

VERIZON COMMUNICATIONS INC

Form 11-K

June 29, 2010

[Table of Contents](#)

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**FORM 11-K**

x **ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009**

**OR**

.. **TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**COMMISSION FILE NUMBER 1-8606**

**VERIZON SAVINGS PLAN FOR**  
**MANAGEMENT EMPLOYEES**

**VERIZON COMMUNICATIONS INC.**

Edgar Filing: VERIZON COMMUNICATIONS INC - Form 11-K

**140 WEST STREET**

**NEW YORK, NEW YORK 10007**

**Table of Contents**

**VERIZON SAVINGS PLAN FOR MANAGEMENT EMPLOYEES**

**TABLE OF CONTENTS**

	<b>Page(s)</b>
<b><u>REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u></b>	1
<b><u>FINANCIAL STATEMENTS</u></b>	
Statements of Net Assets Available for Benefits as of December 31, 2009 and 2008	2-3
Statement of Changes in Net Assets Available for Benefits for the Year Ended December 31, 2009	4
Notes to Financial Statements	5-15
<b><u>SUPPLEMENTAL SCHEDULE</u></b>	
Schedule H, Line 4(i)-Schedule of Assets (Held at End of Year)	16
<b><u>SIGNATURE</u></b>	
<b><u>EXHIBIT:</u></b>	
<b><u>23.1 CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u></b>	
All other schedules required by Section 2520.103-10 of the Department of Labor Rules and Regulations for Reporting and Disclosure Under the Employee Retirement Security Act of 1974 are omitted as not applicable or not required.	

**Table of Contents**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To Verizon Employee Benefits Committee:

We have audited the accompanying statements of net assets available for benefits of the Verizon Savings Plan for Management Employees (the Plan ) as of December 31, 2009 and 2008 and the related statement of changes in net assets available for benefits for the year ended December 31, 2009. These financial statements are the responsibility of the Plan'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. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and 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 net assets available for benefits of the Plan at December 31, 2009 and 2008, and the changes in its net assets available for benefits for the year ended December 31, 2009, in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental Schedule of Assets (Held at End of Year) as of December 31, 2009, is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/ Mitchell & Titus LLP

New York, New York

June 29, 2010

**Table of Contents****VERIZON SAVINGS PLAN FOR MANAGEMENT EMPLOYEES**

## Statement of Net Assets Available for Benefits

As of December 31, 2009

(in thousands of dollars)

	Other Investments	ESOP Shares Fund Allocated	ESOP Shares Fund Unallocated	Total
<b>Assets:</b>				
Investments in Master Trusts (at fair value)	\$ 9,178,442	\$ 589,718	\$ 136,343	\$ 9,904,503
Participant loans	239,742			239,742
Employer contribution receivable	44,241			44,241
<b>Total assets</b>	<b>9,462,425</b>	<b>589,718</b>	<b>136,343</b>	<b>10,188,486</b>
<b>Liabilities:</b>				
Notes payable			120,304	120,304
Net assets reflecting investments (at fair value)	9,462,425	589,718	16,039	10,068,182
Adjustment from fair value to contract value for fully benefit responsive investment contracts	(26,048)			(26,048)
<b>Net assets available for benefits</b>	<b>\$ 9,436,377</b>	<b>\$ 589,718</b>	<b>\$ 16,039</b>	<b>\$ 10,042,134</b>

The accompanying notes are an integral part of these financial statements.

**Table of Contents****VERIZON SAVINGS PLAN FOR MANAGEMENT EMPLOYEES**

## Statement of Net Assets Available for Benefits

As of December 31, 2008

(in thousands of dollars)

	Other Investments	ESOP Shares Fund Allocated	ESOP Shares Fund Unallocated	Total
<b>Assets:</b>				
Investments in Master Trusts (at fair value)	\$ 5,863,116	\$ 600,370	\$ 155,222	\$ 6,618,708
Participant loans	168,440			168,440
Employer contribution receivable	40,196			40,196
<b>Total assets</b>	<b>6,071,752</b>	<b>600,370</b>	<b>155,222</b>	<b>6,827,344</b>
<b>Liabilities:</b>				
Notes payable			147,051	147,051
Net assets reflecting investments (at fair value)	6,071,752	600,370	8,171	6,680,293
Adjustment from fair value to contract value for fully benefit responsive investment contracts	10,914			10,914
<b>Net assets available for benefits</b>	<b>\$ 6,082,666</b>	<b>\$ 600,370</b>	<b>\$ 8,171</b>	<b>\$ 6,691,207</b>

The accompanying notes are an integral part of these financial statements.

