FINAL TRANSCRIPT

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PRESENTATION

Jonathan Chaplin - *Credit Suisse - Analyst*

Good afternoon, everybody. Thank you very much for joining us. I want to introduce John Killian, the CFO of Verizon. John is going to run through a couple of minutes of a presentation, and then we will get into Q&A and have some questions from the audience as well.

So John doesn't need much introduction. With that, I will hand it over to John.

John Killian - *Verizon - EVP and CFO*

Thank you, Jonathan, and good afternoon to everybody. I don't know if we are competing with people's appetites or the sun, but it is great to be here with all of you. And I would like to thank Credit Suisse for the opportunity to participate in the conference.

Before we get started, I'd like to draw your attention to our safe harbor statement. The factors which may affect future results are contained in our SEC filings and are also available on our website.

Let me start out with a recap about 2010 key focus areas, which are on slide 3. In wireless, we will continue to center our attention on growing market share, expanding data penetration and growing data revenue. We believe there are significant opportunities to continue to grow data revenue, which I will address later in my remarks.

On the network side, the 4G technology evolution with LTE represents a huge growth opportunity for us, and we are very well positioned to capitalize on this. As you know, we have the largest and most reliable 3G network today, and we plan to extend our leadership with the deployment of 4G beginning later this year. We are on schedule for commercial introduction in 25 to 30 markets, covering approximately 100 million POPs by the end of 2010. Lastly, we will also remain disciplined in balancing our growth initiatives and profitability.

In wireline, we will continue to capitalize on our investments in FiOS and our global IP networks by driving higher FiOS penetration and growing ARPU and revenue. By innovating, we are constantly introducing new FiOS features and functions that further enhanced the customer value proposition. In the enterprise markets, our attention is on increasing our market share in professional and managed enterprise services and growing strategic service revenue. We have maintained our customer relationships in this economic downturn, and we're seeing that managed and professional services are becoming more important to our customers. Other emerging opportunities like cloud computing are also becoming more important. We are well positioned in these areas, which bodes well for us when the economy improves.

We will remain diligent on achieving meaningful cost reductions, and we will make sure the business is ready to quickly benefit from improvements in employment and the overall economy. As you can see, we are centered on both our wireless and wireline segments, and I am confident that the steps we have taken will strengthen the business going forward.

We expect that both our wireless and wireline businesses will continue to drive very strong free cash flow generation throughout 2010. Capital intensity is a focal point throughout our business, and our capital-to-revenue ratio is continuing to improve.

In addition to the disciplined capital spending, we will use cash to pay down debt. I'm targeting to reach a net debt to EBITDA ratio of 1.4 to 1.5 times by year end, thereby maintaining our current single-A credit rating. And of course, I expect we will maintain a competitive dividend.

Finally, investors are well aware of our strategic divestitures and the investments we made to accelerate growth. The wireless team is capitalizing on the successful integration of Alltel, which will help growth in 2010.

Let's take a closer look at one of our key wireless areas and the things we are doing to expand data penetration and revenue. As you know, we had $16 billion in total data revenues in 2009, up 31% over pro forma 2008. Web and e-mail services accounted for $7.5 billion of total data revenues, growing just under 50% over the prior year.

Starting from this foundation and looking ahead, we see plenty of data growth opportunities, driven by our expansive 3G network, which covers more square miles than the major US wireless carriers combined. Also, LTE, the next-generation network, will allow us to continue our leadership by enabling a proliferation of machine-to-machine connections, from consumer electronics to household appliances and energy management, traffic sensors, electric meters and health monitoring bracelets.

We have a strong and growing smartphone portfolio that is meeting the increased customer demand for high-speed, high-reliability and high-capability devices that can support a large number of applications. While our Droid franchise is a good example, we have a robust roadmap of new and enhanced devices that will keep and attract high-value customers.

As you know, we have simplified our devices into categories -- 3G smartphones, 3G multimedia devices, and feature phones. 3G smartphones have a requirement for a $30 data plan, and 3G multimedia devices have a $10 minimum data plan requirement.

The penetration of these devices, which comprise 26% of our retail postpaid base at year end 2009, and the associated data revenue continues to grow as the mix of sales is skewed towards smartphones and multimedia devices.

