Cellco Partnership

(d/b/a Verizon Wireless)
Report of Independent Registered Public Accounting Firm
Consolidated Financial Statements
For the years ended
December 31, 2012, 2011 and 2010

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Representatives and Partners of
Cellco Partnership d/b/a Verizon Wireless:

We have audited the accompanying consolidated balance sheets of Cellco Partnership and subsidiaries d/b/a Verizon Wireless (the "Partnership") as of December 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income, cash flows and changes in partners' capital for each of the three years in the period ended December 31, 2012. These financial statements are the responsibility of the Partnership'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. The Partnership is not required to have, nor were we engaged to perform, an audit of its 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 Partnership'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, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Partnership as of December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2012, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

New York, New York
February 26, 2013 (June 7, 2013 as to Note 11)

Consolidated Statements of Income
Cellco Partnership (d/b/a Verizon Wireless)

(dollars in millions)	Years Ended December 31, 2012	2011	2010
Operating Revenue (including $83, $87 and $94 from affiliates)			
Service revenue	**$ 63,733**	$ 59,157	$ 55,994
Equipment and other	**12,135**	10,997	7,925
Total operating revenue	**75,868**	70,154	63,919
Operating Costs and Expenses (including $1,949, $1,708 and $1,696 from affiliates)			
Cost of service (exclusive of items shown below)	**7,711**	7,994	8,342
Cost of equipment	**16,779**	16,092	11,423
Selling, general and administrative	**21,696**	19,655	18,727
Depreciation and amortization	**7,960**	7,962	7,458
Total operating costs and expenses	**54,146**	51,703	45,950
Operating Income	**21,722**	18,451	17,969
Other Income (Expenses)			
Interest expense, net	**(442)**	(610)	(316)
Other income and (expense), net	**96**	56	90
Income Before Provision for Income Taxes	**21,376**	17,897	17,743
Provision for income taxes	**(201)**	(947)	(1,067)
Net Income	**$ 21,175**	$ 16,950	$ 16,676
Net income attributable to non-controlling interest	**304**	280	295
Net income attributable to Cellco Partnership	**20,871**	16,670	16,381
Net Income	**$ 21,175**	$ 16,950	$ 16,676

See Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

Cellco Partnership (d/b/a/ Verizon Wireless)

(dollars in millions)	Years Ended December 31, 2012	2011	2010
Net Income	**$ 21,175**	$ 16,950	$ 16,676
Other comprehensive income, net of taxes			
Unrealized gain (loss) on cash flow hedges	**21**	3	(66)
Defined benefit pension and postretirement plans	**-**	(1)	(9)
Other comprehensive income (loss) attributable to Cellco Partnership	**21**	2	(75)
Total Comprehensive Income	**$ 21,196**	$ 16,952	$ 16,601
Comprehensive income attributable to non-controlling interest	**$ 304**	$ 280	$ 295
Comprehensive income attributable to Cellco Partnership	**20,892**	16,672	16,306
Total Comprehensive Income	**$ 21,196**	$ 16,952	$ 16,601

See Notes to Consolidated Financial Statements.

Consolidated Balance Sheets
Cellco Partnership (d/b/a Verizon Wireless)

(dollars in millions)	As of December 31, 2012	2011
Assets		
Current assets		
Cash and cash equivalents	**$ 1,354**	$ 12,756
Receivables, net of allowances of $350 and $338	**6,657**	5,989
Due from affiliates, net	**106**	140
Inventories, net	**1,044**	906
Prepaid expenses and other current assets	**525**	494
Total current assets	**9,686**	20,285
Plant, property and equipment, net	**34,546**	33,451
Wireless licenses	**77,642**	73,097
Goodwill	**17,737**	17,528
Other intangibles and other assets, net	**2,102**	2,171
Total assets	**$ 141,713**	$ 146,532
Liabilities and Partners' Capital		
Current liabilities		
Short-term debt, including current maturities	**$ 1,448**	$ 1,553
Distribution payable to partners	**-**	10,000
Accounts payable and accrued liabilities	**7,534**	6,815
Advance billings	**2,550**	2,299
Other current liabilities	**274**	453
Total current liabilities	**11,806**	21,120
Long-term debt	**8,665**	10,058
Deferred tax liabilities, net	**10,939**	10,862
Other non-current liabilities	**2,056**	1,516
Partners' capital		
Capital	**106,119**	100,961
Accumulated other comprehensive income	**84**	63
Non-controlling interest	**2,044**	1,952
Total Partners' capital	**108,247**	102,976
Total liabilities and Partners' capital	**$ 141,713**	$ 146,532

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Cellco Partnership (d/b/a Verizon Wireless)

(dollars in millions)	Years Ended December 31, 2012	2011	2010
Cash Flows from Operating Activities			
Net income	**$ 21,175**	$ 16,950	$ 16,676
Adjustments to reconcile income to net cash provided by operating activities:			
Depreciation and amortization	**7,960**	7,962	7,458
Provision for uncollectible receivables	**634**	689	746
Provision for deferred income taxes	**123**	368	65
Changes in current assets and liabilities, net of the effects of acquisition/disposition of businesses:			
Receivables	**(1,238)**	(624)	(1,081)
Inventories, net	**(137)**	166	308
Prepaid expenses and other current assets	**(107)**	124	(104)
Accounts payable and accrued liabilities	**674**	(728)	1,510
Other operating activities, net	**(419)**	371	(31)
Net cash provided by operating activities	**28,665**	25,278	25,547
Cash Flows from Investing Activities			
Capital expenditures (including capitalized software)	**(8,857)**	(8,973)	(8,438)
Acquisitions of businesses, net of cash acquired	**(188)**	(144)	(293)
Acquisitions of wireless licenses	**(4,287)**	(26)	(39)
Proceeds from dispositions	**-**	-	2,594
Other investing activities, net	**843**	(490)	(495)
Net cash used in investing activities	**(12,489)**	(9,633)	(6,671)
Cash Flows from Financing Activities			
Repayments to affiliates	**-**	-	(5,005)
Repayments of long-term borrowings	**(1,569)**	(4,862)	(5,016)
Distributions to partners	**(25,681)**	(3,082)	(3,845)
Other financing activities, net	**(328)**	(276)	(286)
Net cash used in financing activities	**(27,578)**	(8,220)	(14,152)
Increase (decrease) in cash and cash equivalents	**(11,402)**	7,425	4,724
Cash and cash equivalents, beginning of year	**12,756**	5,331	607
Cash and cash equivalents, end of year	**$ 1,354**	$ 12,756	$ 5,331

See Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Partners' Capital
Cellco Partnership (d/b/a/ Verizon Wireless)