**Table of Contents****VERIZON SAVINGS PLAN FOR MANAGEMENT EMPLOYEES**

## Statement of Changes in Net Assets Available for Benefits

For the Year Ended December 31, 2009

(in thousands of dollars)

	Other Investments	ESOP Shares Fund Allocated	ESOP Shares Fund Unallocated	Total
<b>Additions:</b>				
<b>Contributions:</b>				
Employee	\$ 299,839	\$	\$	\$ 299,839
Employer	190,681		35,251	225,932
<b>Total contributions</b>	<b>490,520</b>		<b>35,251</b>	<b>525,771</b>
Transfers from/to other plans, net	2,679,229	41,445		2,720,674
Transfers among funds	26,237	(8,545)	(17,692)	
Net investment gain from investments in Master Trusts	942,064	18,334	8,135	968,533
<b>Total additions</b>	<b>4,138,050</b>	<b>51,234</b>	<b>25,694</b>	<b>4,214,978</b>
<b>Deductions:</b>				
Benefits paid to participants	770,288	61,537		831,825
Interest expense			17,826	17,826
Administrative expenses	14,051	349		14,400
<b>Total deductions</b>	<b>784,339</b>	<b>61,886</b>	<b>17,826</b>	<b>864,051</b>
<b>Net change</b>	<b>3,353,711</b>	<b>(10,652)</b>	<b>7,868</b>	<b>3,350,927</b>
<b>Net assets available for benefits:</b>				
Beginning of year	6,082,666	600,370	8,171	6,691,207
End of year	\$ 9,436,377	\$ 589,718	\$ 16,039	\$ 10,042,134

The accompanying notes are an integral part of these financial statements.





**Table of Contents**

**VERIZON SAVINGS PLAN FOR MANAGEMENT EMPLOYEES**

Notes to Financial Statements

December 31, 2009

**NOTE 1 DESCRIPTION OF THE PLAN**

The following description of the Verizon Savings Plan for Management Employees (the Plan) provides only general information. Participants should refer to the Summary Plan Description for a more complete description of the Plan's provisions.

**Plan Merger**

Effective December 18, 2009, (the Merger Date) the Verizon Business Savings Plan (the VZB Plan) was merged with and into the Plan. As a result of the merger, approximately \$2.7 billion of assets of the VZB Plan were transferred into the Plan as of the Merger Date.

**Eligibility**

The Plan is a defined contribution plan subject to the provisions of the Employee Retirement Income Security Act of 1974. The Plan provides eligible employees, as defined by the Plan document, of Verizon Communications Inc., (Verizon or Plan sponsor) and certain of its subsidiaries (Participating Affiliates) with a convenient way to save for both medium and long-term needs.

Covered employees are eligible to make tax-deferred or after-tax contributions to the Plan and to receive matching employer contributions, upon completion of enrollment in the Plan, as soon as practicable following the date of hire.

An individual's active participation in the Plan shall terminate when the individual ceases to be an eligible employee; however, the individual shall remain a participant until the entire account balance under the Plan has been distributed or forfeited.

**Investment Options**

Participants shall direct their contributions to be invested in any of the current investment options.

**Participant Accounts**

Each participant's account is credited with the participant's contributions, rollovers, matching contributions, and allocations of Plan income. Allocations of Plan income are based on participant account balances. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account balance.