With a growing customer demand for smartphone capabilities, we see plenty of data growth opportunities, driven by new and enhanced devices and innovative applications and content, all powered by Verizon's expansive 3G network and the rollout of 4G next year.

On the wireline side, let's take a closer look at how we are driving a lower cost structure. In 2009, we ended the year with 117,000 employees in our wireline business, down 13,000 from the beginning of the year. If you look back to the beginning of 2006, we have reduced the wireline workforce by about 37,000 people. So you can see we have had a very strong focus on changing the cost structure.

The changes currently underway in our wireline organization are defined to simplify our operations and accelerate free cash flow and earnings performance. We continue to aggressively realign our cost structure and improve productivity. As the business has changed, we have been systematically shifting force to the growth areas and steadily reducing the overall workforce.

As our workforce is declining, we are also rationalizing our real estate portfolio to take advantage of cost reductions with facility costs. One of the initiatives aimed at simplifying our operations is a comprehensive redesign of entire call center infrastructure, including reducing the number of call centers and improving our utilization and efficiency metrics.

In addition, we have efforts underway to enhance the customer experience while realizing operating cost efficiencies through self-service enhancements and increased utilization of My Verizon. We also have a wireline network integration initiative underway, with the goal of optimizing the network and leveraging scale that will ultimately result in operating efficiency improvements and reduced costs.

In the area of capital spending, we have had an intense concentration on improving our efficiency and operating with a great deal of financial discipline. Wireline capital spending is expected to be down over 2009, and our capital efficiency will continue to steadily improve.

I mentioned earlier how tightly we are managing costs, and we will continue to do so. I'm confident that the steps we are undertaking will simplify our organization, improve our ability to capitalize on new avenues of growth, and achieve improved levels of productivity. The investments in broadband, video and global IP will also help us develop a lower cost structure.

From a cash flow perspective, 2009 was a very good year for Verizon. As you know, our Board of Directors raised the dividend in September by 3.3%. Cash flow from operations grew by $4 billion or 14.5%, led by strong cash generation in wireless. And free cash flow of $14.5 billion was significantly higher than 2008, up $4.2 billion or just over 40%. We continue to expect solid cash flow generation in 2010 while maintaining a disciplined capital program.

Wireless free cash flow is growing rapidly, and we expect that to continue. The wireline free cash flow improves as FiOS generates revenue, capital spending declines and the initial deployment winds down.

Verizon's ability to grow cash and deliver a competitive dividend is an important vehicle for generating shareholder returns over the long term. We continue to target disciplined capital allocation and spending in order to maximize free cash flow. CapEx for 2010 is expected to be in the range of $16.8 billion to $17.2 billion, which is roughly flat to the 2009 levels.

The outlook for cash flow growth in 2010 remains strong. I see no issue with cash generation and paying a strong dividend in 2010.

So let me quickly sum up before getting to Jonathan's questions and your questions. We see continued growth opportunities in wireless, FiOS, and strategic services and enterprise, and have confidence that we can continue to drive success in our organic areas.

As I have highlighted this afternoon, in addition to growth, we see significant cost reduction opportunities. And I'm confident we can deliver in this area as well. We have industry-leading margins in our wireless business, and we are concentrating on continuing to achieve both growth and profitability.

Obviously, we see tremendous growth opportunities ahead in wireless data. As I just discussed, we will also continue working hard to transform the wireline business. And I am confident that our margins will improve over time. Our cash flow outlook remains strong, and we have demonstrated our commitment to return cash to our shareholders.

I will be -- continue to be very focused on maintaining a healthy balance sheet, which will strengthen over the next several years as we pay down debt. On the strategic front, our Alltel integration continues to go very well, and the DOJ and FCC are reviewing all the necessary paperwork with regard to the required divestiture properties in connection with the Alltel acquisition.

Our access line spinoff is on track, and we continue to make progress in preparing for the divestiture of the wireline markets to Frontier by midyear 2010. I believe we're taking the appropriate decisive actions necessary to deliver strong results in 2010 and to further our position in 2011.