(dollars in millions)	Years Ended December 31, 2012	2011	2010
Partners' Capital			
Balance at beginning of year	**$ 100,961**	$ 97,399	$ 84,863
Net income attributable to Cellco Partnership	**20,871**	16,670	16,381
Contributed capital	**(32)**	(26)	-
Distributions declared to partners	**(15,681)**	(13,082)	(3,845)
Balance at end of year	**106,119**	100,961	97,399
Accumulated Other Comprehensive Income			
Balance at beginning of year	**63**	61	136
Unrealized gain (loss) on cash flow hedges	**21**	3	(66)
Defined benefit pension and postretirement plans	**-**	(1)	(9)
Other comprehensive income (loss)	**21**	2	(75)
Balance at end of year	**84**	63	61
Total Partners' Capital Attributable to Cellco Partnership	**106,203**	101,024	97,460
Non-controlling Interest			
Balance at beginning of year	**1,952**	1,962	1,988
Net income attributable to non-controlling interest	**304**	280	295
Non-controlling interests in disposed company	**-**	-	(34)
Distributions	**(342)**	(280)	(287)
Other	**130**	(10)	-
Balance at end of year	**2,044**	1,952	1,962
Total Partners' Capital	**$ 108,247**	$ 102,976	$ 99,422

See Notes to Consolidated Financial Statements.

1. Description of Business and Summary of Significant Accounting Policies

Description of Business

Cellco Partnership (the "Partnership"), a Delaware general partnership doing business as Verizon Wireless, provides wireless communication services across one of the most extensive wireless networks in the United States (U.S.) and has the largest third-generation (3G) Evolution-Data Optimized (EV-DO) and fourth-generation (4G) Long-Term Evolution technology (LTE) networks of any U.S. wireless service provider. The Partnership has one segment and operates domestically only. References to "the Partners" refers to Verizon Communications, and its subsidiaries ("Verizon"), which owns 55% of the Partnership, and Vodafone Group Plc, and its subsidiaries ("Vodafone"), which owns 45% of the Partnership.

These consolidated financial statements include transactions between the Partnership and Verizon and Vodafone ("Affiliates") for the provision of services and financing pursuant to various agreements (see Notes 5 and 11).

Consolidated Financial Statements and Basis of Presentation

The consolidated financial statements of the Partnership include the accounts of its majority-owned subsidiaries and the partnerships in which the Partnership exercises control. Investments in businesses and partnerships which the Partnership does not control, but has the ability to exercise significant influence over operating and financial policies, are accounted for under the equity method of accounting. Investments and partnerships which the Partnership does not have the ability to exercise significant influence over operating and financial policies are accounted for under the cost method of accounting. Equity and cost method investments are included in Other intangibles and other assets, net in the Partnership's consolidated balance sheets. All significant intercompany accounts and transactions have been eliminated.

The Partnership has reclassified prior year amounts to conform to current year presentation.

The Partnership has evaluated subsequent events through June 7, 2013, the date these consolidated financial statements were available to be issued.

During the second quarter of 2010, the Partnership recorded a one-time non-cash adjustment of $0.3 billion primarily to reduce wireless service revenues. This adjustment was recorded to properly defer previously recognized wireless service revenues that were earned and recognized in future periods. As the amounts involved were not material to the Partnership's consolidated financial statements in 2010 or any previous reporting period, the adjustment was recorded during the second quarter of 2010.

Use of Estimates

The Partnership prepares its consolidated financial statements in accordance with U.S. generally accepted accounting principles ("GAAP"), which requires 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 allowances for doubtful accounts, the recoverability of plant, property and equipment, the recoverability of intangible assets and other long-lived assets, unbilled revenues, fair values of financial instruments, unrecognized tax benefits, valuation allowances on tax assets, accrued expenses, contingencies and allocation of purchase prices in connection with business combinations.

Revenue Recognition

Multiple Deliverable Arrangements

The Partnership offers products and services to its customers through bundled arrangements. These arrangements involve multiple deliverables which may include products, services, or a combination of products and services.

On January 1, 2011, the Partnership prospectively adopted the accounting standard updates regarding revenue recognition for multiple deliverable arrangements, and arrangements that include software elements. These updates require a vendor to allocate revenue in an arrangement using its best estimate of selling price if neither vendor specific objective evidence (VSOE) nor third party evidence (TPE) of selling price exists. The residual method of revenue allocation is no longer permissible. These accounting standard updates did not change the Partnership's units of accounting for bundled arrangements, nor do they materially change how the Partnership allocates arrangement consideration to our various products and services. Accordingly, the adoption of these standard updates did not have a significant impact on the Partnership's consolidated financial statements. Additionally, the Partnership does not currently foresee any changes to our products, services or pricing practices that will have a significant effect on the Partnership's consolidated financial statements in periods after the initial adoption, although this could change.

The Partnership earns revenue primarily by providing access to and usage of its network. In general, access revenue is billed one month in advance and recognized when earned; the unearned portion is classified in Advance billings in the consolidated balance sheets. Usage revenue is generally billed in arrears and recognized when service is rendered and included in unbilled revenue, within Receivables, net in the consolidated balance sheets. 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 providing wireless services. For agreements involving the resale of third-party services in which the Partnership is considered the primary obligor in the arrangements, the Partnership records revenue gross at the time of sale. For equipment sales, the Partnership currently subsidizes the cost of wireless devices. The amount of this subsidy is generally contingent on the arrangement and terms selected by the customer. The equipment revenue is recognized up to the amount collected when the wireless device is sold.

The Partnership reports taxes imposed by governmental authorities on revenue-producing transactions between the Partnership and its customers on a net basis.

Advertising Costs

Costs for advertising products and services as well as other promotional and sponsorship costs are charged to Selling, general and administrative expense in the periods in which they are incurred. See Note 9.

Vendor Rebates and Discounts

The Partnership recognizes vendor rebates or discounts for purchases of wireless devices from a vendor as a reduction of Cost of equipment when the related wireless devices are sold. Vendor rebates or discounts that have been earned as a result of completing the required performance under the terms of the underlying agreements but for which the wireless devices have not yet been sold are recognized as a reduction of inventory cost. Advertising credits are granted by a vendor to the Partnership as reimbursement of specific, incremental, identifiable advertising costs incurred by the Partnership in selling the vendor's wireless devices. These advertising credits are restricted based upon a marketing plan agreed to by the vendor and the Partnership, and accordingly, advertising credits received are recorded as a reduction of those advertising costs when recognized in the Partnership's consolidated statements of income.

Cash and Cash Equivalents

The Partnership considers all highly liquid investments with a maturity of 90 days or less when purchased to be cash equivalents. Cash equivalents are stated at cost, which approximates quoted market value, and includes

approximately $0.7 billion and $12.2 billion at December 31, 2012 and 2011, respectively, held in money market funds that are considered cash equivalents.