**Payment of Benefits**

Benefits are recorded when paid. Benefits are payable in a lump sum cash payment unless a participant elects, in writing, one of the three optional forms of benefit payment which include the following: (1) a lump sum in Verizon shares for investments in the Verizon Company Stock Fund with the balance in cash, (2) annual, semiannual, quarterly, or monthly installments in cash of approximately equal amounts to be paid out for a period of 2 to 20 years, as selected by the participant, or (3) for those participants eligible to receive their distribution in installments as described in (2) above, a pro rata portion of each installment payment in Verizon shares for investments in the Verizon Company Stock Fund, with the balance of each installment in cash.

**Participant Loans**

## Edgar Filing: VERIZON COMMUNICATIONS INC - Form 11-K

The Plan includes an employee loan provision authorizing participants to borrow an amount of up to 50% from their vested account balances in the Plan subject to certain limitations. Loans are generally repaid by payroll deductions. The term of repayment for loans generally will not be less than six months nor more than five years (15 years for a loan to purchase a principal residence). Each new loan will bear interest at a rate based upon the prime rate as published in the *Wall Street Journal* on the last business day of the calendar quarter preceding the calendar quarter in which the loan is made.

**Table of Contents**

**VERIZON SAVINGS PLAN FOR MANAGEMENT EMPLOYEES**

Notes to Financial Statements

December 31, 2009

**NOTE 1 DESCRIPTION OF THE PLAN** *(continued)*

**Master Trust**

At December 31, 2009 and 2008, the Plan participated in the Verizon Master Savings Trust (the Master Trust), and owned a percentage of the assets in the Master Trust. These percentages are based on a pro rata share of the Master Trust assets. The Plan owned approximately 49% and 37% of the net assets in the Master Trust at December 31, 2009 and 2008, respectively.

Fidelity Management Trust Company (the Trustee) has been designated as the trustee of the Master Trust and is responsible for the control, and disbursement of the funds and portfolios of the Plan, including the payment of principal and interest on the Employee Stock Ownership Plans (ESOP) notes payable. Expenses of administering the Plan, including fees and expenses of the Trustee may be charged to the Plan. Investment fees are charged against the earnings of the funds and portfolios. The trustee is also responsible for the investment and reinvestment of the funds and portfolios of the Plan, except to the extent that it is directed by Verizon Investment Management Corp (VIMCO) or by third party investment managers appointed by VIMCO.

At December 31, 2009 and 2008, the Plan also owned a percentage of the assets in the Bell Atlantic Master Trust, for which The Bank of New York Mellon is the trustee. The plan assets in the Bell Atlantic Master Trust are pooled between defined benefit plans and defined contribution plans. The total fair value of the assets allocated to defined contribution plans in the Bell Atlantic Master Trust at December 31, 2009 and 2008 was \$1.3 billion and \$674 million, respectively. The Plan owned approximately 58% and 48% of the assets allocated to defined contribution accounts at December 31, 2009 and 2008, respectively.

Interest and dividends along with the net appreciation (depreciation) in fair value of investments are allocated to the Plan on a daily basis based upon the Plan's participation in the various investment funds and portfolios that comprise the Master Trusts as a percentage of the total participation in such funds and portfolios.

**Plan Modification**

Verizon, acting through its Board of Directors or its most senior Human Resources officer, reserves the right to modify, alter, or amend the Plan at any time. Verizon, acting through its Board of Directors, reserves the right to terminate the Plan at any time.

**Risks and Uncertainties**

The Plan provides investment options for participants who can invest in combinations of stocks, bonds, fixed income securities, and other investment securities. Investment securities are exposed to various risks, such as interest rate, market, equity price, and credit risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits.

**Table of Contents**

**VERIZON SAVINGS PLAN FOR MANAGEMENT EMPLOYEES**

Notes to Financial Statements

December 31, 2009

**NOTE 2 ACCOUNTING POLICIES**

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States, which require management to make estimates that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Certain prior year amounts have been reclassified to conform to current year presentation.

*Statement of Changes in Net Assets Available for Benefits*

The Statement of Changes in Net Assets Available for Benefits reflects the net investment gain from the Plan's interest in the Master Trusts which consists of the realized gains or losses and the unrealized appreciation (depreciation) in fair value of those investments, as well as interest and dividends earned.

