

VERIZON COMMUNICATIONS INC

Form 11-K

June 29, 2011

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

**FORM 11-K**

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

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.

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**NEW YORK, NEW YORK 10007**

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**VERIZON SAVINGS PLAN FOR MANAGEMENT EMPLOYEES**

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**EXHIBIT:**

**23.1 CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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 they are not applicable or not required.

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**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, 2010 and 2009 and the related statement of changes in net assets available for benefits for the year ended December 31, 2010. 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, 2010 and 2009, and the changes in its net assets available for benefits for the year ended December 31, 2010, 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, 2010, 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

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## Statement of Net Assets Available for Benefits

As of December 31, 2010

(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)	\$ 9,788,601	\$ 609,754	\$ 67,728	\$ 10,466,083
Notes receivable from participants	227,593			227,593
Employer contribution receivable	72,934			72,934
<b>Total assets</b>	<b>10,089,128</b>	<b>609,754</b>	<b>67,728</b>	<b>10,766,610</b>
<b>Liabilities:</b>				
Notes payable			92,590	92,590
Net assets reflecting investments (at fair value)	10,089,128	609,754	(24,862)	10,674,020
Adjustment from fair value to contract value for fully benefit responsive investment contracts	(34,913)			(34,913)
<b>Net assets available for benefits</b>	<b>\$ 10,054,215</b>	<b>\$ 609,754</b>	<b>\$ (24,862)</b>	<b>\$ 10,639,107</b>

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

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## 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
Notes receivable from participants	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.

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## Statement of Changes in Net Assets Available for Benefits

For the Year Ended December 31, 2010

(in thousands of dollars)

	Other Investments	ESOP Shares Fund Allocated	ESOP Shares Fund Unallocated	Total
<b>Additions:</b>				
Contributions:				
Employee	\$ 408,610	\$	\$	\$ 408,610
Employer	286,764		34,911	321,675
<b>Total contributions</b>	<b>695,374</b>		<b>34,911</b>	<b>730,285</b>
Transfers among funds	(3,874)	24,162	(20,288)	
Net investment gain/(loss) from investments in Master Trusts	1,237,152	77,248	(44,264)	1,270,136
<b>Total additions</b>	<b>1,928,652</b>	<b>101,410</b>	<b>(29,641)</b>	<b>2,000,421</b>
<b>Deductions:</b>				
Benefits paid to participants	1,090,334	66,592		1,156,926
Transfers to/(from) other plans, net	199,688	14,483	(157)	214,014
Interest expense			11,417	11,417
Administrative expenses	20,792	299		21,091
<b>Total deductions</b>	<b>1,310,814</b>	<b>81,374</b>	<b>11,260</b>	<b>1,403,448</b>
<b>Net change</b>	<b>617,838</b>	<b>20,036</b>	<b>(40,901)</b>	<b>596,973</b>
Net assets available for benefits:				
Beginning of year	9,436,377	589,718	16,039	10,042,134
End of year	\$ 10,054,215	\$ 609,754	\$ (24,862)	\$ 10,639,107

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





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**VERIZON SAVINGS PLAN FOR MANAGEMENT EMPLOYEES**

Notes to Financial Statements

December 31, 2010

**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.

**Eligibility**

The Plan is a defined contribution plan subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). 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**

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. Participant loans have been classified as notes receivable from participants as of December 31, 2009. Interest rates ranged from 3.25% - 10.50% for the years ended December 31, 2010 and 2009.

Master Trust

At December 31, 2010 and 2009, the Plan participated in the Verizon Master Savings Trust (the Master Trust ), and owned a percentage of the assets in the Master Trust. This percentage is based on a pro rata share of the Master Trust assets. The Plan owned approximately 48% and 49% of the net assets in the Master Trust at December 31, 2010 and 2009, respectively.

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**VERIZON SAVINGS PLAN FOR MANAGEMENT EMPLOYEES**

Notes to Financial Statements

December 31, 2010

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

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 Plan's

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, 2010 and 2009, 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, 2010 and 2009 was \$1.4 billion and \$1.3 billion, respectively. The Plan owned approximately 56% and 58% of the assets allocated to defined contribution accounts at December 31, 2010 and 2009, 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.