Inventory

Inventory consists primarily of wireless equipment held for sale, which is carried at the lower of cost (determined using a first-in, first-out method) or market. The Partnership maintained inventory valuation reserves which were not significant as of December 31, 2012 and 2011.

Capitalized Software

Capitalized software consists primarily of direct costs incurred for professional services provided by third parties and compensation costs of employees which relate to software developed for internal use either during the application stage or for upgrades and enhancements that increase functionality. Costs are capitalized and amortized on a straight-line basis over their estimated useful lives. Costs incurred in the preliminary project stage of development and maintenance are expensed as incurred. For a discussion of the Partnership's impairment policy for capitalized software costs, see "Valuation of Assets" below. Also see Note 3 for additional detail of internal-use non-network software reflected in the Partnership's consolidated balance sheets.

Plant, Property and Equipment

Plant, property and equipment primarily represents costs incurred to construct and expand capacity and network coverage on Mobile Telephone Switching Offices and cell sites. The cost of plant, property and equipment is depreciated on a straight-line basis over its estimated useful life. Periodic reviews are performed to identify any category or group of assets within plant, property and equipment where events or circumstances may change the remaining estimated economic life. This principally includes changes in the Partnership's plans regarding technology upgrades, enhancements, and planned retirements. Changes in these estimates resulted in an increase of $0.4 billion and $0.3 billion for the years ended December 31, 2011 and 2010, respectively. Major improvements to existing plant and equipment are capitalized. Routine maintenance and repairs that do not extend the life of the plant and equipment are charged to expense as incurred. Leasehold improvements are amortized over the shorter of their estimated useful lives or the term of the related lease.

Upon the sale or retirement of plant, property and equipment, the cost and related accumulated depreciation or amortization is deducted from the plant accounts and any gains or losses on disposition are recognized in income.

Interest expense and network engineering costs incurred during the construction phase of the Partnership's network and real estate properties under development are capitalized as part of plant, property and equipment and recorded as construction in progress until the projects are completed and placed into service.

Valuation of Assets

Long-lived assets, including plant, property and equipment and intangible assets with finite lives, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Wireless Licenses

The Partnership's principal intangible assets are licenses, which provide the Partnership with the exclusive right to utilize certain radio frequency spectrum to provide wireless 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 costs, which are expensed as incurred. Moreover, the Partnership has determined that there are currently no legal, regulatory, contractual, competitive, economic or other factors that limit the useful life of the Partnership's wireless licenses. As a result, the wireless licenses are treated as an indefinite lived intangible asset, and are not amortized. The Partnership

reevaluates the useful life determination for wireless licenses at least annually to determine whether events and circumstances continue to support an indefinite useful life.

The Partnership tests its wireless licenses for potential impairment annually. The Partnership evaluates its licenses on an aggregate basis using a direct value approach. The direct value approach estimates fair value using a discounted cash flow analysis to estimate what a marketplace participant would be willing to pay to purchase the aggregated wireless licenses as of the valuation date. If the fair value of the aggregated wireless licenses is less than the aggregated carrying amount of the licenses, an impairment is recognized. The Partnership evaluated its wireless licenses for potential impairment as of December 15, 2012 and 2011. The Partnership's annual impairment tests for 2012 and 2011 indicated that the fair value significantly exceeded the carrying value and, therefore, did not result in an impairment.

Interest expense incurred while qualifying activities are performed to ready wireless licenses for their intended use is capitalized as part of wireless licenses. The capitalization period ends when a license is substantially complete and the license is ready for its intended use.

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 in the fourth fiscal quarter. The Partnership has the option to perform a qualitative assessment to determine if the fair value of the entity is less than its carrying value. However, the Partnership may elect to perform an impairment test even if no indications of a potential impairment exist. The impairment test for goodwill uses a two-step approach, which is performed for the Partnership's one reporting unit. Step one compares the fair value of the reporting unit (calculated using a market approach and/or 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 implied fair value of goodwill is less than the carrying amount of goodwill, an impairment is recognized. The Partnership completed its goodwill impairment test as of December 15, 2012 and 2011. The Partnership's annual impairment tests for 2012 and 2011 indicated that the fair value significantly exceeded the carrying value and, therefore, did not result in an impairment.

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 input that is significant to the fair value measurements. The Partnership'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.

See Note 4 for further details on the Partnership's fair value measurements.

Foreign Currency Translation

The functional currency for all of the Partnership's operations is the U.S. dollar. However, the Partnership has transactions denominated in a currency other than the local currency, principally debt denominated in Euros and British Pounds Sterling. Gains and losses resulting from exchange-rate changes in transactions denominated in a foreign currency are included in earnings.

Derivatives

The Partnership uses derivatives from time to time to manage the Partnership's exposure to fluctuations in the cash flows of certain transactions. The Partnership measures all derivatives at fair value and recognizes them as either assets or liabilities on its consolidated balance sheets. The Partnership's derivative instruments are valued primarily using models based on readily observable market parameters for all substantial terms of the Partnership's derivative contracts and thus are classified as Level 2. 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.

Employee Benefit Plans

The Partnership maintains a defined contribution plan, the Verizon Wireless Savings and Retirement Plan (the "Savings and Retirement Plan"), for the benefit of its employees. The Savings and Retirement Plan includes both an employee savings and profit sharing component. Under the employee savings component, employees may contribute a percentage of eligible compensation to the Savings and Retirement Plan. Up to the first 6% of an employee's eligible compensation contributed to the Savings and Retirement Plan is matched 100% by the Partnership. Under the profit sharing component, the Partnership may elect, at the sole discretion of the Human Resources Committee of the Board of Representatives, to contribute an additional amount in the form of a profit sharing contribution to the accounts of eligible employees. See Note 9.

Long-Term Incentive Compensation

The Partnership measures compensation expense for all stock-based compensation awards made to employees and directors based on estimated fair values. See Note 6 for further details.

Income Taxes

The Partnership is not a taxable entity for federal income tax purposes. Any federal taxable income or loss is included in the respective partners' consolidated federal return. Certain states, however, impose taxes at the partnership level and such taxes are the responsibility of the Partnership and are included in the Partnership's tax provision. The consolidated financial statements also include provisions for federal and state income taxes, prepared on a stand-alone basis, for all corporate entities within the Partnership. Deferred income taxes are recorded using enacted tax law and rates for the years in which the taxes are expected to be paid or refunds received. Deferred income taxes are provided for items when there is a temporary difference in recording such items for financial reporting and income tax reporting.