*Investments in Master Trusts*

Purchases and sales of investments are reflected as of the trade date. Realized gains and losses on sales of investments are determined on the basis of average cost. Dividend income is recorded on the ex-dividend date. Interest earned on investments is recorded on the accrual basis.

*Fair Value Measurements*

Fair value of financial and non-financial assets and liabilities is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The three-tier hierarchy for inputs used in measuring fair value, which prioritizes the inputs used in the methodologies of measuring fair value for assets and liabilities, is as follows:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than quoted prices in active markets for identical assets and liabilities

Level 3 No observable pricing inputs in the market

Financial assets and financial liabilities are classified in their entirety based on the lowest level of inputs that is significant to the fair value measurements. The Plan sponsor's assessment of the significance of a particular input to the fair value measurements requires judgment, and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

Investment contracts are required to be reported at fair value. However, contract value is the relevant measurement of that portion of net assets attributable to fully benefit-responsive investment contracts, as that is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The Statements of Net Assets Available for Benefits present net assets at fair value, with an adjustment to contract value for the investment contracts held by the Master Trust. In addition, net assets available for benefits and the changes in net assets available for benefits per the financial statements will be different from those in the Plan's Form 5500 due to the adjustment from fair value to contract value for fully benefit-responsive investment contracts, as reflected in the financial statements (see Note 9).

**Recently Adopted Accounting Standards**

On June 15, 2009, the Plan sponsor prospectively adopted the accounting standard, as amended, regarding the accounting for, and the disclosure of, events that occur after the balance sheet date but before the financial statements are issued.

## Edgar Filing: VERIZON COMMUNICATIONS INC - Form 11-K

On June 15, 2009, the Plan sponsor prospectively adopted the accounting standard regarding estimating fair value measurements when the volume and level of activity for the asset or liability has significantly decreased, which also provides guidance for identifying transactions that are not orderly.

On August 28, 2009, the Plan sponsor adopted the accounting standard update regarding the measurement of liabilities at fair value. This standard update provides techniques to use in measuring fair value of a liability in circumstances in which a quoted price in an active market for the identical liability is not readily available.

**Table of Contents****VERIZON SAVINGS PLAN FOR MANAGEMENT EMPLOYEES**

Notes to Financial Statements

December 31, 2009

**NOTE 3 NON-PARTICIPANT DIRECTED INVESTMENTS**

Information about the net assets and the significant components of the changes in net assets relating to the Plan's non-participant directed investments is as follows (in thousands):

	<b>As of December 31,</b>	
	<b>2009</b>	<b>2008</b>
<b>Net Assets:</b>		
Verizon common stock	\$ 80,511	\$ 550,850
<b>Changes in net assets:</b>		<b>Year ended December 31, 2009</b>
Employer contributions		\$ 148,997
Net investment gain		32,849
Net transfers in		308,257
Benefits paid to participants		(152,257)
(Decrease) in diversification adjustment (Note 4)		(731,370)
Other		(76,815)
<b>Net decrease</b>		<b>\$ (470,339)</b>

**NOTE 4 VESTING AND CONTRIBUTIONS**

A participant shall be fully vested in the employer-matching contributions allocated to his or her account or ESOP account and any income thereon, upon completing three years of vesting service or upon death, disability, retirement from Verizon or a Participating Affiliate, attainment of normal retirement age, or involuntary termination (other than for cause).

A terminated employee's non-vested employer-matching contributions are forfeited and offset against subsequent employer-matching contributions to the Plan. There were no forfeitures used to reduce employer matching contributions for the year ending December 31, 2009. Forfeitures used to reduce employer matching contributions were \$4.7 million for the year ending December 31, 2008. The balance in the forfeiture account was \$2.6 million and \$0.8 million at December 31, 2009 and December 31, 2008 respectively.

