speech, participates in a panel or seminar, or provides a similar service, and actual intrastate transportation and any necessary lodging and subsistence provided directly in connection with the speech, panel, seminar, or service, including but not limited to meals and beverages on the day of the activity, are not payments and need not be reported by any filer.

Appendix 2
About the Political Reform Act
How to Get Help

The Political Reform Act of 1974

The Political Reform Act (the "Act") was a voter-approved initiative on the 1974 primary election ballot. One of the major provisions of the Act requires the disclosure of lobbying activity, both financial and the legislative or administrative actions attempted to be influenced by:

- individual lobbyists;
- lobbying firms;
- lobbyist employers;
- lobbying coalitions;
- And those who spend $5,000 or more in a calendar quarter attempting to influence legislative or administrative action, but do not hire a lobbyist.

The Fair Political Practices Commission

The Fair Political Practices Commission is the independent, nonpartisan state agency authorized to implement, interpret, and enforce the provisions of the Political Reform Act. The Commission is comprised of a full-time chair appointed by the Governor, and four part-time commissioners, one each appointed by the Controller, the Attorney General, the Secretary of State, and the Governor. Each serves a four-year term and no more than three members may be from the same political party. Commission staff members are divided into four divisions: Administration, Enforcement, Legal, and Technical Assistance.

Governing Statutes

The Political Reform Act is contained in Government Code sections 81000-91014.

Regulations

Regulations interpreting the Political Reform Act are located at California Code of Regulations Title 2, Division 6, beginning at section 18000.

Opinions and Advice Letters

The Commission periodically issues opinions interpreting provisions of the Political Reform Act. The opinions are adopted at a public meeting, with opportunity for input from interested persons.

In addition, FPPC staff issues written advice letters as to the applicability of the Political Reform Act and regulations to a particular factual situation. Visit the Commission's website, click onto "Library & Publications," then click onto "Booklets" to find the FPPC publication "How Do I Get Advice From the FPPC?"

FPPC staff does not provide advice by e-mail.

Obtaining Information from the FPPC

Write, call, or visit the FPPC to get copies of specific advice letters; they are not currently available on the Commission website.

Fair Political Practices Commission
428 J Street, Suite 620
Sacramento, CA 95814
(916) 322-5660 -- Toll-free (866) 275-3772

Website (www.fppc.ca.gov)

The Commission's website contains a wealth of helpful information, including:

- The Political Reform Act, its corresponding regulations, and Commission opinions;

- Notices of Commission meeting dates and agenda, supporting documentation for agenda items, and meeting summaries;
- Interactive lobbying forms;
- Manuals, fact sheets, and useful summaries of the law;
- Schedules of upcoming seminars and education workshops.

Commission Bulletin

The Commission publishes a free bulletin. Information regarding enforcement cases, legislation and litigation updates, workshop announcements, Commission meeting summaries, campaign statement filing schedules, and advice letter summaries are regularly included. Persons interested in obtaining the *Bulletin* may contact the Commission to be placed on the email *Bulletin* mailing list by sending an email request to jmattews@fppc.ca.gov, or accessing the *Bulletin* via the website and clicking onto "Library & Publications."

Need Help Fast?

Assistance may be obtained regarding filing requirements, how to complete forms, restrictions, prohibitions, or an upcoming issue by calling the Commission's Technical Assistance Division at (916) 322-5660, or toll-free at (866) 275-3772, ext. 2. In most cases, questions can be answered over the telephone. However, depending on the circumstances, written advice may be required or preferred.

For even more information! The Commission periodically conducts educational workshops on lobbying rules and completing the forms. Contact the Technical Assistance Division or the website to see when the next workshop is scheduled. All lobbying workshops are held at the FPPC offices at 428 J Street, 8th Floor, Sacramento.

Note: Lobbyist ethics workshops are conducted by the Assembly Legislative Ethics Committee and the Senate Committee on Legislative Ethics. To obtain information regarding the course schedule, contact Jeanie Myers at (916) 324-6929.

Obtaining Information Elsewhere

A subscription for regulations is available from:

Barclay's Law Publishing
P.O. Box 3066
South San Francisco, CA 94083
(800) 888-3600

Opinions and advice letters are available from these subscription services:

Westlaw (800) 328-9352
Database: "CA-ETH"
(Advice letters from 1986 to present)

Lexis-Nexis (800) 227-9597
Database: "CA Fair Political Practices Commission"
(Advice letters from 1990 to present)

Other Resources

Secretary of State

The **Secretary of State** is the filing officer for lobbying disclosure statements, issues electronic filing identification numbers and passwords, and publishes a directory that reflects information contained in lobbying registration documents. The directory is divided into four sections that list lobbyists, lobbying firms, and lobbyist employers alphabetically, and lobbyist employers by category. The current *Directory of Lobbyists, Lobbying Firms, and Lobbyist Employers* may be purchased from the Secretary of State.

(916) 653-6224
(916) 653-5045 fax
www.ss.ca.gov

Cal-Online Help Desk (Electronic Filers)
(877) 745-3453 (toll free)
(916) 653-7283

Franchise Tax Board

The **Franchise Tax Board** is responsible for responding to questions regarding tax status, 501(c)(3) groups, audits, or any tax-related questions.

(800) 852-5711 or (800) 338-0505
www.ftb.ca.gov

Local/Judicial/Federal Lobbying Requirements

Lobbying activity conducted at the city, county, judicial, or federal levels are not governed by the Act. To determine what, if any, lobbying disclosure requirements are in effect at the local, judicial, or federal level, contact the specific agency in question.

Privacy Information Notice

Information requested on all FPPC forms is used by the FPPC to administer and enforce the Political Reform Act (Government Code sections 81000-91014 and California Code of Regulations sections 18109-18997). All information required by these forms is mandated by the Political Reform Act. Failure to provide all of the information required by the Act is a violation subject to administrative, criminal or civil prosecution. All reports and statements provided are public records open for public inspection and reproduction.

If you have any questions regarding this Privacy Notice or how to access your personal information, please contact the FPPC at:

Manager, Filing Officer Programs
428 J Street, Suite 620
Sacramento, CA 95814
(916) 322-5660

Public Inspection & Audit

All reports and statements required by the Political Reform Act are public records open for public inspection and reproduction, and are subject to audit by the Franchise Tax Board and the Fair Political Practices Commission.

Enforcement

The **Fair Political Practices Commission** and the **Attorney General** have enforcement authority under the Act.

Failure to provide all or any part of the information required by the Political Reform Act is a violation subject to:

- An administrative enforcement proceeding before the Fair Political Practices Commission;
- A criminal misdemeanor proceeding;
- A civil action; and
- Levying of late penalties by filing officers.

Penalties for not filing lobbying statements may be imposed up to $5,000 per violation.

Additional information on the Commission's enforcement procedures is available on the Commission's website. In addition, the Commission maintains a toll-free number for reporting suspected violations of the Political Reform Act. The number is (800) 561-1861.

Exhibit 25

Lobbyists connect at Legislature

Oregon - Knowing whom to talk to is Alan Tresidder's specialty in getting the job done

Tuesday, June 05, 2007

JANIE HAR

SALEM --

A lan Tresidder wraps up his pitch to Rep. Linda Flores outside the House floor. As she walks back inside, he gives his assistant a thumbs up.

The Clackamas Republican will vote yes on a bill to require fluoridated drinking water -- something dentists have hired Tresidder and his band of lobbyists to push. Margi Hoffman, who's been trying to corner Flores on the bill, gives a happy yelp and hugs him.

CONTINUE STORY

"This is why he's the godfather," says Hoffman, Tresidder's assistant.

Tresidder is 62 years old, a Vietnam veteran, recovering alcoholic and father of three, ages 5 to 32. He's also one of the most well-connected lobbyists at the Capitol.

TOP STORIES
• Iraq, Afghanistan claim 100th serviceman from the area
• Schools gain leverage to help handle growth
• Audit faults Portland's response to sex crimes
• More Headlines

BLOGS
Breaking News
• Target loses $1 million suit 11:29 a.m. PT
• Area loses 100th military member in Iraq and Afghanistan 11:00 a.m. PT
• Truck into Columbia River near I-205 10:53 a.m. PT
• More Entries

Politics
• Water fight brewing in Salem 11:46 a.m. PT
• Governor signs bills to cap interest on payday loans 11:09 a.m. PT
• More Entries

TODAY'S PHOTOS


⊕ Click image to enlarge
Benjamin Brink / The Oregonian
Jackie Meagher, member of Portland Aquatic Club, gets ready as today was opening day for Portland Parks and Recreation outdoor pools.
• See More Photos

FORUMS

Oregon Forum

- How do illegals pay... *by resistol 06/19/2007 11:50 a.m. PT*
- Poorly constructed Straw... *by luckieme 06/19/2007 12:07 p.m. PT*
- I agree. *by Qwetz 06/19/2007 12:18 p.m. PT*
  - More

Hot Topics

- Religion
- Townsquare
- National Politics
- US at War
- Wild Talk: Politics & the Environment
  - All Forums | Highlights

MULTIMEDIA

News Videos

- Recognize yourself? (6/17/07)
- Big Muddy Rogaine (6/9/07)
- The care and feeding of Portland's Rose Garden (6/6/07)
  - More

VIDEO

With a staff of three, he handles nearly two dozen clients, including Verizon, the American Lung Association, private colleges and the deep-pocketed Oregon Trial Lawyers Association.

He carries no briefcase, handles no files: "I don't need stuff. If you can't have conversations with people, you can't have them."

Instead, Tresidder relaxes outside hearing rooms or strolls hallways, gleaning the latest from legislators, staff and other lobbyists.

He grabs a cup of coffee from the Capitol cafe and slides into a vinyl banquette. Sen. Ben Westlund swings by.

"The new and improved version should be coming," says the Bend Democrat.

CONTINUED 1 | 2 | 3 Nex

• More AP Video

The Oregonian

Lobbyists connect at Legislature

Tresidder explains that Westlund has a bill to revamp the state health care system, but it contained a clause trial lawyers didn't like. So, "I gave him an amendment," Tresidder says.