The Partnership uses a two-step approach for recognizing and measuring tax benefits taken or expected to be taken in a tax return. The first step is recognition: the Partnership determines whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. In evaluating whether a tax position has met the more-likely-than-not recognition threshold, the Partnership presumes that the position will be examined by the appropriate taxing authority that has full knowledge of all relevant information. The second step is measurement: a tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. The tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Differences between tax positions taken in a tax return and amounts recognized in the financial statements will generally result in one or more of the following: an increase in a liability for income taxes payable, a reduction of an income tax refund receivable, a reduction in a deferred tax asset, or an increase in a deferred tax liability.

The Partnership recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expense.

Concentrations

The Partnership relies on local and long-distance telephone companies, some of whom are related parties (see Note 11), and other companies to provide certain communication services. Although management believes alternative telecommunications facilities could be found in a timely manner, any disruption of these services could potentially have an adverse impact on the Partnership's business, results of operations and financial condition.

No single customer receivable is large enough to present a significant financial risk to the Partnership.

Recently Adopted Accounting Standards

During the first quarter of 2012, the Partnership adopted the accounting standard update regarding the presentation of comprehensive income. This update was issued to increase the prominence of items reported in other comprehensive income. The update requires that all nonowner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate, but consecutive statements. In connection with the adoption of this standard the Partnership's consolidated financial statements include a separate statement of comprehensive income.

During the first quarter of 2012, the Partnership adopted the accounting standard update regarding fair value measurement. This 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. generally accepted accounting principles 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. The adoption of this standard update did not have a significant impact on the Partnership's consolidated financial statements.

During the first quarter of 2012, the Partnership adopted the accounting standard update regarding testing of goodwill for impairment. This standard update gives companies the option to perform a qualitative assessment to first assess whether the fair value of a reporting unit is less than its carrying amount. If an entity determines it is not more likely than not that the fair value of the reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. The Partnership did not elect to use the qualitative assessment in 2012.

Recent Accounting Standards

In July 2012, the accounting standard update regarding testing of intangible assets for impairment was issued. This standard update allows companies the option to perform a qualitative assessment to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired. An entity is not required to calculate the fair value of an indefinite-lived intangible asset and perform the quantitative impairment test unless the entity determines that it is more likely than not the asset is impaired. The Partnership will adopt this standard update during the first quarter of 2013. The adoption of this standard update is not expected to have a significant impact on the Partnership's consolidated financial statements.

In February 2013, the accounting standard update regarding reclassifications out of accumulated other comprehensive income was issued. This standard update requires companies to report the effect of significant reclassifications out of Accumulated other comprehensive income on the respective line items in the Partnership's consolidated statements of income if the amount being reclassified is required under U.S. GAAP to be reclassified in its entirety to net income. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference other disclosures required under U.S. GAAP that provide additional detail about those amounts. The Partnership will adopt this standard in the first quarter of 2013. The adoption of this standard update is not expected to have a significant impact on the Partnership's consolidated financial statements.

2. Acquisitions and Divestitures

Spectrum Licenses

During the third quarter of 2012, after receiving the required regulatory approvals, the Partnership completed the following previously announced transactions in which the Partnership acquired wireless spectrum that will be used to deploy additional 4G LTE capacity.

- The Partnership acquired Advanced Wireless Service (AWS) spectrum in separate transactions with SpectrumCo, LLC (SpectrumCo) and Cox TMI Wireless, LLC for which it paid an aggregate of $3.9 billion at the time of the closings. The Partnership has also recorded a liability of $0.4 billion related to a three-year service obligation to SpectrumCo's members pursuant to commercial agreements executed concurrently with the SpectrumCo transaction.

- The Partnership completed license purchase and exchange transactions with Leap Wireless, Savary Island Wireless, which is majority owned by Leap Wireless, and a subsidiary of T-Mobile USA, Inc. (T-Mobile). As a result of these transactions, the Partnership received an aggregate $2.6 billion of AWS and PCS licenses at fair value and net cash proceeds of $0.2 billion, transferred certain AWS licenses to T-Mobile and a 700 megahertz (MHz) lower A block license to Leap Wireless, and recorded an immaterial gain.

During 2011, the Partnership entered into commercial agreements, modified in 2012, with affiliates of Comcast Corporation, Time Warner Cable, Bright House Networks and Cox Communications Inc. (the cable companies). Through these agreements, the cable companies and the Partnership became agents to sell certain of one another's products and services and, over time, the cable companies will have the option, subject to the terms and conditions of the agreements, of selling the Partnership's service on a wholesale basis.

During the fourth quarter of 2012, the Partnership entered into license exchange agreements with T-Mobile and Cricket License Company, LLC, a subsidiary of Leap Wireless, to exchange certain AWS licenses. These non-cash exchanges, which are subject to approval by the FCC and other customary closing conditions, are expected to close in 2013. The exchange includes a number of intra-market swaps that will result in more efficient use of the AWS band. As a result of these transactions, the Partnership expects to record an immaterial gain.

On April 18, 2012, the Partnership announced plans to initiate an open sale process for all of its 700 MHz lower A and B block spectrum licenses, subject to the receipt of acceptable bids. The Partnership acquired these licenses as part of FCC Auction 73 in 2008. On January 25, 2013, the Partnership agreed to sell 39 lower 700 MHz B block spectrum licenses to AT&T Inc. (AT&T) in exchange for a payment of $1.9 billion and the transfer by AT&T to the Partnership of AWS (10 MHz) licenses in certain markets in the western United States. The Partnership also agreed to sell certain lower 700 MHz B block spectrum licenses to an investment firm for a payment of $0.2 billion. These transactions are subject to approval by the FCC and the Department of Justice (DOJ). When finalized, the sales will result in the completion of the open sale process. The Partnership expects to deploy the remaining licenses as necessary to meet its own spectrum needs.

Alltel Divestiture Markets

As a condition of the regulatory approvals to complete the acquisition of Alltel Corporation (Alltel) in January 2009, the Partnership was required to divest overlapping properties in 105 operating markets in 24 states (Alltel Divestiture Markets). During the second quarter of 2010, AT&T Mobility acquired 79 of the 105 Alltel Divestiture Markets, including licenses and network assets, for approximately $2.4 billion in cash and Atlantic Tele-Network, Inc. acquired the remaining 26 Alltel Divestiture Markets, including licenses and network assets, for $0.2 billion in cash.

During 2010, the Partnership recorded a tax charge of approximately $0.2 billion for the taxable gain associated with these transactions.

Other

During 2012, the Partnership acquired various other wireless licenses and markets for cash consideration that was not significant and recorded $0.2 billion of goodwill as a result of these transactions.

During 2011, the Partnership acquired various other wireless licenses and markets for cash consideration that was not significant.