And with that, Jonathan, I would be happy to turn it back to you and take your questions.

QUESTIONS AND ANSWERS

Jonathan Chaplin - *Credit Suisse - Analyst*

Thanks, John. So to kick it off with a fairly general question on wireless, could you give us a sense of how you see the postpaid wireless market evolving over the next couple of years and how your strategy is going to change as you deal with the next stage of evolution in the market?

John Killian - *Verizon - EVP and CFO*

I think with our wireless business, as you know, Jonathan, we came off a very strong 2009, a particularly strong fourth quarter where we gained 2.2 million, roughly, customers in total, about 1.2 million from the postpaid side.

We are still confident that with the power of the network that we have, the continued investment we are making, that we can continue to grow customers. And I think you will see that through the first quarter.

So we believe we are very well positioned in the marketplace. Over time, the mix will probably shift a little bit. There will be a little bit of growth on the reseller side, as we saw in the fourth quarter. But we still believe that Verizon has the opportunity to continue to grow in the postpaid marketplace.

Jonathan Chaplin - *Credit Suisse - Analyst*

In postpaid, John, is it important to you to continue growing at 3 million to 4 million postpaid net adds a year, or are you prepared to -- so you have a clear competitive advantage in terms of your network at the moment. As the growth in the industry slows down, do you press that advantage and continue to capture as much of it as possible, or are you prepared to let growth start to ebb over the course of the next couple years?

John Killian - *Verizon - EVP and CFO*

I think, Jonathan, on that, I think one is I think we are very well positioned to capture a lot of the available growth and actually to continue to win and grow market share. If you look back the last several years, we have actually expanded our share, and we are focused on doing that.

Now, here is what I would say to you behind your question, is we are both focused on, as we always have been, growth and profitability. So we're not going to do anything irresponsible on the pricing front. You don't see us take pricing action very often. We did take some pricing action earlier this year that was really focused around increasing our share of the data market, getting more of our customers on data plans because we believe that is where the explosion is going to take place, and then also becoming a little more competitive on the very high end of the marketplace.

Jonathan Chaplin - *Credit Suisse - Analyst*

So pushing data makes a tremendous amount of sense. It really plays to your competitive advantage. I think what shocked the market, though, was coming down in price on voice at the high end, particularly off of what you just said was a very, very strong 2009, very strong fourth quarter. What drove your decision to do that?

John Killian - *Verizon - EVP and CFO*

What drove our decision, Jonathan, it was really multipronged here. We looked at where some of the pricing in the marketplace was for all-you-can-eat kind of plans. Both Verizon and AT&T were both significantly higher. So we didn't come down and match everyone's level.

And by the way, I don't think the market was shocked. If you look at our base, we didn't have a lot of people on the $100, roughly, $99 unlimited plan. So the risk on the downside was very limited. We knew what that was. We also saw an opportunity to move a lot of the customer base up to the now-$69 plan, and also with this, of course, get a bigger proportion of our revenue from data with making the data plan mandatory on the multimedia phone, having the $30 plan on the smartphone.

And by the way, in the -- I guess it's about two months, six weeks, Ron, or so, since we made the changes, it is playing out exactly as we expected. So there are some customers migrating down, but we expected that. It's in the realm of where we thought we had customers buying up. The data plans are doing quite well. The smartphone lineup that Lowell and his team put tremendous energy in '08, in the early part of '09, making sure we had a competitive smartphone lineup. And we made great progress with that. The Droid set is doing extremely well. So we are very pleased with where we are.

Jonathan Chaplin - *Credit Suisse - Analyst*

So in thinking about the changes on the voice front, it seems like over the course of the last fourth quarters, Sprint's become less of a source of subscribers to the industry in general. Bringing down pricing at the high end, is it aimed at continuing to gain share from carriers like Sprint?

John Killian - *Verizon - EVP and CFO*

It is really aimed at making sure we have the ability to capture a reasonable share of the high end of the marketplace. It wasn't aimed at any one particular carrier. We are a little bit underindexed on the very high end of the marketplace without having, as everyone knows, not having the iPhone and some other things. So there was a little bit behind saying making sure we were focused on getting our share of the high end of the marketplace.