The Plan is funded by employee contributions up to a maximum of 25% of compensation (16% for highly compensated employees as defined in the Plan document) and by employer-matching contributions. The employer-matching contributions are equivalent in value to 100% of the initial 6% of the participants' contributions of eligible compensation for each payroll period. Employees attaining the age of 50 or older can elect to make additional catch-up contributions to the Plan. In addition, Verizon and its participating affiliates may make a discretionary, performance-based matching contribution to the Plan in an amount up to 50% of the employee's matched contributions for the Plan year.

Participant contributions may be made on a before tax or Roth after-tax basis (elective contributions) or from currently taxed compensation (after-tax contributions). Each participant's elective contributions for the 2009 Plan year were limited to \$16,500. The total amount of elective contributions, after-tax contributions, and matching contributions and certain forfeitures that may be allocated to a Plan participant was limited

## Edgar Filing: VERIZON COMMUNICATIONS INC - Form 11-K

to the lesser of (1) \$49,000 or (2) 100% of the participant's total compensation, and the compensation on which such contributions were based was limited to \$245,000. The catch-up contribution limit is \$5,500 for participants eligible to make catch-up contributions. Additional limits apply to participants who are residents of Puerto Rico and who became participants in connection with the merger of the VZB Plan.

Employer-matching contributions are made half in Verizon common stock and half in cash, and the cash will be invested in the same options as the participant's current contributions.

**Table of Contents**

**VERIZON SAVINGS PLAN FOR MANAGEMENT EMPLOYEES**

Notes to Financial Statements

December 31, 2009

**NOTE 4 VESTING AND CONTRIBUTIONS** *(continued)*

The Verizon common stock is held by the Plan in a unitized fund, which means participants do not actually own shares of Verizon common stock but rather own an interest in the unitized fund.

For the 2009 Plan year, total company-matching contributions consisted of a stock contribution of 3.7 million shares of Verizon common stock with a fair value at the date of contribution of \$113 million and a cash contribution of \$113 million. Included in the above is a discretionary match of \$44 million, 50% in shares of Verizon common stock and 50% in cash.

In Note 3, the *Diversification Adjustment* reflects the employer-matching contributions that a participant may elect to transfer into any investment option available under the Plan, subject to the provisions of the Plan document.

**NOTE 5 RELATED-PARTY TRANSACTIONS**

VIMCO, an indirect, wholly owned subsidiary of Verizon, is the investment advisor for certain investment funds and therefore qualifies as a party-in-interest. VIMCO received no compensation from the Plan other than reimbursement of certain expenses directly attributable to its investment advisory and investment management services rendered to the Plan. In addition, certain investments held by the Trusts are managed by Bank of New York Mellon as trustee and Fidelity as trustee and record keeper. Therefore these investments qualify as parties-in-interest transactions. The Plan also allows investment in Verizon common stock, which is a party-in-interest transaction. All of these transactions are exempt from the prohibited transaction rules.

**NOTE 6 INCOME TAX STATUS**

The Plan has received a determination letter from the Internal Revenue Service dated February 13, 2003, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the *Code*) and, therefore, the related trusts are exempt from taxation. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The Plan has been amended since receiving the determination letter. However, the Plan administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan is qualified and the related trusts are tax exempt.

**NOTE 7 EMPLOYEE STOCK OWNERSHIP PLAN**

An ESOP was established within the Plan. The ESOP purchased Verizon common stock using the proceeds of a loan from Verizon. Verizon and the Participating Affiliates also make annual cash contributions to the ESOP which, when combined with dividends on the Verizon common stock held by the ESOP, are sufficient to repay the principal and interest on the loan. As the ESOP makes loan payments, a percentage of the Verizon common stock held by the ESOP is allocated to the participants' accounts in the form of employer matching contributions.



**Table of Contents****VERIZON SAVINGS PLAN FOR MANAGEMENT EMPLOYEES**

Notes to Financial Statements

December 31, 2009

**NOTE 7 EMPLOYEE STOCK OWNERSHIP PLAN** *(continued)*

ESOP debt service payments for 2009 totaled \$27 million, which was funded with \$6 million of dividends accumulated on the Verizon common stock held by the ESOP and \$21 million of cash contributions.