During 2010, the Partnership acquired the net assets and related customers of six operating markets in Louisiana and Mississippi in a transaction with AT&T Inc. for cash consideration of $0.2 billion. The purchase price allocation resulted in $0.1 billion of wireless licenses and $0.1 billion of goodwill.

3. Wireless Licenses, Goodwill and Other Intangibles, Net

Wireless Licenses

Changes in the carrying amount of Wireless licenses are as follows:

(dollars in millions)		
Balance as of January 1, 2011	$	72,843
Acquisitions (Note 2)		58
Capitalized interest on wireless licenses		196
Balance as of December 31, 2011		73,097
Acquisitions (Note 2)		**4,544**
Capitalized interest on wireless licenses		**205**
Reclassifications, adjustments and other		**(204)**
Balance as of December 31, 2012	**$**	**77,642**

Reclassifications, adjustments, and other include the exchanges of wireless licenses in 2012. See Note 2 ("Acquisitions and Divestitures") for additional details.

During the years ended December 31, 2012 and 2011, approximately $7.3 billion and $2.2 billion, respectively, of wireless licenses were under development for commercial service for which the Partnership was capitalizing interest costs.

The average remaining renewal period of the Partnership's wireless license portfolio was 6.1 years as of December 31, 2012. See Note 1, Wireless Licenses, for further details.

Goodwill

Changes in the carrying amount of Goodwill are as follows:

(dollars in millions)		
Balance as of January 1, 2011	$	17,434
Acquisitions (Note 2)		94
Balance as of December 31, 2011		17,528
Acquisitions (Note 2)		**209**
Balance as of December 31, 2012	**$**	**17,737**

Other Intangibles, net

Other intangibles, net are included in Other intangibles and other assets, net and consist of the following:

	At December 31, 2012			At December 31, 2011		
(dollars in millions)	**Gross Amount**	**Accumulated Amortization**	**Net Amount**	Gross Amount	Accumulated Amortization	Net Amount
Customer lists (6 to 8 years)	**$ 2,187**	**$ (1,550)**	**$ 637**	$ 2,152	$ (1,253)	$ 899
Non-network internal-use software (5 to 7 years)	**1,462**	**(589)**	**873**	1,225	(507)	718
Other (2 to 3 years)	**26**	**(21)**	**5**	25	(18)	7
Total	**$ 3,675**	**$ (2,160)**	**$ 1,515**	$ 3,402	$ (1,778)	$ 1,624

The amortization expense for other intangible assets was as follows:

Years	(dollars in millions)
2012	**$ 465**
2011	513
2010	687

Estimated annual amortization expense for other intangible assets is as follows:

Years	(dollars in millions)
2013	$ 431
2014	360
2015	287
2016	206
2017	120

4. Fair Value Measurements and Financial Instruments

The following table presents the balances of assets measured at fair value on a recurring basis as of December 31, 2012:

(dollars in millions)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:				
Other intangibles and other assets, net:				
Derivative contracts—Cross currency swaps (Non-current)	$ -	$ 153	$ -	$ 153

Derivative contracts are valued using models based on readily observable market parameters for all substantial terms of the Partnership's derivative contracts and thus are classified within Level 2. The Partnership uses mid-market pricing for fair value measurements of its derivative instruments.

The Partnership recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period. There were no transfers within the fair value hierarchy during 2012.

Fair Value of Short-term and Long-term Debt

The fair value of the Partnership's debt is determined using various methods, including quoted market prices for identical terms and maturities, which is a Level 1 measurement, as well as quoted prices for similar terms and maturities in inactive markets and future cash flows discounted at current rates, which are Level 2 measurements. The fair value of the Partnership's short-term and long-term debt, excluding capital leases, was as follows:

	At December 31, 2012		At December 31, 2011	
(dollars in millions)	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
Short and long-term debt, excluding capital leases	**$ 10,105**	**$ 12,235**	$ 11,611	$ 14,047

Derivative Instruments

The Partnership has entered into derivative transactions to manage its exposure to fluctuations in foreign currency exchange rates and interest rates. The Partnership employs risk management strategies which may include the use of a variety of derivatives including cross currency swaps and interest rate swap agreements. The Partnership does not hold derivatives for trading purposes.

Cross Currency Swaps

The Partnership previously entered into cross currency swaps designated as cash flow hedges to exchange approximately $1.6 billion of British Pound Sterling and Euro-denominated debt into U.S. dollars and to fix its future interest and principal payments in U.S. dollars, as well as to mitigate the impact of foreign currency transaction gains or losses. A portion of the gains and losses recognized in Other comprehensive income was reclassified to Other income and (expense), net to offset the related pretax foreign currency transaction gain or loss on the underlying debt obligations. The fair value of the outstanding swaps was not material at December 31, 2012 or December 31, 2011. During 2012 and 2011 the gains and losses with respect to these swaps were not material.

Concentrations of Credit Risk

Financial instruments that subject us to concentrations of credit risk consist primarily of temporary cash investments, trade receivables and derivative contracts. The Partnership's policy is to deposit its temporary cash investments with major financial institutions. Counterparties to the Partnership's derivative contracts are also major financial institutions. The financial institutions have all been accorded high ratings by primary rating agencies. The Partnership limits the dollar amount of contracts entered into with any one financial institution and monitors its counterparties' credit ratings. The Partnership generally does not give or receive collateral on swap agreements due to its credit rating and those of its counterparties. While the Partnership may be exposed to credit losses due to the nonperformance of its counterparties, the Partnership considers the risk remote and does not expect the settlement of these transactions to have a material effect on its results of operations or financial condition.

5. Debt

Changes to debt during 2012 are as follows:

(dollars in millions)	Debt Maturing within One Year	Long-term Debt	Total
Balance at January 1, 2012	**$ 1,553**	**$ 10,058**	**$ 11,611**
Repayments of long-term borrowings and capital lease obligations	**(1,569)**	**-**	**(1,569)**
Reclassifications of long-term debt	**1,465**	**(1,465)**	**-**
Other	**(1)**	**72**	**71**
Balance at December 31, 2012	**$ 1,448**	**$ 8,665**	**$ 10,113**

Outstanding long-term debt obligations are as follows:

(dollars in millions)

At December 31,	Interest Rates %	Maturities	2012	2011
Notes payable and other	**5.55 - 8.88**	**2013 - 2018**	**$ 8,635**	$ 9,331
Alltel assumed notes	**6.50 - 7.88**	**2013 - 2032**	**1,500**	2,315
Capital lease obligations (average rate of 7.2%)			**8**	-
Unamortized discount, net of premium			**(30)**	(35)
Total long-term debt, including current maturities			**10,113**	11,611
Less long-term debt maturing within one year			**1,448**	1,553
Total long-term debt			**$ 8,665**	$ 10,058

Verizon Wireless Capital LLC, a wholly-owned subsidiary of the Partnership, is a limited liability company formed under the laws of Delaware on December 7, 2001 as a special purpose finance subsidiary to facilitate the offering of debt securities of the Partnership by acting as co-issuer. Other than the financing activities as a co-issuer of the Partnership's indebtedness, Verizon Wireless Capital LLC has no material assets, operations or revenues. The Partnership is jointly and severally liable with Verizon Wireless Capital LLC for co-issued notes.