The Plan's participating interest in the investment funds of the master trusts is based on account balances of the participants and their elected investment funds. The assets of the master trusts are allocated by assigning to each plan those transactions (primarily contributions, benefit payments, and plan-specific expenses) that can be specifically identified and by allocating, in proportion to the fair value of the assets assigned to each plan, income and expenses resulting from the collective investment of the assets of the master trusts.

**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. In the event the Plan terminates, participants will become 100 percent vested in their accounts.

**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.

**NOTE 2 ACCOUNTING POLICIES**

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassification

Certain prior year amounts have been reclassified to conform to current year presentation.

Notes receivable from Participants

Notes receivable from participants represent participant loans that are recorded at their unpaid principal balance plus any accrued but unpaid interest. Interest income on notes receivable from participants is recorded when it is earned. Related fees are recorded as administrative expenses and are expensed when they are incurred. No allowance for credit losses has been recorded as of December 31, 2010 or 2009. If a participant ceases to make loan repayments and the plan administrator deems the participant loan to be a distribution, the participant loan balance is reduced and a benefit payment is recorded.

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.

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**VERIZON SAVINGS PLAN FOR MANAGEMENT EMPLOYEES**

Notes to Financial Statements

December 31, 2010

**NOTE 2 ACCOUNTING POLICIES (continued)**

**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**

In January 2010, we adopted the accounting standard update regarding fair value measurements and disclosures, which requires additional disclosures regarding assets and liabilities measured at fair value. The adoption of the new standard did not have a material effect on the Plan's Net Assets Available for Benefits or its Changes in Net Assets Available for Benefits.

In September 2010, the FASB issued Accounting Standards Update 2010-25, Reporting Loans to Participants by Defined Contribution Pension Plans, ASU 2010-25. ASU 2010-25 requires participant loans to be measured at their unpaid principal balance plus any accrued unpaid interest and classified as notes receivable from participants. Previously loans were measured at fair value and classified as investments. ASU 2010-25 is effective for fiscal years ending after December 15, 2010 and is required to be applied retrospectively. Adoption of ASU 2010-25 did not change the value of participant loans from the amount previously reported as of December 31, 2009. Participant loans have been reclassified to notes receivable from participants as of December 31, 2009.

**Recent Accounting Standards**

In May 2011, a new accounting standard update regarding fair value measurement was issued, ASU 2011-04. This standard update was issued to provide a consistent definition of fair value and ensure that the fair value measurement and disclosure requirements are similar between U.S.

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GAAP and International Financial Reporting Standards. This standard update also changes certain fair value measurement principles and enhances the disclosure requirements, particularly for Level 3 fair value measurements. We will adopt this standard update during the first quarter of 2012. The adoption of this standard update is not expected to have a significant impact on the Plan's financial statements.

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Notes to Financial Statements

December 31, 2010

**NOTE 3 NON-PARTICIPANT DIRECTED INVESTMENTS**

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

	As of December 31,	
	2010	2009
<b>Net Assets:</b>		
Verizon common stock	\$ 58,541	\$ 80,511
<b>Changes in net assets:</b>	Year ended December 31, 2010	
Employer contributions	\$ 185,686	
Net investment gain	150,019	
Net transfers in	20,288	
Benefits paid to participants	(189,907)	
Decrease in diversification adjustment (Note 4)	(140,082)	
Other	(47,974)	
<b>Net</b>	<b>\$ (21,970)</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. Forfeitures used to reduce employer-matching contributions were \$1.2 million for the year ending December 31, 2010. There were no forfeitures used to reduce employer-matching contribution for the year ending December 31, 2009. The balance in the forfeiture account was \$5.0 million and \$2.6 million at December 31, 2010 and December 31, 2009, 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 2010 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 were limited

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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. The portion of the Plan relating to Puerto Rico participants was spun off to a separate plan effective as of December 31, 2010.