He looks the part of someone who trades in advice and arguments: designer Italian Zegna gray suit from Mario's, a pair of Amy Sacks reading glasses and $995 Bontoni dress shoes. Nice clothing is his remaining vice, he says, having given up scotch and Marlboros years ago.

He won't disclose what he makes, saying only that he charges a monthly retainer for a two-year contract. Rates vary from $1,500 to $8,000 a month, because "time is what I sell."

CONTINUE STORY

Tresidder slips out a Cartier pen from his suit pocket and scribbles a note to Salem Republican Rep. Vicki Berger. He wants her support for a bill that would give people more time to sue companies for selling defective products. Trial lawyers love the bill. Businesses hate it – they call it the "Lawsuit Promotion Act of 2007."

Berger won't budge.

TOP STORIES

- Your loss is state's record gain
- Pill errors cost pharmacists cash, not career
- Libraries shut down, but story not over yet
- More Headlines

BLOGS

Breaking News

- Blazers name Nike exec as new president 12:32 p.m. PT
- Computer glitch in Chicago causes nationwide delays for United flights 9:31 a.m. PT
- Vatican issues new commandments, this time for hitting the road 6:22 a.m. PT
- More Entries

Politics

- Governor endorses training police on mental illness 1:03 p.m. PT
- A Measure 37 'Bridge' to November 12:30 p.m. PT
- More Entries

TODAY'S PHOTOS

Click image to enlarge

Brent Wojahn / The Oregonian

A squirrel snacks on a discarded apple core it found under a bush and carried up a tree for a bite Tuesday morning in SE Portland.

• See More Photos

"Corporations said their insurance could be affected. And I believe them," she says. "Sorry."

"That's OK," he says with a smile. "I'll follow up with you."

Tresidder tries again, this time with Rep. Sal Esquivel, R-Medford.

"I'll be honest with you," Esquivel says. "Every time trial lawyers want a bill, I become suspicious."

Tresidder knew it would be tough.

Previous | 1 | **2** | 3 Nex

Lobbyists connect at Legislature

Page 3 of 3

He spots Susan Grabe, an Oregon State Bar lobbyist. She says debt collectors are floating a plan to divert money dedicated to legal help for poor people.

"Kate can reason with them," Tresidder says.

As in Senate Majority Leader Kate Brown. He championed the Portland Democrat when she first ran for the Legislature in 1990. They've been tight ever since.

CONTINUE STORY

He flags her.

"Have you talked to (lobbyists Jim and Matt) Markee about their goofy plan to put Legal Aid money into the general fund?" he says.

Brown shakes her head; she hadn't heard.

Says Tresidder: "I think it might be a good time to have one of your personable, come-into-my-office" conversations.

TOP STORIES

- Your loss is state's record gain
- Pill errors cost pharmacists cash, not career
- Libraries shut down, but story not over yet
- More Headlines

BLOGS

Breaking News

- Blazers name Nike exec as new president 12:32 p.m. PT
- Computer glitch in Chicago causes nationwide delays for United flights 9:31 a.m. PT
- Vatican issues new commandments, this time for hitting the road 6:22 a.m. PT
- More Entries

Politics

- Governor endorses training police on mental illness 1:03 p.m. PT
- A Measure 37 'Bridge' to November 12:30 p.m. PT
- More Entries

TODAY'S PHOTOS

She smiles. "I'll do what I can."

"Thank you, darling," he says.

Not that he always wins. With only weeks to go in the session, the fluoride bill remains stuck in committee. Tresidder swears it's still alive.

The beauty of this place, he says, "is that nothing is dead until the gavel is dropped."

Janie Har: 503-221-8213; janiehar@news.oregonian.com

Previous | 1 | 2 | 3

⊕ Click image to enlarge

Brent Wojahn / The Oregonian

A squirrel snacks on a discarded apple core it found under a bush and carried up a tree for a bite Tuesday morning in SE Portland.

• See More Photos

FORUMS

Oregon Forum

- Back in the good ol days *by vampyre46 06/20/2007 10:55 a.m. PT*
- Huh? *by bailie 06/20/2007 11:43 a.m. PT*
- whats Canada doing *by vampyre46 06/20/2007 10:10 a.m. PT*
  - More

Hot Topics

- Religion
- Townsquare
- National Politics
- US at War
- Wild Talk: Politics & the Environment
  - All Forums | Highlights

MULTIMEDIA

News Videos

- Fort Stevens, 65 years ago (6/19/07)
- Ladd Carriage House (6/19/07)
- Summer reading begins, libraries close (6/19/07)
  - More

VIDEO

- More AP Video

Exhibit 26

Business Search
Corporations

- Printer Friendly Page
- New Search
- Search Tips
- Field Definitions
- Status Definitions
- Name Availability
- Corporate Records
- Business Entities Records Order Form
  - Certificates
  - Copies
  - Status Reports
- FAQS
- Corporations Main Page
- Site Search

Corporations

The information displayed here is current as of "JUN 15, 2007" and is updated weekly. It is not a complete or certified record of the Corporation.

Corporation		
VERIZON COMMUNICATIONS, INC.		
Number: C2204934	**Date Filed:** 12/20/1999	**Status:** surrender
Jurisdiction: DELAWARE		
Address		
401 SECOND AVENUE, SOUTH		
STE 454		
MINNEAPOLIS, MN 55401		
Agent for Service of Process		
C T CORPORATION SYSTEM		
818 WEST SEVENTH ST		
LOS ANGELES, CA 90017		

Printer Friendly

New Search

- For information about certification of corporate records or for additional corporate information, please refer to **Corporate Records**.
- Blank fields indicate the information is not contained in the computer file.
- If the status of the corporation is "Surrender", the agent for service of process is automatically revoked. Please refer to California Corporations Code **Section 2114** for information relating to service upon corporations that have surrendered.

Exhibit 27

News Release

Verizon Issues Statement on NSA and Privacy Protection

May 12, 2006

Media Contact:
Peter Thonis, 212-395-2355

NEW YORK -- *Verizon Communications Inc. (NYSE:VZ) today issued the following statement:*

The President has referred to an NSA program, which he authorized, directed against al-Qaeda. Because that program is highly classified, Verizon cannot comment on that program, nor can we confirm or deny whether we have had any relationship to it.

Having said that, there have been factual errors in press coverage about the way Verizon handles customer information in general. Verizon puts the interests of our customers first and has a longstanding commitment to vigorously safeguard our customers' privacy -- a commitment we've highlighted in our privacy principles, which are available at www.verizon.com/privacy.

Verizon will provide customer information to a government agency only where authorized by law for appropriately-defined and focused purposes. When information is provided, Verizon seeks to ensure it is properly used for that purpose and is subject to appropriate safeguards against improper use. Verizon does not, and will not, provide any government agency unfettered access to our customer records or provide information to the government under circumstances that would allow a fishing expedition.

In January 2006, Verizon acquired MCI, and we are ensuring that Verizon's policies are implemented at that entity and that all its activities fully comply with law.

Verizon hopes that the Administration and the Congress can come together and agree on a process in an appropriate setting, and with safeguards for protecting classified information, to examine any issues that have been raised about the program. Verizon is fully prepared to participate in such a process.

####

Register
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e-mail

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available
Verizon p
XML

En espa
Click her
News Ce
Spanish.

Exhibit 28

News Release

Verizon Issues Statement on NSA Media Coverage

May 16, 2006

Media Contact:
Peter Thonis, 212-395-2355

NEW YORK -- *Verizon Communications Inc. (NYSE:VZ) today issued the following statement regarding news coverage about the NSA program which the President has acknowledged authorizing against al-Qaeda:*

As the President has made clear, the NSA program he acknowledged authorizing against al-Qaeda is highly-classified. Verizon cannot and will not comment on the program. Verizon cannot and will not confirm or deny whether it has any relationship to it.

That said, media reports made claims about Verizon that are simply false.

One of the most glaring and repeated falsehoods in the media reporting is the assertion that, in the aftermath of the 9/11 attacks, Verizon was approached by NSA and entered into an arrangement to provide the NSA with data from its customers' domestic calls.

This is false. From the time of the 9/11 attacks until just four months ago, Verizon had three major businesses - its wireline phone business, its wireless company and its directory publishing business. It also had its own Internet Service Provider and long-distance businesses. Contrary to the media reports, Verizon was not asked by NSA to provide, nor did Verizon provide, customer phone records from any of these businesses, or any call data from those records. None of these companies - wireless or wireline - provided customer records or call data.

Another error is the claim that data on local calls is being turned over to NSA and that simple "calls across town" are being "tracked." In fact, phone companies do not even make records of local calls in most cases because the vast majority of customers are not billed per call for local calls. In any event, the claim is just wrong. As stated above, Verizon's wireless and wireline companies did not provide to NSA customer records or call data, local or otherwise.

Again, Verizon cannot and will not confirm or deny whether it has any relationship to the classified NSA program. Verizon always stands ready, however, to help protect the country from terrorist attack. We owe this duty to our fellow citizens. We also have a duty, that we have always fulfilled, to protect the privacy of our customers. The two are not in conflict. When asked for help, we will always make sure that any assistance is authorized by law and that our customers' privacy is safeguarded.

####

Exhibit 29

Louisiana Secretary of State
COMMERCIAL DIVISION
Corporations Database

Louisiana Secretary of State Detailed Record

Charter/Organization ID: 35493945F

Name: VERIZON GLOBAL NETWORKS INC.

Type Entity: Business Corporation (Non-Louisiana)

Status: Active

Annual Report Status: In Good Standing **Add Certificate of Good Standing to Shopping Cart**

Last Report Filed on 05/07/2007

Mailing Address: 1717 ARCH ST., 21 FL., PHILADELPHIA, PA 19103

Domicile Address: 1209 ORANGE ST., WILMINGTON, DE 19801

Principal Office: 1320 N. COURT HOUSE RD., 9TH FLOOR, ARLINGTON, VA 22201

Principal Bus. Est. in Louisiana: 8550 UNITED PLAZA BLVD., BATON ROUGE, LA 70809

Qualified: 06/04/2003

Registered Agent (Appointed 6/04/2003): C T CORPORATION SYSTEM, 8550 UNITED PLAZA BLVD., BATON R(LA 70809

President: DONALD B. FAIRBAIRN, 6404 IVY LANE, GREENBELT, MD 20770

Vice President: CHARLES A. BURKHARDT, 750 CANYON DR., COPPELL, TX 75019

Secretary: CURTIS J. JACKSON, ONE VERIZON WAY, BASKING RIDGE, NJ 07920

Additional officers may exist on document

New Search | View Cart

Exhibit 30

Louisiana Secretary of State
COMMERCIAL DIVISION
Corporations Database

Louisiana Secretary of State
Detailed Record

Charter/Organization ID: 34868256F

Name: VERIZON COMMUNICATIONS, INC.