Discounts, premiums, and capitalized debt issuance costs are amortized using the effective interest method.

2012

During February 2012, $0.8 billion of 5.25% Notes matured and were repaid. During July 2012, $0.8 billion of 7.0% Notes matured and were repaid.

2011

During May 2011, $4.0 billion aggregate principal amount of the Partnership's two-year fixed and floating rate notes matured and were repaid. During December 2011, the Partnership repaid $0.9 billion upon maturity for the €0.7 billion of 7.625% Notes, and the related cross currency swap was settled.

Term Notes Payable to Affiliate

Under the terms of a fixed rate promissory note with Verizon Financial Services LLC ("VFSL"), a wholly-owned subsidiary of Verizon, the Partnership may borrow, repay and re-borrow up to a maximum principal amount of $0.8 billion. Amounts borrowed under this note bear interest at a rate of 5.8% per annum. The fixed rate note matures

August 1, 2013. As of December 31, 2012, outstanding borrowings under this note were included within Other current liabilities on the consolidated balance sheet and were not material.

Debt Covenants

As of December 31, 2012, the Partnership is in compliance with all of its debt covenants.

Maturities of Long-Term Debt

Maturities of long-term debt outstanding at December 31, 2012 are as follows:

Years		(dollars in millions)
2013	$	1,448
2014		3,495
2015		648
2016		299
2017		-
Thereafter		4,223

6. Long-Term Incentive Plan

Verizon Wireless Long-Term Incentive Plan (Wireless Plan)

The Wireless Plan provides compensation opportunities to eligible employees and other participating affiliates of the Partnership. The plan provides rewards that are tied to the long-term performance of the Partnership. Under the Wireless Plan, Value Appreciation Rights (VARs) were granted to eligible employees. As of December 31, 2012, all VARs were fully vested. The Partnership has not granted new VARs since 2004.

VARs reflect the change in the value of the Partnership, as defined in the Wireless Plan. Similar to stock options, the valuation is determined using a Black-Scholes model. 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. All outstanding VARs are fully exercisable and have a maximum term of 10 years. All VARs were 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.

The Partnership employs the income approach, a standard valuation technique, to arrive at the fair value of the Partnership on a quarterly basis using publicly available information. The income approach uses future net cash flows discounted at market rates of return to arrive at an estimate of fair value, as defined in the plan.

The following table summarizes the assumptions used in the Black-Scholes model for the year ended December 31, 2012:

	2012
	End of Period
Risk-free rate	**0.19%**
Expected term (in years)	**0.62**
Expected volatility	**43.27%**

The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of the measurement date. 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.

For the years ended December 31, 2012, 2011 and 2010, the intrinsic value of VARs exercised during the period was $0.1 billion, respectively.

Cash paid to settle VARs for the years ended December 31, 2012, 2011 and 2010 was $0.1 billion, respectively.

Awards outstanding at December 31, 2012, 2011 and 2010 under the Wireless Plan are summarized as follows:

(shares in thousands)	**VARs**[(a)]	**Weighted Average Exercise Price of VARs**[(a)]	**Vested VARs**[(a)]
Outstanding, January 1, 2010	16,591	$ 16.54	16,591
Exercised	(4,947)	24.47	
Cancelled/Forfeited	(75)	22.72	
Outstanding, December 31, 2010	11,569	13.11	11,569
Exercised	(3,303)	14.87	
Cancelled/Forfeited	(52)	14.74	
Outstanding, December 31, 2011	8,214	12.39	8,214
Exercised	**(3,427)**	**10.30**	
Cancelled/Forfeited	**(21)**	**11.10**	
Outstanding, December 31, 2012	**4,766**	**$ 13.89**	**4,766**

(a) The weighted average exercise price is presented in dollars; VARs are presented in units. At December 31, 2012 all outstanding VARs had an exercise price of $13.89 and have a weighted average remaining contractual life of 1.25 years.

As of December 31, 2012 the aggregate intrinsic value of VARs outstanding and vested was $0.2 billion.

Verizon Communications Inc. Long-Term Incentive Plan

The Verizon Communications Inc. Long-Term Incentive Plan (the Verizon Plan) permits the granting of stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance stock units and other awards to Partnership employees. The maximum number of shares available for awards from the Verizon Plan is 119.6 million shares.

Restricted Stock Units

The Verizon Plan provides for grants of Restricted Stock Units (RSUs) that generally vest at the end of the third year after the grant. The RSUs granted prior to January 1, 2010 are classified as liability awards because the RSUs will be paid in cash upon vesting. The RSUs granted subsequent to January 1, 2010 are classified as equity awards because the RSUs will be paid in Verizon common stock upon vesting. The RSU equity awards are measured using the grant date fair value of Verizon common stock and are not remeasured at the end of each reporting period. Dividend equivalent units are also paid to participants at the time the RSU award is paid, and in the same proportion as the RSU award.

The Partnership had approximately 4.7 million and 4.6 million RSUs outstanding under the Verizon Plan as of December 31, 2012 and 2011, respectively.

Performance Stock Units

The Verizon Plan also provides for grants of Performance Stock Units (PSUs) that generally vest at the end of the third year after the grant. As defined by the Verizon Plan, the Human Resources Committee of the Board of Directors of Verizon determines the number of PSUs a participant earns based on the extent to which the corresponding performance goals have been achieved over the three-year performance cycle. 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 price of Verizon common stock as well as performance relative to the targets. Dividend equivalent units are also paid to participants at the time that the PSU award is determined and paid, and in the same proportion as the PSU award.

The Partnership had approximately 7.0 million and 6.8 million PSUs outstanding under the Verizon Plans as of December 31, 2012 and 2011, respectively.

As of December 31, 2012, unrecognized compensation expense related to the unvested portion of the Partnership's RSUs and PSUs was approximately $0.1 billion and is expected to be recognized over a weighted-average period of approximately two years.

Stock-Based Compensation Expense

For each of the years ended December 31, 2012, 2011 and 2010, the Partnership recognized compensation expense for stock based compensation related to VARs, RSUs and PSUs of $0.3 billion, $0.2 billion and $0.2 billion, respectively.