At December 31, 2009, 2.6 million shares of Verizon common stock in the ESOP Shares Fund were held as collateral for the ESOP loan. The borrowings of the ESOP are as follows (in thousands):

	Interest Rate	Maturity Date	2009	2008
NYNEX ESOP	9.78%	1990-2014	\$ 120,304	\$ 147,051

Maturities of the outstanding loan are as follows (in thousands):

Maturity Date	Amount
2010	\$ 27,714
2011	27,964
2012	28,320
2013	28,790
2014	7,516
Total	\$ 120,304

Verizon has guaranteed all principal and interest payments on the ESOP borrowings in the event of default by the Plan.

**NOTE 8 INVESTMENTS IN MASTER TRUSTS**

Fair values of publicly traded common stock and mutual funds are determined by obtaining quoted prices in active markets. The fair value of government securities, corporate debt obligations and other U.S. and international fixed income securities are valued based on yields currently available on comparable securities or issues with similar credit ratings. Fair value of the commingled funds are based on the net asset values of the shares held as reported by fund managers, which are determined by the fair values of the underlying investments. The fair value of the synthetic guaranteed investment contracts equals the fair value of the underlying assets, primarily consisting of government securities and corporate debt obligations, which are valued based on the yields currently available on comparable securities of issues with similar credit ratings.

**Table of Contents**

**VERIZON SAVINGS PLAN FOR MANAGEMENT EMPLOYEES**

Notes to Financial Statements

December 31, 2009

**NOTE 8 INVESTMENTS IN MASTER TRUSTS** *(continued)*

A portion of certain funds in the Master Trusts are invested in synthetic wrap investment contracts ( wrap contract ) held with four insurance companies and banks. In a typical wrap contract, the wrap issuer agrees to pay the fund the difference between the contract value and the fair value of the covered assets once the fair value has been totally exhausted. Though relatively unlikely, this could happen if the fund experiences significant redemptions during a time when the fair value of the fund's covered assets is below their contract value and fair value is ultimately reduced to zero. Standard & Poor's rated the issuers of these contracts and the contracts underlying the securities from A- to AAA at both December 31, 2009 and 2008.

Contract value represents contributions made under the contracts, plus accrued interest, less withdrawals and administrative expenses. The contracts are included in the Master Trusts assets at contract value, which, as reported by the insurance companies and banks, was approximately \$1.6 billion and \$1.5 billion at December 31, 2009 and 2008, respectively.

Certain events limit the ability of the Plan to transact at contract value with the issuer. These events include the following: (1) substantive modification of the Plan, including complete or partial plan termination or merger with another plan; (2) any change in law, regulation, or administrative ruling that could have a material adverse effect on the fund's cash flow; (3) the Plan's failure to qualify under section 401(k) of the Internal Revenue Code; and (4) bankruptcy of the Plan sponsor or other Plan sponsor events which cause a significant withdrawal from the Plan and (5) defaults in the debt securities that comprise the covered assets in excess of certain limits. The Plan administrator does not believe the occurrence of any such event is probable at this time.

Wrap contracts accrue interest using a formula called the crediting rate. Wrap contracts use the crediting rate formula to convert market value changes in the covered assets into income distributions in order to minimize the difference between fair value and contract value over time. The crediting rate is reset quarterly and has a floor rate of zero.

The contracts had average yields of 2.90% and 4.72% at December 31, 2009 and 2008, respectively. The crediting interest rates for the wrap contracts were 2.69% and 4.00% at December 31, 2009 and 2008, respectively. No valuation reserve was recorded, or was deemed necessary, at December 31, 2009 and 2008 to adjust contract amounts.