Merger or Conversion Information: MERGED INTO BELL ATLANTIC CORPORATION, A DELAWARE CORPORATION NOT QUALIFIED TO DO BUSINESS IN LOUISIANA ON NOVEMBER 3, 2000. MERGER WAS FILED IN DELAWARE ON SEPTEMBER 22, 2000 AT 7:00 A.M.

Prior Name: VERIZON, INC. (3/30/2000)

Type Entity: Business Corporation (Non-Louisiana)

Status: Not Active (Voluntary action)

Mailing Address: 7900 XERXES AVENUE SOUTH, STE. 1700, MINNEAPOLIS, MN 55431

Domicile Address: 1209 ORANGE STREET, WILMINGTON, DE 19801

Principal Office: 7900 XERXES AVENUE SOUTH, STE. 1700, MINNEAPOLIS, MN 55431

Principal Bus. Est. in Louisiana: 8550 UNITED PLAZA BLVD., BATON ROUGE, LA 70809

Qualified: 12/15/1999

Registered Agent (Appointed 12/15/1999): C T CORPORATION SYSTEM, 8550 UNITED PLAZA BLVD., BATON R(
LA 70809

President: PAUL B. PLUNKETT, 7900 XERXES AVENUE SOUTH, STE. 1700, MINNEAPOLIS, MN 55431

Secretary/Treasurer: PAUL B. PLUNKETT, 7900 XERXES AVENUE SOUTH, STE. 1700, MINNEAPOLIS, MN 55431

Director: PAUL B. PLUNKETT, 7900 XERXES AVENUE SOUTH, STE. 1700, MINNEAPOLIS, MN 55431

Amendments on File
MERGER (11/03/2000)
NAME CHANGE (03/30/2000)

New Search View Cart

Exhibit 31

Louisiana Secretary of State
COMMERCIAL DIVISION
Corporations Database

Louisiana Secretary of State
Detailed Record

Charter/Organization ID: 34130760F

Name: BELL ATLANTIC CORP.

Type Entity: Business Corporation (Non-Louisiana)

Status: Not Active (Voluntary action)

Last Report Filed on 12/04/1992

Mailing Address: 1209 ORANGE STREET, WILMINGTON, DE 19801

Domicile Address: ONE EAST FIRST STREET, RENO, NV 89501

Principal Office: 1209 ORANGE STREET, WILMINGTON, DE 19801

Principal Bus. Est. in Louisiana: 601 POYDRAS STREET, NEW ORLEANS, LA 70130

Qualified: 12/12/1983

Registered Agent (Appointed 1/05/1994): BELL ATLANTIC CORP., 1717 ARCH ST., 32ND FLOOR, PHILADELPH
19103

President: J. A. BARBERA, 1209 ORANGE ST., WILMINGTON, DE 19801

Vice President: M. A. FERRUCCI, 1209 ORANGE ST., WILMINGTON, DE 19801

Secretary: M. A. FERRUCCI, 1209 ORANGE ST., WILMINGTON, DE 19801

Treasurer: A. M. HORNE, 1209 ORANGE ST., WILMINGTON, DE 19801

Amendments on File
WITHDRAWAL (01/05/1994)
WITHDRAWAL PENDING (03/18/1993)
STMT OF CHG OR CHG PRIN BUS OFF (FOREIGN (02/01/1993)
STMT OF CHG OR CHG PRIN BUS OFF (FOREIGN (04/01/1986)
STMT OF CHG OR CHG PRIN BUS OFF (FOREIGN (02/22/1985)

New Search View Cart

Exhibit 32

Louisiana Secretary of State
COMMERCIAL DIVISION
Corporations Database

Louisiana Secretary of State Detailed Record

Charter/Organization ID: 34528033F

Name: BELL ATLANTIC COMMUNICATIONS, INC.

Type Entity: Business Corporation (Non-Louisiana)

Status: Active

Annual Report Status: In Good Standing **Add Certificate of Good Standing to Shopping Cart**

Last Report Filed on 04/23/2007

Mailing Address: 1717 ARCH ST., 21ST FLOOR, PHILADELPHIA, PA 19103

Domicile Address: 1209 ORANGE STREET, WILMINGTON, DE 19801

Principal Office: 1320 NORTH COURT HOUSE ROAD, ARLINGTON, VA 22201

Principal Bus. Est. in Louisiana: 8550 UNITED PLAZA BLVD., BATON ROUGE, LA 70809

Qualified: 05/24/1996

Registered Agent (Appointed 5/24/1996): C T CORPORATION SYSTEM, 8550 UNITED PLAZA BLVD., BATON R(
LA 70809

President: JOHN D. BROTEN, ONE VERIZON WAY, BASKING RIDGE, NJ 07920

Secretary: JAMES F. MORGAN, ONE VERIZON WAY, BASKING RIDGE, NJ 07920

Vice President: JANA L. CRAIN, 1717 ARCH STREET, PHILADELPHIA, PA 19103

Additional officers may exist on document

New Search View Cart

Exhibit 33

CERTIFICATE

State of Oregon

OFFICE OF THE SECRETARY OF STATE
Corporation Division

I, BILL BRADBURY, Secretary of State of Oregon, and Custodian of the Seal of said State, do hereby certify:

That the attached Document File for:

VERIZON COMMUNICATIONS, INC.

is a true copy of the original documents that have been filed with this office.

In Testimony Whereof, I have hereunto set my hand and affixed hereto the Seal of the State of Oregon.

BILL BRADBURY, Secretary of State

By ______________________

Debra L. Virag
June 1, 2007

Secretary of State
Corporation Division
225 Capitol St. NE, Suite 151
Salem, OR 97310-1327

Registry Number: 725381-85

Attach Additional Sheet if Necessary
Please Type or Print Legibly in Black Ink

Check the appropriate box below:

[X] FOREIGN BUSINESS CORPORATION
(Complete only 1, 2, 3, 4, 5, 6, 7, 8, 9, 13, 14)

[ ] FOREIGN PROFESSIONAL CORPORATION
(Complete all items)

For office use only

FILED
DEC 14 1999
OREGON
SECRETARY OF STATE

1) NAME OF CORPORATION Verizon, Inc.
NOTE: Must be identical to the name on the Certificate of Existence. See # 2.

2) CERTIFICATE OF EXISTENCE (This application must be accompanied by a certificate of existence, current within 60 days of delivery to this Division authenticated by the official having custody of the corporate records in the jurisdiction of incorporation.)

[X] Certificate attached

3. DATE OF INCORPORATION
December 7, 1999

DURATION, IF NOT PERPETUAL

4. STATE OR COUNTRY OF ORGANIZATION
Delaware

5. ADDRESS OF PRINCIPAL OFFICE OF THE BUSINESS (Address, city, state, zip)
7900 Xerxes Avenue South, Suite 1700
Minneapolis, MN 55431

6. NAME OF OREGON REGISTERED AGENT
C T Corporation System

7) ADDRESS OF THE OREGON REGISTERED OFFICE (Must be an Oregon Street Address which is identical to the registered agent's business office.)
601 SW Second Avenue, Suite 2050
Oregon 97204

8) ADDRESS FOR MAILING NOTICES
7900 Xerxes Avenue South, Suite 1700
Minneapolis, MN 55431

9) NAME AND ADDRESS OF PRESIDENT AND SECRETARY

President: Paul B. Plunkett
Address: 7900 Xerxes Avenue South, Suite 1700
Minneapolis, MN 55431

Secretary: Paul B. Plunkett
Address: 7900 Xerxes Avenue South, Suite 1700
Minneapolis, MN 55431

PROFESSIONAL CORPORATION ONLY

10) SHAREHOLDERS (Name, street addresses and profession(s) of all shareholders, if any, who are licensed to render the professional service(s) in Oregon. Attach a separate sheet if necessary.)

11) PROFESSIONAL/BUSINESS SERVICES (List professional service(s) and other business services, if applicable, to be rendered.)

12) DIRECTORS (Names, street addresses and profession(s) of all directors who are licensed to render the professional service(s) in Oregon. Attach a separate sheet if necessary.)

13) EXECUTION
Printed Name: Paul B. Plunkett
Signature: [signature]
Title: President 12/14
99

14) CONTACT NAME
Lori B. Papacek

DAYTIME PHONE NUMBER
(612) 835-3800

FEES
Make check for $440 payable to "Corporation Division"

NOTE: Filing fees may be paid with VISA or MasterCard. The card number and expiration date should be submitted on a separate sheet for your protection.

CR121 (Rev. 5/96)
(ORE. - 647 - 7/1/96)

M25381-85

Office of the Secretary of State

FILED
DEC 14 1999
OREGON
SECRETARY OF STATE

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "VERIZON, INC." IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE EIGHTH DAY OF DECEMBER, A.D. 1999.

AND I DO HEREBY FURTHER CERTIFY THAT THE FRANCHISE TAXES HAVE NOT BEEN ASSESSED TO DATE.

Edward J. Freel, Secretary of State

3137829 8300

991524579

AUTHENTICATION: 0125400

DATE: 12-08-99

pk 10589

Phone: (503) 986-2200
Fax: (503) 378-4381
Secretary of State
Corporation Division
225 Capitol St. NE, Suite 151
Salem, OR 97310-1327

Application for Amendment Withdrawal—Foreign Corporation

Check the appropriate box below:

[X] AMENDMENT TO APPLICATION FOR AUTHORITY (Complete only 1, 2, 8, 9)

[ ] WITHDRAWAL OF AUTHORITY TO TRANSACT (Complete only 3, 4, 5, 6, 7, 8, 9)

For office use only

FILED
MAR 30 2000
OREGON
SECRETARY OF STATE

Registry Number: 725381-85

Attach Additional Sheet if Necessary
Please Type or Print Legibly in Black Ink

AMENDMENT TO APPLICATION ONLY

1) NAME PRIOR TO AMENDMENT: Verizon, Inc.