7. Income Taxes

Provision for Income Taxes

The provision for income taxes consists of the following:

(dollars in millions)

Years Ended December 31,	**2012**	2011	2010
Current tax provision:			
Federal	**$ 106**	$ 476	$ 874
State and local	**(28)**	103	128
	78	579	1,002
Deferred tax provision:			
Federal	**35**	369	1
State and local	**88**	(1)	64
	123	368	65
Provision for income taxes	**$ 201**	$ 947	$ 1,067

A reconciliation of the income tax provision computed at the statutory tax rate to the Partnership's effective tax rate is as follows:

(dollars in millions)

Years Ended December 31,		**2012**		2011		2010
Income tax provision at the statutory rate	**$**	**7,481**	$	6,264	$	6,210
State and local income taxes, net of U.S. federal benefit		**47**		57		140
Other		**3**		(7)		183
Partnership income not subject to federal or state income taxes		**(7,330)**		(5,367)		(5,466)
Provision for income tax	**$**	**201**	$	947	$	1,067

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

(dollars in millions)

At December 31,		**2012**		2011
Deferred tax assets:				
Net operating loss carryforward	**$**	**122**	$	101
Valuation allowance		**(55)**		(35)
Other		**134**		195
Total deferred tax assets		**201**		261
Deferred tax liabilities:				
Intangible assets		**9,355**		9,293
Plant, property and equipment		**1,445**		1,444
Other		**264**		297
Total deferred tax liabilities		**11,064**		11,034
Net deferred tax asset-current[(a)]		**76**		89
Net deferred tax liability-non-current	**$**	**10,939**	$	10,862

(a) Included in prepaid expenses and other current assets in the accompanying consolidated balance sheets.

At December 31, 2012, the Partnership had state net operating loss carryforwards of $3.0 billion. These net operating loss carryforwards expire at various dates principally from December 31, 2017 through December 31, 2032.

Unrecognized Tax Benefits

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

			(dollars in millions)
	2012	2011	2010
Balance as of January 1	**$ 267**	$ 393	$ 506
Additions based on tax positions related to the current year	**13**	10	21
Additions for tax positions of prior years	**72**	53	10
Reductions for tax positions of prior years	**(49)**	(187)	(106)
Reductions due to lapse of applicable statute of limitations	**-**	(2)	-
Settlements	**3**	-	(38)
Balance as of December 31	**$ 306**	$ 267	$ 393

Included in the total unrecognized tax benefits balance is $0.2 billion as of December 31, 2012, 2011 and 2010 that, if recognized, would favorably affect the effective tax rate. The remaining unrecognized tax benefits relate to temporary items that would not affect the effective tax rate.

The after-tax accrual for the payment of interest and penalties in the balance sheet relating to the unrecognized tax benefits reflected above was not significant for the years ended December 31, 2012, 2011 and 2010.

The net after-tax benefits (expenses) related to interest in the provision for income taxes was not significant as of December 31, 2012, 2011 and 2010.

The Partnership or its subsidiaries file income tax returns in the U.S. federal jurisdiction, and various state and local jurisdictions. The Partnership is generally no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2000. The Internal Revenue Service (IRS) is currently examining some of the Partnership's subsidiaries. As a result of the anticipated resolution of various income tax matters within the next twelve months, the Partnership believes that it is reasonably possible that the unrecognized tax benefits may be adjusted. An estimate of the amount of the change attributable to any such settlement cannot be made until issues are further developed or examinations close.

8. Leases

As Lessee

The Partnership has entered into operating leases for facilities and equipment used in its operations. Lease contracts include renewal options that include rent expense adjustments based on the Consumer Price Index as well as annual and end-of-lease term adjustments. Rent expense is recorded on a straight-line basis over the non-cancellable lease term which is generally determined to be the initial lease term. Total rent expense under operating leases amounted to $1.8 billion in 2012, $1.7 billion in 2011 and $1.8 billion in 2010.

The aggregate future minimum rental commitments under non-cancellable operating leases, excluding renewal options that are not reasonably assured for the periods shown at December 31, 2012, are as follows:

(dollars in millions) **Years**		**Operating Leases**
2013	$	1,536
2014		1,381
2015		1,201
2016		990
2017		755
Thereafter		3,356
Total minimum rental commitments	$	9,219

9. Supplementary Financial Information

Supplementary Balance Sheet Information

(dollars in millions)		**At December 31, 2012**		2011
Receivables, Net:				
Accounts receivable	**$**	**5,848**	$	5,287
Other receivables		**864**		714
Unbilled revenue		**295**		326
		7,007		6,327
Less: allowance for doubtful accounts		**(350)**		(338)
Receivables, net	**$**	**6,657**	$	5,989

At December 31,	**Lives (years)**		(dollars in millions) **2012**		2011
Plant, Property and Equipment, Net:					
Land	-	**$**	**244**	$	245
Buildings	20-45		**10,855**		9,986
Wireless plant and equipment	3-15		**54,867**		50,914
Furniture, fixtures and equipment	3-10		**3,603**		3,673
Leasehold improvements	5		**4,310**		3,987
Construction-in-progress[(b)]	-		**2,572**		1,911
			76,451		70,716
Less: accumulated depreciation[(c)]			**(41,905)**		(37,265)
Plant, property and equipment , net[(a)]		**$**	**34,546**	$	33,451

(a) Interest costs of $0.1 billion and network engineering costs of $0.4 billion were capitalized during each of the years ended December 31, 2012 and 2011, respectively.

(b) Construction-in-progress includes $1.2 billion and $0.7 billion of accrued but unpaid capital expenditures as of December 31, 2012 and 2011, respectively.

(c) Depreciation of plant, property and equipment was $7.5 billion, $7.4 billion and $6.8 billion, for the years ended December 31, 2012, 2011 and 2010, respectively.

(dollars in millions)

At December 31,	2012	2011
Accounts Payable and Accrued Liabilities:		
Accounts payable, accrued interest and accrued expenses	**$ 4,798**	$ 4,268
Accrued payroll and related employee benefits	**1,385**	1,376
Taxes payable	**427**	476
Accrued commissions	**924**	695
Accounts payable and accrued liabilities	**$ 7,534**	$ 6,815

Supplementary Statements of Income Information

(dollars in millions)

For the Years Ended December 31,	2012	2011	2010
Advertising and Promotional Cost:	**$ 1,826**	$ 1,925	$ 1,801
Employee Benefit Plans:			
Matching contribution expense	**$ 247**	$ 231	$ 217
Profit sharing expense	**60**	82	108
Interest Expense, Net:			
Interest expense	**$ (776)**	$ (954)	$ (1,094)
Capitalized interest	**334**	344	778
Interest expense, net	**$ (442)**	$ (610)	$ (316)

Supplementary Cash Flows Information

(dollars in millions)

For the Years Ended December 31,	2012	2011	2010
Net cash paid for income taxes	**$ 245**	$ 505	$ 1,236
Interest paid, net of amounts capitalized	**464**	610	284

10. Noncontrolling Interest

Noncontrolling interests in equity of subsidiaries were as follows:

(dollars in millions)

At December 31,	2012	2011
Verizon Wireless of the East LP	**$ 1,179**	$ 1,179
Cellular partnerships - various	**865**	773
Noncontrolling interest in consolidated entities	**$ 2,044**	$ 1,952

Verizon Wireless of the East LP

Verizon Wireless of the East LP is a limited partnership formed in 2002 and is controlled and managed by the Partnership. Verizon held the noncontrolling interest of Verizon Wireless of the East LP at December 31, 2012 and 2011. As per the agreement between the Partnership and Verizon, Verizon has not been allocated any of the profits of Verizon Wireless of the East LP.