**Table of Contents****VERIZON SAVINGS PLAN FOR MANAGEMENT EMPLOYEES**

Notes to Financial Statements

December 31, 2009

**NOTE 8 INVESTMENTS IN MASTER TRUSTS (continued)**

The following table represents the Master Trusts' net investments by investment type and participant loans measured at fair value on a recurring basis by the fair value measurement levels described in Note 2 as of December 31, 2009 and investment income for the year ended December 31, 2009 (in thousands):

	Assets at Fair Value as of December 31, 2009				Net Investment Income in Master Trusts Year Ended December 31, 2009	
	Level 1	Level 2	Level 3	Total Fair Value	Interest & Dividends	Appreciation (Depreciation)
<b>Investments</b>						
Verizon common stock	\$ 5,251,617	\$	\$	\$ 5,251,617	\$ 268,905	\$ (107,469)
Investment contracts		2,441,923		2,441,923		97,604
Mutual funds						
U.S. fixed income	850,506			850,506	32,746	38,374
U.S. equity	407,755			407,755	2,460	102,712
U.S. small cap	395,061			395,061		71,075
International equity	247,734			247,734	2,302	59,744
Commingled funds						
U.S. equity		4,206,157		4,206,157		1,019,701
Cash equivalents		1,273,383		1,273,383	6,115	18,991
International equity *		1,025,781		1,025,781		240,646
U.S. small cap		390,951		390,951		70,338
U.S. fixed income		378,309		378,309		19,938
Real estate		136,572		136,572		15,322
Other		71,855		71,855		12,413
International fixed income		1,112,558		1,112,558		160,329
Common stock						
International equity *	991,383	2,976		994,359		254,404
U.S. equity	558,758			558,758		145,793
U.S. small cap	197,902			197,902		35,606
Other	6,692	67,659		74,351		12,844
<b>Total investments at fair value</b>	<b>8,907,408</b>	<b>11,108,124</b>		<b>20,015,532</b>	<b>312,528</b>	<b>2,268,365</b>
Participant loans**			856,423	856,423		
<b>Total assets at fair value</b>	<b>8,907,408</b>	<b>11,108,124</b>	<b>856,423</b>	<b>20,871,955</b>	<b>312,528</b>	<b>2,268,365</b>
Adjustment from fair value to contract value for fully benefit responsive investment contracts		(41,550)		(41,550)		

## Edgar Filing: VERIZON COMMUNICATIONS INC - Form 11-K

Total net assets	\$ 8,907,408	\$ 11,066,574	\$ 856,423	\$ 20,830,405	\$ 312,528	\$ 2,268,365
------------------	--------------	---------------	------------	---------------	------------	--------------

- \* These amounts include the assets of the defined contribution account of the Bell Atlantic Master Trust. The aggregate market value of the investments held in the defined contribution account of the Bell Atlantic Master Trust totaled \$1.3 billion at December 31, 2009.
- \*\* Plan specific participant loans total \$239.7 million. Participant loans are carried at amortized cost, which approximates fair value. The increase in the value of participant loans of \$71.3 million from \$168.4 million in 2008 is primarily attributable to new loans issued, net of repayments.

The Plan's interest in the carrying value of the Master Trust and the Bell Atlantic Master Trust and the related investment gain is reported in investments in Master Trusts in the Statements of Net Assets Available for Benefits and the Statement of Changes in Net Assets Available for Benefits, respectively.

**Table of Contents****VERIZON SAVINGS PLAN FOR MANAGEMENT EMPLOYEES**

Notes to Financial Statements

December 31, 2009

**NOTE 8 INVESTMENTS IN MASTER TRUSTS (continued)**

The following table states the change in fair value of the Master Trust's level 3 assets for the year ended December 31, 2009 (in thousands):

	Fair Value January 1, 2009	Unrealized Gain	Repayments/ Issuances Net	Transfers In/(Out)	Fair Value December 31, 2009
Participant loans	\$ 797,807	\$	\$ 102,676	\$ (44,060)	\$ 856,423
Commingled funds	2,575			(2,575)	
	\$ 800,382	\$	\$ 102,676	\$ (46,635)	\$ 856,423

The following table represents the Master Trusts' net investments by investment type and participant loans measured at fair value on a recurring basis by the fair value measurement levels described in Note 2 as of December 31, 2008 (in thousands):