2) AMENDMENT (The amendment is as follows.)
Verizon Communications, Inc.

WITHDRAWAL OF AUTHORITY TO TRANSACT BUSINESS ONLY

3) NAME

4) STATE OR COUNTRY OF INCORPORATION

5) This Corporation is not transacting business in Oregon, and surrenders its authority to transact business in Oregon.

6) This Corporation revokes the authority of its registered agent to accept service on its behalf and appoints the Secretary of State as its agent for service of process in any proceeding based on a cause of action arising during the time it was authorized to transact business in Oregon.

7) MAILING ADDRESS (The address to which the person initiating any proceeding may mail to this corporation a copy of any process served on the Secretary of State. The Corporation will notify the Corporation Division, Business Registry of any change in this mailing address for a period of five years from the date of this withdrawal.)

8) EXECUTION

Printed Name: Paul B. Plunkett
Signature: PB.P
Title: President

9) CONTRACT NAME: Lori B. Papacek
DAYTIME PHONE NUMBER: (952) 835-3800

3/30

FEES

Make check for $10 payable to "Corporation Division"

NOTE: Filing fees may be paid with VISA or MasterCard. The card number and expiration date should be submitted on a separate sheet for your protection.

CR123 (Rev. 5/96)

CR016 - CT System Online

TOTAL P.02

NON SURVIVOR
725381-85

Office of the Secretary of State

FILED

NOV - 2 2000

OREGON
SECRETARY OF STATE

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE CERTIFICATE OF OWNERSHIP, WHICH MERGES:

725381-85

"VERIZON COMMUNICATIONS, INC.", A DELAWARE CORPORATION, merged out

WITH AND INTO "BELL ATLANTIC CORPORATION" NR UNDER THE NAME OF "VERIZON COMMUNICATIONS INC.", A CORPORATION ORGANIZED AND EXISTING UNDER THE LAWS OF THE STATE OF DELAWARE, WAS RECEIVED AND FILED IN THIS OFFICE THE TWENTY-SECOND DAY OF SEPTEMBER, A.D. 2000, AT 7 O'CLOCK A.M.

AND I DO HEREBY FURTHER CERTIFY THAT THE AFORESAID CORPORATION SHALL BE GOVERNED BY THE LAWS OF THE STATE OF DELAWARE.

Edward J. Freel, Secretary of State

11/2

2018751 8330

001548666

AUTHENTICATION: 0766937

DATE: 10-31-00

TOTAL P.02

Exhibit 34

Cal-Access Search

GO
Advanced Search

Cal-Access Home
Campaign Finance
Lobbying Activity
Individual Lobbyists
Lobbying Firms
Lobbyist Employers
$5,000 - Plus Payments To Influence
Daily Filings/ Directory Changes
Resources
For Filers Only
Political Reform

Lobbying Activity
MCI, INC.

View:
- General Information
- Financial Activity/Filing History

Legislative Session
- Historical
  - 2005 through 2006
  - 2003 through 2004
  - 2001 through 2002
  - 1999 through 2000

As disclosed in quarterly reports filed with the Secretary of State, payments made by an organization to its own in-house lobbyists or to lobbying firms are reported here. Links to legislative bills or state agencies lobbied also are available.

2003-2004 LEGISLATIVE SESSION

LOBBYING PAYMENTS MADE

SESSION	QUARTER	GENERAL LOBBYING	P.U.C. LOBBYING
2003-2004	8th	$22,059.00	$0.00
2003-2004	7th	$61,609.32	$1,925.00
2003-2004	6th	$23,238.93	$1,920.00
2003-2004	5th	$43,934.14	$3,637.00
2003-2004	4th	$32,760.71	$0.00
2003-2004	3rd	$13,493.90	$4,186.00
2003-2004	2nd	$11,641.43	$3,019.00
2003-2004	1st	$21,531.78	$0.00

BILLS AND AGENCIES LOBBIED

SESSION	QUARTER	BILLS/AGENCIES LOBBIED (AS FILED)
2003-2004	8th	None
2003-2004	7th	Legislature regarding AB 1827, 1874, 2768 and SB 1436, 1822, 1506; Governor's office regarding overall business development issue
2003-2004	6th	Legislature regarding AB 442, 1874, 2768 and SB 1488, 1506 Governor's office regarding telephone phone charges

2003-2004	5th	Legislature regarding AB 2768, Governor's office regarding future of company
2003-2004	4th	None
2003-2004	3rd	California State Legislature regarding AB 68, 909, 1389; SB 12, 33, 186, 429, 552, 584
2003-2004	2nd	California State Legislature regarding AB 909, 1143, 1389 and SB 584
2003-2004	1st	California State Legislature regarding AB 1452

To Search For The Full Text Of Bills, Resolutions, And Constitutional Amendments Click Here.

ELECTRONIC FILINGS	
REPORT OF LOBBYIST EMPLOYER AND REPORT OF LOBBYING COALITION (F635)	
FILING PERIOD: 10/01/2004 - 12/31/2004	FILED ON: 1/31/2005 11:26:28 AM
FILING NUMBER: 1080349	ORIGINAL FILING
REPORT OF LOBBYIST EMPLOYER AND REPORT OF LOBBYING COALITION (F635)	
FILING PERIOD: 07/01/2004 - 09/30/2004	FILED ON: 11/1/2004 12:17:56 PM
FILING NUMBER: 1059003	ORIGINAL FILING
REPORT OF LOBBYIST EMPLOYER AND REPORT OF LOBBYING COALITION (F635)	
FILING PERIOD: 04/01/2004 - 06/30/2004	FILED ON: 8/1/2004 11:43:07 AM
FILING NUMBER: 1031235	ORIGINAL FILING
REPORT OF LOBBYIST EMPLOYER AND REPORT OF LOBBYING COALITION (F635)	
FILING PERIOD: 01/01/2004 - 03/31/2004	FILED ON: 4/30/2004 4:12:21 PM
FILING NUMBER: 1014329	ORIGINAL FILING
REPORT OF LOBBYIST EMPLOYER AND REPORT OF LOBBYING COALITION (F635)	
FILING PERIOD: 10/01/2003 - 12/31/2003	FILED ON: 2/2/2004 2:07:54 PM
FILING NUMBER: 990282	ORIGINAL FILING
REPORT OF LOBBYIST EMPLOYER AND REPORT OF LOBBYING COALITION (F635)	
FILING PERIOD: 07/01/2003 - 09/30/2003	FILED ON: 10/31/2003 9:51:10 AM
FILING NUMBER: 969551	ORIGINAL FILING
REPORT OF LOBBYIST EMPLOYER AND REPORT OF LOBBYING COALITION (F635)	
FILING PERIOD: 04/01/2003 - 06/30/2003	FILED ON: 7/31/2003 10:52:05 AM
FILING NUMBER: 947407	ORIGINAL FILING
REPORT OF LOBBYIST EMPLOYER AND REPORT OF LOBBYING COALITION (F635)	
FILING PERIOD: 01/01/2003 - 03/31/2003	FILED ON: 4/30/2003 11:56:20 AM
FILING NUMBER: 931288	ORIGINAL FILING

Exhibit 35

Lobbying Activity

MCI, INC.

View:

- General Information
- Financial Activity/Filing History

Legislative Session

- Historical
  - 2005 through 2006
  - 2003 through 2004
  - 2001 through 2002
  - 1999 through 2000

As disclosed in quarterly reports filed with the Secretary of State, payments made by an organization to its own in-house lobbyists or to lobbying firms are reported here. Links to legislative bills or state agencies lobbied also are available.

2005-2006 LEGISLATIVE SESSION

LOBBYING PAYMENTS MADE			
SESSION	**QUARTER**	**GENERAL LOBBYING**	**P.U.C. LOBBYING**
2005-2006	5th	$15,133.45	$0.00
2005-2006	4th	$26,732.62	$694.00
2005-2006	3rd	$49,422.45	$2,800.00
2005-2006	2nd	$43,777.42	$0.00
2005-2006	1st	$30,289.97	$2,282.10

BILLS AND AGENCIES LOBBIED		
SESSION	**QUARTER**	**BILLS/AGENCIES LOBBIED (AS FILED)**
2005-2006	5th	None
2005-2006	4th	State and Consumer Affairs and Department of Finance regarding Calnet contract
2005-2006	3rd	Legislature and Governor's office regarding SB 1068 and GPR#2
2005-2006	2nd	Governor regarding GPR2 Legislature and Governor's Office: SB 1068, AB 1082, AB 1178, GRP2
2005-2006	1st	None

To Search For The Full Text Of Bills, Resolutions, And Constitutional Amendments Click Here.

ELECTRONIC FILINGS

REPORT OF LOBBYIST EMPLOYER AND REPORT OF LOBBYING COALITION (F635)

FILING PERIOD: 01/01/2006 - 03/31/2006	FILED ON: 4/30/2006 12:36:56 PM
FILING NUMBER: 1167201	ORIGINAL FILING

REPORT OF LOBBYIST EMPLOYER AND REPORT OF LOBBYING COALITION (F635)

FILING PERIOD: 10/01/2005 - 12/31/2005	FILED ON: 1/29/2006 10:02:39 AM
FILING NUMBER: 1145927	ORIGINAL FILING

REPORT OF LOBBYIST EMPLOYER AND REPORT OF LOBBYING COALITION (F635)

FILING PERIOD: 07/01/2005 - 09/30/2005	FILED ON: 10/31/2005 1:02:10 PM
FILING NUMBER: 1133699	ORIGINAL FILING

REPORT OF LOBBYIST EMPLOYER AND REPORT OF LOBBYING COALITION (F635)

FILING PERIOD: 04/01/2005 - 06/30/2005	FILED ON: 8/1/2005 2:02:09 PM
FILING NUMBER: 1118806	ORIGINAL FILING

REPORT OF LOBBYIST EMPLOYER AND REPORT OF LOBBYING COALITION (F635)

FILING PERIOD: 01/01/2005 - 03/31/2005	FILED ON: 5/16/2005 1:07:43 PM
FILING NUMBER: 1105281	AMENDMENT #1

Exhibit 36

☒ REPORT OF LOBBYIST EMPLOYER

(Government Code Section 86116)

or

☐ REPORT OF LOBBYING COALITION

(2 Cal. Code of Regs. Section 18616.4)

FORM 635
1993

IMPORTANT: Lobbying Coalitions must attach a completed Form 635-C to this Report.