11. Other Transactions with Affiliates

In addition to transactions with Affiliates in Note 5, other significant transactions with Affiliates are summarized as follows:

(dollars in millions)

For the Years Ended December 31,	**2012**	2011	2010
Revenue related to transactions with affiliated companies	**$** 83	$ 87	$ 94
Cost of service[(a)]	1,365	1,396	1,471
Selling, general and administrative expenses[(b)]	584	312	225
Interest incurred[(c)]	-	-	9

(a) Affiliate cost of service primarily represents charges for long distance, direct telecommunication and roaming services provided by affiliates.

(b) Affiliate selling, general and administrative expenses include charges from affiliates for services provided, including insurance, leases, office telecommunications, and billing and lockbox services, as well as services billed from Verizon Corporate Services, Verizon Sourcing LLC, Verizon Corporate Resources Group and Verizon Data Solutions for functions performed under service level agreements.

(c) Interest costs of $7 million were capitalized in Wireless licenses and Plant, property and equipment, net in the year ended December 31, 2010.

Other Transactions with Affiliates

Accounts payable and accrued liabilities as of December 31, 2012 and 2011 include $92 million and $44 million, respectively, due to affiliates primarily comprised of costs associated with services provided in the normal course of business and roaming services.

Distributions to Partners

In May 2013, the Board of Representatives of the Partnership declared a distribution to its owners in the aggregate amount of $7.0 billion, payable on June 25, 2013, in proportion to their respective partnership interests on the date of such distribution. Based on current ownership interests in the Partnership, Verizon will receive cash payments aggregating $3.85 billion and Vodafone will receive cash payments aggregating $3.15 billion.

In November 2012, the Board of Representatives of the Partnership declared a distribution to its owners, which was paid in the fourth quarter of 2012 in proportion to their partnership interests on the payment date, in the aggregate amount of $8.5 billion. As a result, Vodafone received a cash payment of $3.8 billion and the remainder of the distribution was received by Verizon.

In July 2011, the Board of Representatives of the Partnership declared a distribution to its owners, which was paid in the first quarter of 2012 in proportion to their partnership interests on the payment date, in the aggregate amount of $10 billion. As a result, Vodafone received a cash payment of $4.5 billion and the remainder of the distribution was received by Verizon.

As required under the Partnership Agreement, the Partnership paid aggregate tax distributions of $7.2 billion, $3.1 billion and $3.8 billion to its Partners during the years ended December 31, 2012, 2011 and 2010 respectively. In addition to quarterly tax distribution to its Partners, its Partners have directed the Partnership to make supplemental

tax distributions to them, subject to the Partnership's board of representatives' right to reconsider these distributions based on significant changes in overall business and financial conditions. During the year ended December 31, 2012, the Partnership made supplemental tax distributions in the aggregate amount of $0.7 billion, which is included in the total distribution paid above. Subsequent annual supplemental tax distributions in the amount of $0.9 billion, comprised of $0.5 billion to Verizon Communications and $0.4 billion to Vodafone in each of 2013 and 2014, are expected to be paid in equal quarterly installments during each of those years on the same dates that the established regular quarterly tax distributions are made.

During February 2013, the Partnership paid aggregate tax distributions of $2.1 billion to its Partners.

12. Accumulated Other Comprehensive Income

Comprehensive income consists of net income and other gains and losses affecting Partners' capital that, under GAAP, are excluded from net income. The components of Accumulated other comprehensive income are as follows:

(dollars in millions)

Years Ended December 31,	**2012**	2011
Unrealized gains on cash flow hedges	**$ 80**	$ 59
Defined benefit pension and postretirement plans	**4**	4
Accumulated other comprehensive income	**$ 84**	$ 63

13. Commitments and Contingencies

Bell Atlantic, now known as Verizon Communications, and Vodafone entered into an alliance agreement to create a wireless business composed of both companies' U.S. wireless assets, as amended, which the Partnership refers to as the "Alliance Agreement". The Alliance Agreement contains a provision, subject to specified limitations, that requires Verizon and Vodafone to indemnify the Partnership for certain contingencies, excluding PrimeCo Personal Communications L.P. contingencies, arising prior to the formation of the Partnership.

Where it is determined, in consultation with counsel based on litigation and settlement risks, that a loss is probable and estimable in a given matter, the Partnership establishes an accrual. In none of the currently pending matters is the amount of accrual material. An estimate of the reasonably possible loss or range of loss in excess of the amounts already accrued cannot be made at this time due to various factors typical in contested proceedings, including (1) uncertain damage theories and demands; (2) a less than complete factual record; (3) uncertainty concerning legal theories and their resolution by courts or regulators; and (4) the unpredictable nature of the opposing party and its demands. The Partnership continuously monitors these proceedings as they develop and adjusts any accrual or disclosure as needed. The Partnership does not expect that the ultimate resolution of any pending regulatory or legal matter in future periods will have a material effect on the Partnership's financial condition, but it could have a material effect on the Partnership's results of operations for a given reporting period.

Verizon has entered into reimbursement agreements with third-party lenders that permit these lenders to issue letters of credit to third parties on behalf of the Partnership and the Partnership's subsidiaries, including Alltel, following the acquisition of Alltel.

The Partnership has several commitments primarily to purchase handsets and peripherals, equipment, software, programming and network services, and marketing activities, which will be used or sold in the ordinary course of business, from a variety of suppliers totaling $24.7 billion. Of this total amount, $23.5 billion is attributable to 2013, $0.5 billion is attributable to 2014 through 2015, $0.7 billion is attributable to 2016 through 2017 and an immaterial amount is attributable to years thereafter. These amounts do not represent the Partnership's entire anticipated purchases in the future, but represent only those items that are the subject of contractual obligations. The

Partnership's commitments are generally determined based on the noncancelable quantities or termination amounts. Purchases against the Partnership's commitments for 2012 totaled approximately $10.1 billion. The Partnership also purchases products and services as needed with no firm commitment.