	Assets at Fair Value as of December 31, 2008			Total Fair Value
	Level 1	Level 2	Level 3	
<b>Investments</b>				
Investment contracts	\$	\$ 2,242,762	\$	\$ 2,242,762
Commingled funds *		4,847,005	2,575	4,849,580
Verizon stock	5,294,232			5,294,232
Fixed income		1,499,476		1,499,476
Mutual funds	1,980,942	35,071		2,016,013
Common Stock *	1,018,650	63,676		1,082,326
Total Investments	8,293,824	8,687,990	2,575	16,984,389
Participant loans**			797,807	797,807
Total assets at fair value	8,293,824	8,687,990	800,382	17,782,196
Adjustment from fair value to contract value for fully benefit responsive investment contracts		37,032		37,032
Total net assets	\$ 8,293,824	\$ 8,725,022	\$ 800,382	\$ 17,819,228

## Edgar Filing: VERIZON COMMUNICATIONS INC - Form 11-K

- \* These amounts include the assets of the defined contribution account of the Bell Atlantic Master Trust. The aggregate market value of the investments held in the defined contribution account of the Bell Atlantic Master Trust totaled \$674 million at December 31, 2008.
- \*\* Plan specific participant loans total \$168.4 million.

**Table of Contents****VERIZON SAVINGS PLAN FOR MANAGEMENT EMPLOYEES**

Notes to Financial Statements

December 31, 2009

**NOTE 9 RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500**

The following table reconciles net assets per the Statements of Net Assets Available for Benefits to the Plan's Form 5500 Asset and Liability Statement at December 31 (in thousands):

	<b>2009</b>	<b>2008</b>
Net assets available for benefits per the financial statements	\$ 10,042,134	\$ 6,691,207
Adjustment for deemed no post default payments	(4,097)	(1,678)
Adjustment for fully benefit-responsive investment contracts	26,048	(10,914)
Net assets available for benefits per Form 5500	\$ 10,064,085	\$ 6,678,615

The following table reconciles net change per the Statement of Changes in Net Assets Available for Benefits to net income per the Plan's Form 5500 Income and Expense Statement for the year ended December 31, 2009 (in thousands):

	<b>2009</b>
Total changes per the financial statements	\$ 3,350,927
Adjustment for deemed no post default payments	(2,419)
Adjustment from contract value to fair value for fully benefit-responsive investment contracts	36,962
Net income per Form 5500	\$ 3,385,470

**Table of Contents**

**VERIZON SAVINGS PLAN FOR MANAGEMENT EMPLOYEES**

Notes to Financial Statements

December 31, 2009

**NOTE 10 OTHER**

On May 13, 2009 Verizon announced plans to divest its local wireline operations serving residential and small business customers in predominantly rural areas in fourteen states through the spin-off of a Verizon subsidiary holding defined assets and liabilities of these operations and the subsequent merger of the subsidiary with Frontier Communications Corporation ( Frontier ). These operations will be acquired by Frontier upon the closing of the spin-off and the merger which is expected to occur on July 1, 2010, subject to the satisfaction of the closing conditions in the related merger agreement. As a result of the spin-off and merger, approximately \$215 million will be transferred from the Plan to new plan(s) sponsored by Frontier.



**Table of Contents**

**VERIZON SAVINGS PLAN FOR MANAGEMENT EMPLOYEES**

EIN: 13-13678633

Plan # 102

Schedule H, Line 4(i) Schedule of Assets (Held at End of Year)

As of December 31, 2009

(in thousands of dollars)

Identity of Issue, Borrower, Lessor or Similar	Description of Investment, Including Maturity Date, Rate of Interest, Collateral, Par, or	Current Value
Party Participant loans*	Maturity Value 0-15 years maturity at  3.25% - 10.50%	\$ 239,742

\* *Party-in-interest*  
Cost information is not required because investments are participant-directed.

**Table of Contents**

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Verizon Employee Benefits Committee has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

**VERIZON SAVINGS PLAN FOR MANAGEMENT EMPLOYEES**

By: /s/ Marc C. Reed  
Marc C. Reed  
(Chairperson, Verizon Employee Benefits Committee)  
Date: June 29, 2010

**Table of Contents**

**Exhibit Index**

23.1 Consent of Independent Registered Public Accounting Firm