REPORT COVERS PERIOD FROM 04/01/2005 **THROUGH** 06/30/2005

CUMULATIVE PERIOD BEGINNING 01/01/2005

TYPE OR PRINT IN INK

For information required to be provided to you pursuant to the Information Practices Act of 1977, see Information Manual on Lobbying Disclosure Provisions of the Political Reform Act.

FOR OFFICIAL USE ONLY

A

B

NAME OF FILER:

MCI,Inc.

BUSINESS ADDRESS: (Number and Street)	(City)	(State)	(Zip Code)	TELEPHONE NUMBER:
	Denver,CO	8	80202	

PART I - LEGISLATIVE OR STATE AGENCY ADMINISTRATIVE ACTIONS ACTIVELY LOBBIED DURING THE PERIOD
(See instructions on reverse.)

Governor regarding GPR2 Legislature and Governor's Office: SB 1068,AB 1082,AB 1178,GRP2

☐ If more space is needed, check box and attach continuation sheets.

SUMMARY OF PAYMENTS THIS PERIOD

A.	Total Payments to In-House Employee Lobbyists (Part III, Section A, Column 1)	$ 0.00
B.	Total Payments to Lobbying Firms (Part III, Section B, Column 4)	$ 41915.42
C.	Total Activity Expenses (Part III, Section C)	$ 0.00
D.	Total Other Payments to Influence (Part III, Section D)	$ 1862.00
	GRAND TOTAL (A + B + C + D above)	$ 43777.42
E.	Total Payments in Connection with PUC Activities (Part III, Section E)	$ 0.00

F. Campaign Contributions: ☐ Part IV completed and attached ☒ No campaign contributions made this period

VERIFICATION

I have used all reasonable diligence in preparing this Report. I have reviewed the Report and to the best of my knowledge the information contained herein and in the attached schedules is true and complete.

I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on (Date)	At (City and State)	By (Signature of Employer or Responsible Officer)
07/27/2005	Denver,CO	Lyle Williamson

Name of Employer or Responsible Officer (Type or Print)	Title
Lyle Williamson	

PERIOD COVERED: 04/01/2005 06/30/2005

NAME OF FILER: MCI,Inc.

PART II - PARTNERS, OWNERS, AND EMPLOYEES WHOSE "LOBBYIST REPORTS" (FORM 615) ARE ATTACHED TO THIS REPORT (See instructions on reverse.)

Name and Title	Name and Title

☐ If more space is needed, check box and attach continuation sheets.

PART III - PAYMENTS MADE IN CONNECTION WITH LOBBYING ACTIVITIES

A. PAYMENTS TO IN-HOUSE EMPLOYEE LOBBYISTS (See instructions on reverse. Also enter the Amount This Period (Column 1) on Line A of the Summary of Payments section on page 1.)	(1) Amount This Period	(2) Cumulative Total To Date
	$ 0.00	$ 0.00

B. PAYMENTS TO LOBBYING FIRMS (Including Individual Contract Lobbyists)

Name and Address of Lobbying Firm/Independent Contractor	(1) Fees & Retainers	(2) Reimbursements of Expenses	(3) Advances or Other Payments (attach explanation)	(4) Total This Period	(5) Cumulative Total to Date
Lucas Advocates Sacramento CA 95814	25334.00	581.42	0.00 none	25915.42	44561.62
Spencer - Roberts & Associates Inc. Sacramento CA 95814	16000.00	0.00	0.00 none	16000.00	24000.00

☐ If more space is needed, check box and attach continuation sheets

TOTAL THIS PERIOD (Column 4)
Also enter the total of Column 4 on Line B of the Summary of Payments section on page 1. $ 41915.42

PERIOD COVERED: 04/01/2005 06/30/2005

NAME OF FILER: MCI,Inc.

C. ACTIVITY EXPENSES (See instructions on reverse.)

Date	Name and Address of Payee	Name and Official Position of Reportable Persons and Amount Benefiting Each		Description of Consideration	Total Amount of Activity
			$		$

☐ If more space is needed, check box and attach continuation sheets.

TOTAL SECTION C (Activity Expenses) Also enter the total of Section C on Line C of the Summary of Payments section on page 1. $ 0.00

D. OTHER PAYMENTS TO INFLUENCE LEGISLATIVE OR ADMINISTRATIVE ACTION

☐ NOTE: State and local government agencies do not complete this section. Check box and complete Attachment Form 640 instead.

1. PAYMENTS TO LOBBYING COALITIONS (NOTE: You must attach a completed Form 630 to this Report.) $ 0.00
2. OTHER PAYMENTS $ 1862.00

TOTAL SECTION D (1 + 2) Also enter the total of Section D on Line D of the Summary of Payments section on page 1. $ 1862.00

E. PAYMENTS IN CONNECTION WITH ADMINISTRATIVE TESTIMONY IN RATEMAKING PROCEEDINGS BEFORE THE CALIFORNIA PUBLIC UTILITIES COMMISSION Also, enter the total of Section E on Line E of the Summary of Payments section on page 1. (See instructions on reverse.) $ 0.00

PERIOD COVERED: 04/01/2005 06/30/2005

NAME OF FILER: MCI,Inc.

PART IV -- CAMPAIGN CONTRIBUTIONS MADE (Monetary and non-monetary campaign contributions of $100 or more made to or on behalf of state candidates, elected state officers and any of their controlled committees, or committees supporting such candidates or officers must be reported in A or B below.)

A. If the contributions made by you during the period covered by this report, or by a committee you sponsor, are contained in a campaign disclosure statement which is on file with the Secretary of State, report the name of the committee and its identification number, if any, below.

Name of Major Donor or Recipient Committee Which Has Filed A Campaign Disclosure Statement: MCI,Inc. Form 461; MCI Employees California PAC

Identification Number if Recipient Committee: 1240160

B. Contributions of $100 or more which have not been reported on a campaign disclosure statement, including contributions made by an organization's sponsored committee, must be itemized below.

Date	Name of Recipient	I.D. Number if Committee	Amount
06/15/2005	Elect Kevin Murray Committee	1253089	$ 1000.00
06/15/2005	Levine for Assembly	1272841	$ 1000.00
06/15/2005	Gloria Romero for Senate 2006	1251233	$ 1000.00
			$
			$
			$
			$
			$
			$
			$

☐ If more space is needed, check box and attach continuation sheets.

NOTE: Disclosure in this report does not relieve a filer of any obligation to file the campaign disclosure statements required by Gov. Code Section 84200, et seq.

Exhibit 37

☒ REPORT OF LOBBYIST EMPLOYER

(Government Code Section 86116)

or

☐ REPORT OF LOBBYING COALITION

(2 Cal. Code of Regs. Section 18616.4)

FORM 635
1993

IMPORTANT: Lobbying Coalitions must attach a completed Form 635-C to this Report.

FOR OFFICIAL USE ONLY

A

B

REPORT COVERS PERIOD FROM 07/01/2005 **THROUGH** 09/30/2005

CUMULATIVE PERIOD BEGINNING 01/01/2005

TYPE OR PRINT IN INK

For information required to be provided to you pursuant to the Information Practices Act of 1977, see Information Manual on Lobbying Disclosure Provisions of the Political Reform Act.

NAME OF FILER:

MCI,Inc.

BUSINESS ADDRESS: (Number and Street)	(City)	(State)	(Zip Code)	TELEPHONE NUMBER:
	Denver,CO	8	80202	

PART I - LEGISLATIVE OR STATE AGENCY ADMINISTRATIVE ACTIONS ACTIVELY LOBBIED DURING THE PERIOD

(See instructions on reverse.)

Legislature and Governor's office regarding SB 1068 and GPR#2

☐ If more space is needed, check box and attach continuation sheets.

SUMMARY OF PAYMENTS THIS PERIOD

A.	Total Payments to In-House Employee Lobbyists (Part III, Section A, Column 1)	$	0.00
B.	Total Payments to Lobbying Firms (Part III, Section B, Column 4)	$	45077.45
C.	Total Activity Expenses (Part III, Section C)	$	0.00
D.	Total Other Payments to Influence (Part III, Section D)	$	4345.00
	GRAND TOTAL (A + B + C + D above)	$	49422.45
E.	Total Payments in Connection with PUC Activities (Part III, Section E)	$	2800.00

F. Campaign Contributions: ☐ Part IV completed and attached ☒ No campaign contributions made this period

VERIFICATION

I have used all reasonable diligence in preparing this Report. I have reviewed the Report and to the best of my knowledge the information contained herein and in the attached schedules is true and complete.
I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on (Date)	At (City and State)	By (Signature of Employer or Responsible Officer)
10/28/2005	Denver,CO	Lyle Williamson

Name of Employer or Responsible Officer (Type or Print)	Title
Lyle Williamson	Regional Director

PERIOD COVERED: 07/01/2005 09/30/2005

NAME OF FILER: MCI,Inc.

PART II - PARTNERS, OWNERS, AND EMPLOYEES WHOSE "LOBBYIST REPORTS" (FORM 615) ARE ATTACHED TO THIS REPORT (See instructions on reverse.)

Name and Title	Name and Title

☐ If more space is needed, check box and attach continuation sheets.