Now, the other thing that I think really helped us with that is the devices I just talked about. So the Android phone from Motorola, the HTC device, the new Storm2, the lineup -- you saw our fourth-quarter results. So from a postpaid perspective, we had a very strong postpaid base.

By the way, as we are looking here, our churn levels continue to be in very good shape. Our porting ratios continue to run just about where they were in the fourth quarter. So our wireless business is in very good shape, and we are very confident in the ability to continue to grow it, continue to take share and continue to get more and more of a contribution on the data side.

Jonathan Chaplin - *Credit Suisse - Analyst*

A minute ago, you touched on balancing growth and profitability. From the outside, it looks like the strategy is 45% or hovering around margins in wireless are your target, and anything you generate over and above that as you get more scale you're willing to reinvest in growth. Is that the right way to think about it?

John Killian - *Verizon - EVP and CFO*

Yes. Since I've been on this job, for the last little over a year now, everyone has been trying to get me to say our target is 45%.

Jonathan Chaplin - *Credit Suisse - Analyst*

We actually want you to say 50%.

John Killian - *Verizon - EVP and CFO*

And what I have actually said, as you know, Jon, here is what I actually said, was, the old guidance range of 43% to 45%, I think on my first call, isn't relevant. And if you look at where we ran last year, we ran 45.9% for the full year. The first three quarters were in excess of 46%. Fourth quarter, we had a very high acquisition quarter, a lot of upgrades with the new smartphones, so we ran it at 45%.

So I am not going to band it here, and we don't think about it that way. So we think about making sure that we have the right product portfolio in place in the marketplace, make sure we are getting a fair share. But there is going to be some quarters where margin is going to be up above the 45%, 46%, and potentially there will be some quarters where it is down from over 45% or 46%.

Jonathan Chaplin - *Credit Suisse - Analyst*

So switching gears a minute to ARPU, data is a clear focus for you. Is there a prospect -- is there enough growth in data over the course of the next year or two to get total ARPU flat to growing?

John Killian - *Verizon - EVP and CFO*

We think absolutely. We think we are in the early, early innings of what is going to happen with data. We have -- I mentioned earlier we ended the year with 26% of our base having either a smartphone or a multimedia device. Our fourth-quarter sales were 2.5x that, the 26%.

So we think there is an explosion happening on the data side, and no one is better positioned to take advantage of it than Verizon. I think you will also see that we are very focused and on schedule with the LTE rollout this year. And that is going to give us tremendous benefits from both a cost efficiency standpoint as well as from a throughput for our customer base. So I don't think we even know what all the data applications are out there. So we are confident that we will have the ability to grow ARPU.

Jonathan Chaplin - *Credit Suisse - Analyst*

So to grow total ARPU, do you have to see voice ARPU start to stabilize, or is data ARPU going to accelerate to the point where you can get (multiple speakers)?

John Killian - *Verizon - EVP and CFO*

Our belief is you are going to see tremendous growth in data ARPUs. But we also believe you are going to see -- I'm not going to say that voice ARPUs are going to grow. But I think the rate of decline we have seen the last couple quarters, we can mitigate the rate of decline. And partially behind that is more and more people buying up to the all-you-can-eat plan, the $69. We'll have a little bit of period where we work through with some of the base we had moving down. But that is very manageable. So we think we are positioned to grow ARPUs.

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Jonathan Chaplin - *Credit Suisse - Analyst*

Is there an avenue for growing data revenue in a way that you're not extracting the revenue from consumer customers, but rather from the applications and the content that is riding on that network that requires so much investment?

John Killian - *Verizon - EVP and CFO*

There is definitely some additional data revenue that can be garnered through getting a piece of application. So our wireless team has been very focused on rolling out and developing their own application store that will be coming out later this year. We get a piece of the applications revenue from some of the handset providers that we do business with right now.

So I don't think there is any question that over time there will be more and more opportunities to drive different sources of data revenue, including, by the way, as we go through the year and particularly with LTE, more machine-to-machine kinds of connections. So very early on, you had OnStar, you had those kinds of things. But I don't think any of us know what all of the applications will be as we move more into a machine-to-machine mode.