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. 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



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**VERIZON SAVINGS PLAN FOR MANAGEMENT EMPLOYEES**

Notes to Financial Statements

December 31, 2010

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

year ended December 31, 2010, total employer-matching contributions consisted of a stock contribution of 5.3 million shares of Verizon common stock with a fair value at the date of contribution of \$161 million and a cash contribution of \$161 million. Included in the above is a discretionary match of \$72 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.

Accounting principles generally accepted in the United States require plan management to evaluate uncertain tax positions taken by the Plan. The financial statement effects of a tax position are recognized when the position is more likely than not, based on the technical merits, to be sustained upon examination by the Internal Revenue Service. The Plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2010, there are no uncertain positions taken or expected to be taken. The Plan is subject to routine audits by taxing jurisdictions; however there are no audits for any tax periods in progress. The Plan administrator believes the Plan is no longer subject to income tax examinations for years prior to 2007.

**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.

ESOP debt service payments for 2010 totaled \$28 million, which was funded with \$5 million of dividends accumulated on the Verizon common stock held by the ESOP and \$23 million of cash contributions.



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Notes to Financial Statements

December 31, 2010

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

At December 31, 2010, 1.9 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):

	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>2010</b>	<b>2009</b>
NYNEX ESOP	9.78%	1990-2014	\$92,590	\$120,304

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

<b>Maturity Date</b>	<b>Amount</b>
2011	\$ 27,964
2012	28,320
2013	28,790
2014	7,516
<b>Total</b>	<b>\$ 92,590</b>

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

Net investment gain/(loss) from investments in Master Trusts in the Statement of Changes in Net Assets Available for Benefits, includes an adjustment to the ESOP Shares Fund Unallocated of \$(52) million. This amount represents unrealized losses for 2008 and 2009 on shares held by the ESOP which have not yet been released and allocated to participants' accounts.

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**VERIZON SAVINGS PLAN FOR MANAGEMENT EMPLOYEES**

Notes to Financial Statements

December 31, 2010

**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. Fair value of asset backed securities is determined using inputs that include: benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, reference data including market research publications, new issue data, monthly prepayment information and collateral performance.

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, 2010 and 2009.

Contract value represents contributions made under the contracts, plus accrued interest, less withdrawals and administrative expenses. The contracts are included in the Master Trust assets at contract value, which, as reported by the insurance companies and banks, was approximately \$1.2 billion and \$1.6 billion at December 31, 2010 and 2009, 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; (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% at both December 31, 2010 and 2009. The crediting interest rates for the wrap contracts were 2.90% and 2.69% at December 31, 2010 and 2009, respectively. No valuation reserve was recorded, or was deemed necessary, at December 31, 2010 and 2009 to adjust contract amounts.

The accounting records of the Master Trust are maintained in U.S. dollars. Foreign currency denominated assets and liabilities are translated into U.S. dollars at the prevailing rates of exchange at the end of each accounting period with the impact of fluctuations in foreign exchange rates reflected as an unrealized gain or loss in the fair value of the investments.

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Cash receipts and payments derived from investment trades involving foreign currency denominated investments are translated into U.S. dollars at the prevailing exchange rate on the respective transaction date. Net realized gains and losses on foreign currency transactions result from the disposition of foreign currency denominated investments as a result of fluctuations in foreign exchange between the trade and settlement dates and the difference between the amount of net investment income accrued and the U.S. dollar amount actually received.

The foreign exchange effect on foreign currency denominated investments is not segregated from the impact of changes in market prices in the Statement of Changes in Net Assets Available for Benefits.