PART III - PAYMENTS MADE IN CONNECTION WITH LOBBYING ACTIVITIES

A. PAYMENTS TO IN-HOUSE EMPLOYEE LOBBYISTS (See instructions on reverse. Also enter the Amount This Period (Column 1) on Line A of the Summary of Payments section on page 1.)	(1) Amount This Period	(2) Cumulative Total To Date
	$ 0.00	$ 0.00

B. PAYMENTS TO LOBBYING FIRMS (Including Individual Contract Lobbyists)

Name and Address of Lobbying Firm/Independent Contractor	(1) Fees & Retainers	(2) Reimbursements of Expenses	(3) Advances or Other Payments (attach explanation)	(4) Total This Period	(5) Cumulative Total to Date
Lucas Advocates Sacramento CA 95814	28000.00	1077.45	0.00 none	29077.45	73639.07
Spencer - Roberts & Associates Inc. Sacramento CA 95814	16000.00	0.00	0.00 none	16000.00	40000.00

☐ If more space is needed, check box and attach continuation sheets

TOTAL THIS PERIOD (Column 4)
Also enter the total of Column 4 on Line B of the Summary of Payments section on page 1. $ 45077.45

PERIOD COVERED: 07/01/2005 09/30/2005

NAME OF FILER: MCI,Inc.

C. ACTIVITY EXPENSES (See instructions on reverse.)

Date	Name and Address of Payee	Name and Official Position of Reportable Persons and Amount Benefiting Each		Description of Consideration	Total Amount of Activity
			$		$

☐ If more space is needed, check box and attach continuation sheets.

TOTAL SECTION C (Activity Expenses) Also enter the total of Section C on Line C of the Summary of Payments section on page 1. $ 0.00

D. OTHER PAYMENTS TO INFLUENCE LEGISLATIVE OR ADMINISTRATIVE ACTION

☐ NOTE: State and local government agencies do not complete this section. Check box and complete Attachment Form 640 instead.

1. PAYMENTS TO LOBBYING COALITIONS (NOTE: You must attach a completed Form 630 to this Report.) $ 0.00
2. OTHER PAYMENTS $ 4345.00

TOTAL SECTION D (1 + 2) Also enter the total of Section D on Line D of the Summary of Payments section on page 1. $ 4345.00

E. PAYMENTS IN CONNECTION WITH ADMINISTRATIVE TESTIMONY IN RATEMAKING PROCEEDINGS BEFORE THE CALIFORNIA PUBLIC UTILITIES COMMISSION Also, enter the total of Section E on Line E of the Summary of Payments section on page 1. (See instructions on reverse.) $ 2800.00

PERIOD COVERED: 07/01/2005 09/30/2005

NAME OF FILER: MCI,Inc.

PART IV -- CAMPAIGN CONTRIBUTIONS MADE (Monetary and non-monetary campaign contributions of $100 or more made to or on behalf of state candidates, elected state officers and any of their controlled committees, or committees supporting such candidates or officers must be reported in A or B below.)

A. If the contributions made by you during the period covered by this report, or by a committee you sponsor, are contained in a campaign disclosure statement which is on file with the Secretary of State, report the name of the committee and its identification number, if any, below.

Name of Major Donor or Recipient Committee Which Has Filed A Campaign Disclosure Statement:

MCI,Inc. Form 461; MCI Employees California PAC

Identification Number if Recipient Committee: 1240160

B. Contributions of $100 or more which have not been reported on a campaign disclosure statement, including contributions made by an organization's sponsored committee, must be itemized below.

Date	Name of Recipient	I.D. Number if Committee	Amount
			$
			$
			$
			$
			$
			$
			$
			$
			$
			$

☐ If more space is needed, check box and attach continuation sheets.

NOTE: Disclosure in this report does not relieve a filer of any obligation to file the campaign disclosure statements required by Gov. Code Section 84200, et seq.

Exhibit 38

☒ REPORT OF LOBBYIST EMPLOYER

(Government Code Section 86116)

or

☐ REPORT OF LOBBYING COALITION

(2 Cal. Code of Regs. Section 18616.4)

FORM 635
1993

IMPORTANT: Lobbying Coalitions must attach a completed Form 635-C to this Report.

REPORT COVERS PERIOD FROM 07/01/2004 **THROUGH** 09/30/2004

CUMULATIVE PERIOD BEGINNING 01/01/2003

FOR OFFICIAL USE ONLY

A

B

TYPE OR PRINT IN INK

For information required to be provided to you pursuant to the Information Practices Act of 1977, see Information Manual on Lobbying Disclosure Provisions of the Political Reform Act.

NAME OF FILER:

MCI,Inc.

BUSINESS ADDRESS: (Number and Street)	(City)	(State)	(Zip Code)	TELEPHONE NUMBER:
	San Francisco	CA	94105	

PART I - LEGISLATIVE OR STATE AGENCY ADMINISTRATIVE ACTIONS ACTIVELY LOBBIED DURING THE PERIOD
(See instructions on reverse.)

Legislature regarding AB 1827,1874,2768 and SB 1436,1822,1506; Governor's office regarding overall business development issue

☐ If more space is needed, check box and attach continuation sheets.

SUMMARY OF PAYMENTS THIS PERIOD

A.	Total Payments to In-House Employee Lobbyists (Part III, Section A, Column 1)	$	0.00
B.	Total Payments to Lobbying Firms (Part III, Section B, Column 4)	$	26476.56
C.	Total Activity Expenses (Part III, Section C)	$	100.47
D.	Total Other Payments to Influence (Part III, Section D)	$	35032.29
	GRAND TOTAL (A + B + C + D above)	$	61609.32
E.	Total Payments in Connection with PUC Activities (Part III, Section E)	$	1925.00

F. Campaign Contributions: ☐ Part IV completed and attached ☒ No campaign contributions made this period

VERIFICATION

I have used all reasonable diligence in preparing this Report. I have reviewed the Report and to the best of my knowledge the information contained herein and in the attached schedules is true and complete.
I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on (Date)	At (City and State)	By (Signature of Employer or Responsible Officer)
10/28/2004	San Francisco,CA	William Harrelson

Name of Employer or Responsible Officer (Type or Print)	Title
William Harrelson	Senior Counsel

PERIOD COVERED: 07/01/2004 09/30/2004

NAME OF FILER: MCI,Inc.

PART II - PARTNERS, OWNERS, AND EMPLOYEES WHOSE "LOBBYIST REPORTS" (FORM 615) ARE ATTACHED TO THIS REPORT (See instructions on reverse.)

Name and Title	Name and Title

☐ If more space is needed, check box and attach continuation sheets.

PART III - PAYMENTS MADE IN CONNECTION WITH LOBBYING ACTIVITIES

A. PAYMENTS TO IN-HOUSE EMPLOYEE LOBBYISTS (See instructions on reverse. Also enter the Amount This Period (Column 1) on Line A of the Summary of Payments section on page 1.)	(1) Amount This Period	(2) Cumulative Total To Date
	$ 0.00	$ 0.00

B. PAYMENTS TO LOBBYING FIRMS (Including Individual Contract Lobbyists)

Name and Address of Lobbying Firm/Independent Contractor	(1) Fees & Retainers	(2) Reimbursements of Expenses	(3) Advances or Other Payments (attach explanation)	(4) Total This Period	(5) Cumulative Total to Date
Lucas Advocates Sacramento CA 95814	18000.00	476.56	0.00 none	18476.56	114457.58
Spencer - Roberts & Associates Inc. Washington DC 20037	8000.00	0.00	0.00 none	8000.00	36000.00

☐ If more space is needed, check box and attach continuation sheets

TOTAL THIS PERIOD (Column 4) Also enter the total of Column 4 on Line B of the Summary of Payments section on page 1. $ 26476.56

PERIOD COVERED: 07/01/2004 09/30/2004

NAME OF FILER: MCI,Inc.

C. ACTIVITY EXPENSES (See instructions on reverse.)

Date	Name and Address of Payee	Name and Official Position of Reportable Persons and Amount Benefiting Each		Description of Consideration	Total Amount of Activity
09/02/2004	The Clubhouse Costa Mesa CA 92626	Joe Dunn State Senator	$ 15.76	Lunch	$ 63.02
	The Clubhouse Costa Mesa CA 92626	Norma Campos Cobb District Director	15.76	Lunch	
09/30/2004	Max's Opera Cafe San Francisco CA 94102	Steve Larson Exec. Dir. Public Utilities Co - mmission	18.73	Lunch	37.45

☐ If more space is needed, check box and attach continuation sheets.

TOTAL SECTION C (Activity Expenses) Also enter the total of Section C on Line C of the Summary of Payments section on page 1. $ 100.47

D. OTHER PAYMENTS TO INFLUENCE LEGISLATIVE OR ADMINISTRATIVE ACTION

☐ NOTE: State and local government agencies do not complete this section. Check box and complete Attachment Form 640 instead.

1. PAYMENTS TO LOBBYING COALITIONS (NOTE: You must attach a completed Form 630 to this Report.) $ 0.00
2. OTHER PAYMENTS $ 35032.29

TOTAL SECTION D (1 + 2) Also enter the total of Section D on Line D of the Summary of Payments section on page 1. $ 35032.29

E. PAYMENTS IN CONNECTION WITH ADMINISTRATIVE TESTIMONY IN RATEMAKING PROCEEDINGS BEFORE THE CALIFORNIA PUBLIC UTILITIES COMMISSION Also, enter the total of Section E on Line E of the Summary of Payments section on page 1. (See instructions on reverse.) $ 1925.00

PERIOD COVERED: 07/01/2004 09/30/2004

NAME OF FILER: MCI,Inc.

PART IV -- CAMPAIGN CONTRIBUTIONS MADE (Monetary and non-monetary campaign contributions of $100 or more made to or on behalf of state candidates, elected state officers and any of their controlled committees, or committees supporting such candidates or officers must be reported in A or B below.)

A. If the contributions made by you during the period covered by this report, or by a committee you sponsor, are contained in a campaign disclosure statement which is on file with the Secretary of State, report the name of the committee and its identification number, if any, below.

Name of Major Donor or Recipient Committee Which Has Filed A Campaign Disclosure Statement:

Identification Number if Recipient Committee: 1240160

Worldcom,Inc. Form 461; MCI Employees California PAC

B. Contributions of $100 or more which have not been reported on a campaign disclosure statement, including contributions made by an organization's sponsored committee, must be itemized below.

Date	Name of Recipient	I.D. Number if Committee	Amount
			$
			$
			$
			$
			$
			$
			$
			$
			$
			$

☐ If more space is needed, check box and attach continuation sheets.