Jonathan Chaplin - *Credit Suisse - Analyst*

So in talking to some of your competitors, it seems like some of them are seeing a slowdown in postpaid subscriber growth in the first quarter. Is that something that is specific to them? Are you taking share? Is it an industry issue?

John Killian - *Verizon - EVP and CFO*

Yes, obviously, we are not done with the first quarter yet. So we are in the early days of March. We are going to grow in the first quarter of this year, as I mentioned earlier. Our churn numbers are very good. Our port ratios are holding up. So we're going to have good growth in total customers as we go through the first quarter. But we still have some time to go here.

Jonathan Chaplin - *Credit Suisse - Analyst*

What about the mix of postpaid and prepaid and the wholesale as it stands at the moment?

John Killian - *Verizon - EVP and CFO*

We are seeing a bigger mix with resellers than we had seen in the early part of last year. As you know, as we went through the third and fourth quarter, we saw a little heavier mix of the reseller business. But remember, that was good for us. Verizon was able to continue to grow very nicely its retail base and at the same time pick up a share of what was the kind of the all-you-can-eat market phone through some of the deals we have done on the wholesale side. And the interesting thing here is very different ARPU levels with the current reseller traffic, very high from a wholesale or resale perspective ARPU levels, and very good margins on that front.

Jonathan Chaplin - *Credit Suisse - Analyst*

So can you talk to us a little bit about your reseller strategy? You have the lowest cost structure in the industry. You have empowered TracFone to come into the market off of that cost structure. There is a certain amount of cannibalism risk to your business from TracFone's activity in the market. Why not capture 100% of the economics from the network that you have built?

John Killian - *Verizon - EVP and CFO*

A couple of reactions here, Jonathan. One is, there is very little cannibalization. I'm not about to say there isn't any. In any case, there is a little bit there. But it is beyond TracFone, by the way.

So, Straight Talk, what we decided to do in the early part of last year was we really hadn't refreshed our pricing to the reseller marketplace. So we did that in the -- I guess it was the second quarter, Ron, right that we had updated the pricing there? And it was more than just Straight Talk. It was also Start Wireless and some different people like that.

So we were very comfortable with the strategy. We saw an opportunity in a segment of the marketplace where we weren't sharing in the ability to drive positive NPV, positive values back to Verizon Wireless, and at the same time keep our retail business growing quite nicely. So we felt the right equation here was continuing very strong focus on our retail base, but at the same time getting a little more competitive on the pricing that we were offering to the reseller marketplace.

Now, by the way, it is working very well. So we are driving value. We are not cannibalizing our retail base. So we are pretty satisfied. And trust me, we look at this very carefully. We understand where our customers are going, so we have a very good handle on what is happening here.

Jonathan Chaplin - *Credit Suisse - Analyst*

But why not do it yourself, John? Why not launch your own prepaid product? What does TracFone bring to the table?

John Killian - *Verizon - EVP and CFO*

We have our own prepaid offering today. All right? So don't read this as we're just going to be retail postpaid and reseller. We will continue to look at our prepaid offering. We felt we had the right prepaid offering for our strategy. Our prime focus, remember, we have always said on the retail side is postpaid. It still is. And we really didn't want to dilute our marketing message on the retail postpaid side.

Jonathan Chaplin - *Credit Suisse - Analyst*

Switching gears for a second to wireline EBITDA margins, when you compare and contrast you to AT&T, you have roughly comparable margins at the consolidated level. And when we drill down into the segments, you get much higher wireless margins, and you should, structurally, because you've got more scale and a lower-cost network. And there are much lower margins on the wireline side. And at the same -- over the course over the last few quarters, their margins have been more stable, and yours have had more pressure. What is going on there? What is driving [them to the margin pressure]?

John Killian - *Verizon - EVP and CFO*

I think the biggest issue as we went through '09, for us -- I can't comment on, really, AT&T's margins because if we look, as you rightfully say, if you look at the consolidated businesses, we are pretty comparable in consolidated margin. And that is without us having a directory business and -- which I think runs -- at least was running a little bit higher from a pure margin standpoint. So I can't comment on us versus them.