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

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Notes to Financial Statements

December 31, 2010

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

The following table represents the Master Trust's net investments by investment type measured at fair value on a recurring basis by the fair value measurement levels described in Note 2 as of December 31, 2010 and investment income for the year ended December 31, 2010 (in thousands):

	Assets at Fair Value as of December 31, 2010				Net Investment Gain
	Level 1	Level 2	Level 3	Total Fair Value	
<b>Investments</b>					
Cash and cash equivalents	\$ 12,521	\$ 95,063	\$ -	\$ 107,584	\$ 11,415
Verizon common stock	5,500,127	-	-	5,500,127	632,850
<b>Mutual funds</b>					
U.S. fixed income	655,228	-	-	655,228	31,142
U.S. equity	409,715	-	-	409,715	48,303
U.S. small cap	506,559	-	-	506,559	53,842
International equity	164,677	-	-	164,677	8,475
Global fixed income	187,151	-	-	187,151	751
<b>Commingled funds</b>					
U.S. equity	-	4,286,317	-	4,286,317	538,002
Cash equivalents	-	960,313	-	960,313	30,101
International equity	-	770,962	-	770,962	63,367
U.S. small cap	-	507,660	-	507,660	53,796
U.S. fixed income	-	976,230	-	976,230	22,790
Real estate	-	720,224	-	720,224	122,142
<b>Common stock</b>					
International equity	56,383	-	-	56,383	9,255
U.S. equity	879,372	-	-	879,372	120,020
<b>Fixed income</b>					
Corporate bonds	-	219,488	-	219,488	22,899
U.S. treasuries and agencies	79,431	122,505	-	201,936	20,922
Asset-backed securities	-	28,156	-	28,156	2,939
<b>Stable value fund</b>					
U.S. treasuries and agencies	-	1,308,240	-	1,308,240	44,397
Corporate bonds	-	492,654	-	492,654	16,719
Asset-backed securities	-	204,612	5,739	210,351	7,139
Interest only loans	-	2,174	-	2,174	74
Wrap contracts	-	6,247	-	6,247	-
International bonds	9,092	712,780	20,507	742,379	76,289
Other	-	66,688	-	66,688	7,913
<b>Total investments at fair value</b>	<b>8,460,256</b>	<b>11,480,313</b>	<b>26,246</b>	<b>19,966,815</b>	<b>1,945,542</b>

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Adjustment from fair value to contract value for fully benefit responsive investment contracts	-	-	-	(76,123)	-
Total investments	\$ 8,460,256	\$ 11,480,313	\$ 26,246	\$ 19,890,692	\$ 1,945,542

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

Notes to Financial Statements

December 31, 2010

**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, 2010 (in thousands):

	Fair Value January 1, 2010	Transfer Out	Transfer In	Acquisitions	Dispositions	Realized Gain	Change in Unrealized Gain	Fair Value December 31, 2010
Stable value fund	\$	\$ (2,294)	\$ 471	\$ 10,498	\$ (4,036)	\$ 1	\$ 1,099	\$ 5,739
Fixed income-International bonds		(19,289)	19,424	20,330			42	20,507
	\$	\$ (21,583)	\$ 19,895	\$ 30,828	\$ (4,036)	\$ 1	\$ 1,141	\$ 26,246

The following table represents the Bell Atlantic Master Trust defined contribution net investments by investment type measured at fair value on a recurring basis by the fair value measurement levels described in Note 2 as of December 31, 2010 and investment gain for the year ended December 31, 2010 (in thousands):

	Assets at Fair Value as of December 31, 2010				Net Investment Gain
	Level 1	Level 2	Level 3	Total Fair Value	
Investments					
Cash and cash equivalents	\$ 22,529	\$	\$	\$ 22,529	\$ 2,795
Commingled funds					
International equity		108,552		108,552	12,973
Common stock					
International equity	1,079,937	168		1,080,105	133,805
U.S. equity	221,077			221,077	17,083
Fixed income					
International bonds		491		491	59
Convertible securities		6		6	
Total investments at fair value	\$ 1,323,543	\$ 109,217	\$	\$ 1,432,760	\$ 166,715



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Interest and dividend income for the Master Trust and the Bell Atlantic Master Trust was \$311 million and \$313 million for the years ending December 31, 2010 and 2009, respectively.