NOTE: Disclosure in this report does not relieve a filer of any obligation to file the campaign disclosure statements required by Gov. Code Section 84200, et seq.

Exhibit 39

[X] REPORT OF LOBBYIST EMPLOYER

(Government Code Section 86116)

or

[ ] REPORT OF LOBBYING COALITION

(2 Cal. Code of Regs. Section 18616.4)

FORM 635
1993

IMPORTANT: Lobbying Coalitions must attach a completed Form 635-C to this Report.

REPORT COVERS PERIOD FROM 01/01/2004 **THROUGH** 03/31/2004

CUMULATIVE PERIOD BEGINNING 01/01/2003

FOR OFFICIAL USE ONLY

A

B

TYPE OR PRINT IN INK

For information required to be provided to you pursuant to the Information Practices Act of 1977, see Information Manual on Lobbying Disclosure Provisions of the Political Reform Act.

NAME OF FILER:

WorldCom,Inc. and Susidiaries

BUSINESS ADDRESS: (Number and Street)	(City)	(State)	(Zip Code)	TELEPHONE NUMBER:
	San Francisco	CA	94105	

PART I - LEGISLATIVE OR STATE AGENCY ADMINISTRATIVE ACTIONS ACTIVELY LOBBIED DURING THE PERIOD
(See instructions on reverse.)

Legislature regarding AB 2768,Governor's office regarding future of company

[ ] If more space is needed, check box and attach continuation sheets.

SUMMARY OF PAYMENTS THIS PERIOD

A. Total Payments to In-House Employee Lobbyists (Part III, Section A, Column 1)	$	0.00
B. Total Payments to Lobbying Firms (Part III, Section B, Column 4)	$	30667.70
C. Total Activity Expenses (Part III, Section C)	$	0.00
D. Total Other Payments to Influence (Part III, Section D)	$	13266.44
GRAND TOTAL (A + B + C + D above)	$	43934.14
E. Total Payments in Connection with PUC Activities (Part III, Section E)	$	3637.00

F. Campaign Contributions: [ ] Part IV completed and attached [X] No campaign contributions made this period

VERIFICATION

I have used all reasonable diligence in preparing this Report. I have reviewed the Report and to the best of my knowledge the information contained herein and in the attached schedules is true and complete.

I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on (Date)	At (City and State)	By (Signature of Employer or Responsible Officer)
04/28/2004	San Francisco,CA	Richard Severy

Name of Employer or Responsible Officer (Type or Print)	Title
Richard Severy	Regional Executive

PERIOD COVERED: 01/01/2004 03/31/2004

NAME OF FILER: WorldCom,Inc. and Susidiaries

PART II - PARTNERS, OWNERS, AND EMPLOYEES WHOSE "LOBBYIST REPORTS" (FORM 615) ARE ATTACHED TO THIS REPORT (See instructions on reverse.)

Name and Title	Name and Title

☐ If more space is needed, check box and attach continuation sheets.

PART III - PAYMENTS MADE IN CONNECTION WITH LOBBYING ACTIVITIES

A. PAYMENTS TO IN-HOUSE EMPLOYEE LOBBYISTS (See instructions on reverse. Also enter the Amount This Period (Column 1) on Line A of the Summary of Payments section on page 1.)	(1) Amount This Period	(2) Cumulative Total To Date
	$ 0.00	$ 0.00

B. PAYMENTS TO LOBBYING FIRMS (Including Individual Contract Lobbyists)

Name and Address of Lobbying Firm/Independent Contractor	(1) Fees & Retainers	(2) Reimbursements of Expenses	(3) Advances or Other Payments (attach explanation)	(4) Total This Period	(5) Cumulative Total to Date
Lucas Advocates Sacramento CA 95814	18000.00	667.70	0.00 none	18667.70	83670.26
Spencer - Roberts & Associates Inc. Washington DC 20037	12000.00	0.00	0.00 none	12000.00	20000.00

☐ If more space is needed, check box and attach continuation sheets

TOTAL THIS PERIOD (Column 4)
Also enter the total of Column 4 on Line B of the Summary of Payments section on page 1. $ 30667.70

PERIOD COVERED: 01/01/2004 03/31/2004

NAME OF FILER: WorldCom,Inc. and Susidiaries

C. ACTIVITY EXPENSES (See instructions on reverse.)

Date	Name and Address of Payee	Name and Official Position of Reportable Persons and Amount Benefiting Each		Description of Consideration	Total Amount of Activity
			$		$

☐ If more space is needed, check box and attach continuation sheets.

TOTAL SECTION C (Activity Expenses) Also enter the total of Section C on Line C of the Summary of Payments section on page 1. $ 0.00

D. OTHER PAYMENTS TO INFLUENCE LEGISLATIVE OR ADMINISTRATIVE ACTION

☐ NOTE: State and local government agencies do not complete this section. Check box and complete Attachment Form 640 instead.

1. PAYMENTS TO LOBBYING COALITIONS (NOTE: You must attach a completed Form 630 to this Report.) $ 0.00
2. OTHER PAYMENTS $ 13266.44

TOTAL SECTION D (1 + 2) Also enter the total of Section D on Line D of the Summary of Payments section on page 1. $ 13266.44

E. PAYMENTS IN CONNECTION WITH ADMINISTRATIVE TESTIMONY IN RATEMAKING PROCEEDINGS BEFORE THE CALIFORNIA PUBLIC UTILITIES COMMISSION Also, enter the total of Section E on Line E of the Summary of Payments section on page 1. (See instructions on reverse.) $ 3637.00

PERIOD COVERED: 01/01/2004 03/31/2004

NAME OF FILER: WorldCom,Inc. and Susidiaries

PART IV -- CAMPAIGN CONTRIBUTIONS MADE (Monetary and non-monetary campaign contributions of $100 or more made to or on behalf of state candidates, elected state officers and any of their controlled committees, or committees supporting such candidates or officers must be reported in A or B below.)

A. If the contributions made by you during the period covered by this report, or by a committee you sponsor, are contained in a campaign disclosure statement which is on file with the Secretary of State, report the name of the committee and its identification number, if any, below.

Name of Major Donor or Recipient Committee Which Has Filed A Campaign Disclosure Statement: Worldcom,Inc. Form 461; Worldcom California PAC

Identification Number if Recipient Committee: 1240160

B. Contributions of $100 or more which have not been reported on a campaign disclosure statement, including contributions made by an organization's sponsored committee, must be itemized below.

Date	Name of Recipient	I.D. Number if Committee	Amount
01/05/2004	Canciamilla for Assembly	1252540	$ 1000.00
01/12/2004	Burton Senate Fund	962647	$ 2500.00
01/12/2004	Kuehl for Senate	990271	$ 1000.00
03/12/2004	Ron Calderon for Assembly 2004	1250909	$ 600.00
			$
			$
			$
			$
			$
			$

☐ If more space is needed, check box and attach continuation sheets.

NOTE: Disclosure in this report does not relieve a filer of any obligation to file the campaign disclosure statements required by Gov. Code Section 84200, et seq.

Exhibit 40

☒ REPORT OF LOBBYIST EMPLOYER

(Government Code Section 86116)

or

☐ REPORT OF LOBBYING COALITION

(2 Cal. Code of Regs. Section 18616.4)

FORM 635
1993

IMPORTANT: Lobbying Coalitions must attach a completed Form 635-C to this Report.

REPORT COVERS PERIOD FROM 04/01/2004 **THROUGH** 06/30/2004

CUMULATIVE PERIOD BEGINNING 01/01/2003

FOR OFFICIAL USE ONLY

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TYPE OR PRINT IN INK

For information required to be provided to you pursuant to the Information Practices Act of 1977, see Information Manual on Lobbying Disclosure Provisions of the Political Reform Act.

NAME OF FILER:

MCI,Inc.

BUSINESS ADDRESS: (Number and Street)	(City)	(State)	(Zip Code)	TELEPHONE NUMBER:
	San Francisco	CA	94105	

PART I - LEGISLATIVE OR STATE AGENCY ADMINISTRATIVE ACTIONS ACTIVELY LOBBIED DURING THE PERIOD
(See instructions on reverse.)

Legislature regarding AB 442,1874,2768 and SB 1488,1506 Governor's office regarding telephone phone charges

☐ If more space is needed, check box and attach continuation sheets.

SUMMARY OF PAYMENTS THIS PERIOD

A. Total Payments to In-House Employee Lobbyists (Part III, Section A, Column 1)	$	0.00
B. Total Payments to Lobbying Firms (Part III, Section B, Column 4)	$	20310.76
C. Total Activity Expenses (Part III, Section C)	$	61.60
D. Total Other Payments to Influence (Part III, Section D)	$	2866.57
GRAND TOTAL (A + B + C + D above)	$	23238.93
E. Total Payments in Connection with PUC Activities (Part III, Section E)	$	1920.00

F. Campaign Contributions: ☐ Part IV completed and attached ☒ No campaign contributions made this period

VERIFICATION

I have used all reasonable diligence in preparing this Report. I have reviewed the Report and to the best of my knowledge the information contained herein and in the attached schedules is true and complete.
I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on (Date)	At (City and State)	By (Signature of Employer or Responsible Officer)
07/29/2004	San Francisco,CA	Richard Severy

Name of Employer or Responsible Officer (Type or Print)	Title
Richard Severy	Regional Executive

PERIOD COVERED: 04/01/2004 06/30/2004

NAME OF FILER: MCI,Inc.

PART II - PARTNERS, OWNERS, AND EMPLOYEES WHOSE "LOBBYIST REPORTS" (FORM 615) ARE ATTACHED TO THIS REPORT (See instructions on reverse.)

Name and Title	Name and Title

☐ If more space is needed, check box and attach continuation sheets.