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

Notes to Financial Statements

December 31, 2010

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

The following table represents the Master Trust's net investments by investment type 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			Total Fair Value	Net Investment Gain/(Loss)
	Level 1	Level 2	Level 3		
<b>Investments</b>					
Verizon common stock	\$ 5,251,617	\$	\$	\$ 5,251,617	\$ (107,469)
<b>Mutual funds</b>					
U.S. fixed income	850,506			850,506	38,374
U.S. equity	407,755			407,755	102,712
U.S. small cap	395,061			395,061	71,075
International equity	247,734			247,734	59,744
<b>Commingled funds</b>					
U.S. equity		4,206,157		4,206,157	1,019,701
Cash equivalents		1,257,152		1,257,152	14,882
International equity		936,827		936,827	218,126
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
<b>Common stock</b>					
International equity	3,505	2,973		6,478	4,303
U.S. equity	372,744			372,744	98,701
U.S. small cap	197,902			197,902	35,606
<b>Stable Value Fund</b>					
U.S. treasuries and agencies		1,474,395		1,474,395	58,932
Corporate bonds		556,893		556,893	22,259
Asset-backed securities		352,393		352,393	14,085
Cash equivalents		45,527		45,527	1,820
Interest only loans		9,398		9,398	375
International bonds		3,317		3,317	133
Other	6,692	67,655		74,347	12,843
<b>Total investments at fair value</b>	<b>7,733,516</b>	<b>11,002,932</b>		<b>18,736,448</b>	<b>1,944,542</b>

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Adjustment from fair value to contract value for fully  
benefit responsive investment contracts

(41,550)

Total investments	\$ 7,733,516	\$ 11,002,932	\$	\$ 18,694,898	\$ 1,944,542
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**Table of Contents****VERIZON SAVINGS PLAN FOR MANAGEMENT EMPLOYEES**

Notes to Financial Statements

December 31, 2010

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

The following table represents the Bell Atlantic Master Trust defined contribution net investments by investment type 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			Total Fair Value	Net Investment Gain
	Level 1	Level 2	Level 3		
<b>Investments</b>					
Cash and cash equivalents	\$ 16,231	\$	\$	\$ 16,231	\$ 4,109
<b>Commingled funds</b>					
International equity		88,954		88,954	22,520
<b>Common stock</b>					
International equity	987,878	3		987,881	250,101
U.S. equity	186,014			186,014	47,092
Convertible securities		4		4	1
<b>Total investments at fair value</b>	<b>\$ 1,190,123</b>	<b>\$ 88,961</b>	<b>\$</b>	<b>\$ 1,279,084</b>	<b>\$ 323,823</b>

**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):

	2010	2009
Net assets available for benefits per the financial statements	\$ 10,639,107	\$ 10,042,134
Adjustment for deemed no post default payments	(3,491)	(4,097)
Adjustment for fully benefit-responsive investment contracts	34,913	26,048
<b>Net assets available for benefits per Form 5500</b>	<b>\$ 10,670,529</b>	<b>\$ 10,064,085</b>

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, 2010 (in thousands):

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	2010
Net change per the financial statements	\$ 596,973
Adjustment for deemed no post default payments	606
Adjustment from contract value to fair value for fully benefit-responsive investment contracts	8,865
Net income per Form 5500	\$ 606,444

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**VERIZON SAVINGS PLAN FOR MANAGEMENT EMPLOYEES**

Notes to Financial Statements

December 31, 2010

**NOTE 10 OTHER**

On July 1, 2010 Verizon divested 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 Spinco, holding defined assets and liabilities of these operations, and the subsequent merger of Spinco with Frontier Communications Corporation (Frontier). As a result of the spin-off and merger, approximately \$210 million was transferred from the Plan to new plan(s) sponsored by Frontier.

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**VERIZON SAVINGS PLAN FOR MANAGEMENT EMPLOYEES**

EIN: 22-2259884

Plan # 102

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

As of December 31, 2010

(in thousands of dollars)

Identity of Issue, Borrower, Lessor or Similar Party	Description of Investment, Including Maturity Date, Rate of Interest, Collateral, Par, or Maturity Value	Current Value
Notes receivable from participants*	0-15 years maturity at 3.25% - 10.50%	\$227,593

\*Party-in-interest

Cost information is not required because investments are participant-directed.

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**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, 2011



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**Exhibit Index**

23.1 Consent of Independent Registered Public Accounting Firm

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