PART III - PAYMENTS MADE IN CONNECTION WITH LOBBYING ACTIVITIES

A. PAYMENTS TO IN-HOUSE EMPLOYEE LOBBYISTS (See instructions on reverse. Also enter the Amount This Period (Column 1) on Line A of the Summary of Payments section on page 1.)	(1) Amount This Period	(2) Cumulative Total To Date
	$ 0.00	$ 0.00

B. PAYMENTS TO LOBBYING FIRMS (Including Individual Contract Lobbyists)

Name and Address of Lobbying Firm/Independent Contractor	(1) Fees & Retainers	(2) Reimbursements of Expenses	(3) Advances or Other Payments (attach explanation)	(4) Total This Period	(5) Cumulative Total to Date
Lucas Advocates Sacramento CA 95814	12000.00	310.76	0.00 none	12310.76	95981.02
Spencer - Roberts & Associates Inc. Washington DC 20037	8000.00	0.00	0.00 none	8000.00	28000.00

☐ If more space is needed, check box and attach continuation sheets

TOTAL THIS PERIOD (Column 4)
Also enter the total of Column 4 on Line B of the Summary of Payments section on page 1. $ 20310.76

PERIOD COVERED: 04/01/2004 06/30/2004

NAME OF FILER: MCI,Inc.

C. ACTIVITY EXPENSES (See instructions on reverse.)

Date	Name and Address of Payee	Name and Official Position of Reportable Persons and Amount Benefiting Each		Description of Consideration	Total Amount of Activity
06/28/2004	The Broiler Sacramento CA 95814	Dan Kim Principal Consultant Ca State Senate	$ 30.80	Lunch	$ 61.60

☐ If more space is needed, check box and attach continuation sheets.

TOTAL SECTION C (Activity Expenses) Also enter the total of Section C on Line C of the Summary of Payments section on page 1. $ 61.60

D. OTHER PAYMENTS TO INFLUENCE LEGISLATIVE OR ADMINISTRATIVE ACTION

☐ NOTE: State and local government agencies do not complete this section. Check box and complete Attachment Form 640 instead.

1. PAYMENTS TO LOBBYING COALITIONS (NOTE: You must attach a completed Form 630 to this Report.) $ 0.00
2. OTHER PAYMENTS $ 2866.57

TOTAL SECTION D (1 + 2) Also enter the total of Section D on Line D of the Summary of Payments section on page 1. $ 2866.57

E. PAYMENTS IN CONNECTION WITH ADMINISTRATIVE TESTIMONY IN RATEMAKING PROCEEDINGS BEFORE THE CALIFORNIA PUBLIC UTILITIES COMMISSION Also, enter the total of Section E on Line E of the Summary of Payments section on page 1. (See instructions on reverse.) $ 1920.00

PERIOD COVERED: 04/01/2004 06/30/2004

NAME OF FILER: MCI,Inc.

PART IV -- CAMPAIGN CONTRIBUTIONS MADE (Monetary and non-monetary campaign contributions of $100 or more made to or on behalf of state candidates, elected state officers and any of their controlled committees, or committees supporting such candidates or officers must be reported in A or B below.)

A. If the contributions made by you during the period covered by this report, or by a committee you sponsor, are contained in a campaign disclosure statement which is on file with the Secretary of State, report the name of the committee and its identification number, if any, below.

Name of Major Donor or Recipient Committee Which Has Filed A Campaign Disclosure Statement:

Identification Number if Recipient Committee: 1240160

Worldcom,Inc. Form 461; Worldcom California PAC

B. Contributions of $100 or more which have not been reported on a campaign disclosure statement, including contributions made by an organization's sponsored committee, must be itemized below.

Date	Name of Recipient	I.D. Number if Committee	Amount
			$
			$
			$
			$
			$
			$
			$
			$
			$
			$

☐ If more space is needed, check box and attach continuation sheets.

NOTE: Disclosure in this report does not relieve a filer of any obligation to file the campaign disclosure statements required by Gov. Code Section 84200, et seq.

Exhibit 41

☒ REPORT OF LOBBYIST EMPLOYER

(Government Code Section 86116)

or

☐ REPORT OF LOBBYING COALITION

(2 Cal. Code of Regs. Section 18616.4)

FORM 635
1993

IMPORTANT: Lobbying Coalitions must attach a completed Form 635-C to this Report.

REPORT COVERS PERIOD FROM 10/01/2004 **THROUGH** 12/31/2004

CUMULATIVE PERIOD BEGINNING 01/01/2003

FOR OFFICIAL USE ONLY

A

B

TYPE OR PRINT IN INK

For information required to be provided to you pursuant to the Information Practices Act of 1977, see Information Manual on Lobbying Disclosure Provisions of the Political Reform Act.

NAME OF FILER:

MCI,Inc.

BUSINESS ADDRESS: (Number and Street)	(City)	(State)	(Zip Code)	TELEPHONE NUMBER:
	San Francisco	CA	94105	

PART I - LEGISLATIVE OR STATE AGENCY ADMINISTRATIVE ACTIONS ACTIVELY LOBBIED DURING THE PERIOD

(See instructions on reverse.)

None

☐ If more space is needed, check box and attach continuation sheets.

SUMMARY OF PAYMENTS THIS PERIOD

A.	Total Payments to In-House Employee Lobbyists (Part III, Section A, Column 1)	$	0.00
B.	Total Payments to Lobbying Firms (Part III, Section B, Column 4)	$	22000.00
C.	Total Activity Expenses (Part III, Section C)	$	59.00
D.	Total Other Payments to Influence (Part III, Section D)	$	0.00
	GRAND TOTAL (A + B + C + D above)	$	22059.00
E.	Total Payments in Connection with PUC Activities (Part III, Section E)	$	0.00

F. Campaign Contributions: ☐ Part IV completed and attached ☒ No campaign contributions made this period

VERIFICATION

I have used all reasonable diligence in preparing this Report. I have reviewed the Report and to the best of my knowledge the information contained herein and in the attached schedules is true and complete.

I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on (Date)	At (City and State)	By (Signature of Employer or Responsible Officer)
01/25/2005	San Francisco,CA	Richard Severy

Name of Employer or Responsible Officer (Type or Print)	Title
Richard Severy	Director

PERIOD COVERED: 10/01/2004 12/31/2004

NAME OF FILER: MCI,Inc.

PART II - PARTNERS, OWNERS, AND EMPLOYEES WHOSE "LOBBYIST REPORTS" (FORM 615) ARE ATTACHED TO THIS REPORT (See instructions on reverse.)

Name and Title	Name and Title

☐ If more space is needed, check box and attach continuation sheets.

PART III - PAYMENTS MADE IN CONNECTION WITH LOBBYING ACTIVITIES

A. PAYMENTS TO IN-HOUSE EMPLOYEE LOBBYISTS (See instructions on reverse. Also enter the Amount This Period (Column 1) on Line A of the Summary of Payments section on page 1.)	(1) Amount This Period	(2) Cumulative Total To Date
	$ 0.00	$ 0.00

B. PAYMENTS TO LOBBYING FIRMS (Including Individual Contract Lobbyists)

Name and Address of Lobbying Firm/Independent Contractor	(1) Fees & Retainers	(2) Reimbursements of Expenses	(3) Advances or Other Payments (attach explanation)	(4) Total This Period	(5) Cumulative Total to Date
Lucas Advocates Sacramento CA 95814	18000.00	0.00	0.00 none	18000.00	132457.58
Spencer - Roberts & Associates Inc. Washington DC 20037	4000.00	0.00	0.00 none	4000.00	40000.00

☐ If more space is needed, check box and attach continuation sheets

TOTAL THIS PERIOD (Column 4) Also enter the total of Column 4 on Line B of the Summary of Payments section on page 1. $ 22000.00

PERIOD COVERED: 10/01/2004 12/31/2004

NAME OF FILER: MCI,Inc.

C. ACTIVITY EXPENSES (See instructions on reverse.)

Date	Name and Address of Payee	Name and Official Position of Reportable Persons and Amount Benefiting Each		Description of Consideration	Total Amount of Activity
10/13/2004	Vallejos Taqueria Sacramento CA 95814	Dan Skopec Depty Cabinet Secty Govs Of - fice	$ 14.75	Lunch	$ 59.00

☐ If more space is needed, check box and attach continuation sheets.

TOTAL SECTION C (Activity Expenses) Also enter the total of Section C on Line C of the Summary of Payments section on page 1. $ 59.00

D. OTHER PAYMENTS TO INFLUENCE LEGISLATIVE OR ADMINISTRATIVE ACTION

☐ NOTE: State and local government agencies do not complete this section. Check box and complete Attachment Form 640 instead.

1. PAYMENTS TO LOBBYING COALITIONS (NOTE: You must attach a completed Form 630 to this Report.) $ 0.00
2. OTHER PAYMENTS $ 0.00

TOTAL SECTION D (1 + 2) Also enter the total of Section D on Line D of the Summary of Payments section on page 1. $ 0.00

E. PAYMENTS IN CONNECTION WITH ADMINISTRATIVE TESTIMONY IN RATEMAKING PROCEEDINGS BEFORE THE CALIFORNIA PUBLIC UTILITIES COMMISSION Also, enter the total of Section E on Line E of the Summary of Payments section on page 1. (See instructions on reverse.) $ 0.00

PERIOD COVERED: 10/01/2004 12/31/2004

NAME OF FILER: MCI,Inc.

PART IV -- CAMPAIGN CONTRIBUTIONS MADE (Monetary and non-monetary campaign contributions of $100 or more made to or on behalf of state candidates, elected state officers and any of their controlled committees, or committees supporting such candidates or officers must be reported in A or B below.)

A. If the contributions made by you during the period covered by this report, or by a committee you sponsor, are contained in a campaign disclosure statement which is on file with the Secretary of State, report the name of the committee and its identification number, if any, below.

Name of Major Donor or Recipient Committee Which Has Filed A Campaign Disclosure Statement: MCI,Inc. Form 461; MCI Employees California PAC

Identification Number if Recipient Committee: 1240160

B. Contributions of $100 or more which have not been reported on a campaign disclosure statement, including contributions made by an organization's sponsored committee, must be itemized below.

Date	Name of Recipient	I.D. Number if Committee	Amount
			$
			$
			$
			$
			$
			$
			$
			$
			$
			$

☐ If more space is needed, check box and attach continuation sheets.

NOTE: **Disclosure in this report does not relieve a filer of any obligation to file the campaign disclosure statements required by Gov. Code Section 84200, et seq.**