I will tell you as we went through '09, the biggest single issue that affected us in '09 was the economy. So if you look at the enterprise side of the house, if you look at the wholesale side of the house, those two areas combined lost about $1.5 billion of revenue in the year '09. That was directly related to the 4-million-plus job loss we experienced in the economy, because the biggest driver there of revenue is having people at work, on PCs, on phones, driving minutes and usage around the network. So that was the single biggest item we had there.

Now, we have -- obviously, our strategy on the wireline side is threefold to improve margins. It is continued strong focus on FiOS. FiOS is doing extremely well. So FiOS is just about now starting to become accretive to the overall margin. It will become accretive. So we will continue to bang away at FiOS, bang away at penetration, bang away at lowering the cost structure related directly to FiOS, right?

But the second area is capitalizing on the enterprise and wholesale business as the economy starts to come back. Now, we happen to believe that's going to be more of a second-half 2010 event than a first-half 2010.

And then we have very aggressive plans in every part of the wireline business to take costs out. So last year, we took 13,000 people out. Look for us to do a similar kind of thing in 2010, around the same range. I gave you the numbers up front of what we have done over the last three or four years.

And then related to that is taking real estate costs out, moving more and more transactions online. I think a huge opportunity for Verizon -- and it is beyond the wireline business; it is in the wireless business, too -- is to move us much more to being an online company. And as more and more of our customers have smartphones, netbooks, etc., they don't want to go into the store or do transactions over the phone. They want to do much more online. And I think we are very well positioned, and that could yield tremendous, tremendous cost reductions for us in the business.

Jonathan Chaplin - *Credit Suisse - Analyst*

So looking at the margin profile in wireline, then, you've got less revenue pressure in 2010 that you had in 2009. You have taken out roughly the same number of heads. You have got other opportunities for cost reductions as well. Does that get you margins that are above where you were in 2009?

John Killian - *Verizon - EVP and CFO*

My focus, Jonathan, if you look at 2009, we ran 24.1% for the full year. We ran 23% in the fourth quarter. So our focus is to improve the wireline margins as we go through 2010.

Now, the one question I would have for you is -- we are not yet seeing much impact from the economy. So we are hoping it will come in the end. Now, the good news here is it has stabilized more than it had. So we are not seeing the big falloff that we saw in late '08 and as we went through the early part of '09. So we are seeing some more stabilization there. That will be a real plus for us, and a plus for us on our ability to expand margins, as we go through the next couple years.

Jonathan Chaplin - *Credit Suisse - Analyst*

One more question, John, and then I will turn it over to the audience for questions. An area of concern among some investors has been the cash flows at the wireline entity versus the wireless entity, and what starts to happen as you need to access the cash flow at the wireless entity by paying a dividend.

So can you walk us through how much cash flow of the $14.5 billion you generated in 2009 came from the wireline entity and how the cash flow of the two entities evolves over the course of the next year, and when you get done with paying the intercompany debt between wireline and wireless?

John Killian - *Verizon - EVP and CFO*

Okay, so let me comment on a couple things here. One is, we have a very nice problem, right, that we've got a tremendous amount of cash being generated in the wireless business. And we expect that -- if you look at free cash flow in '09, most of the free cash flow of the business was generated from the wireless business.

We expect that to continue to do extremely well. We expect that to continue to grow. But I can handle our dividend easily as we go through 2010 and 2011 without dividending anything out of Verizon Wireless.

Now, you asked me about the intercompany debt. I expect the intercompany debt to be paid down in 2010. One thing that we have got in the wireless side is we also have to complete the divestitures of the trust properties. Our K said that that would be in the first half of 2010. So we think we are on track for that. Once I get that done, we still have roughly $20 billion of external debt in Verizon Wireless, and our focus is to pay that down and pay as much of that down as we can.

Now, at the same time, by the way, the wireline free cash flow situation is going to improve. CapEx spending is going to be down again this year. It was down last year in the wireline business. We are coming more to the end of the FiOS buildout. And so we think the cash dynamics, we are in a great situation, because we are generating a lot of cash, and we have things to do with it, obviously, with delevering wireless.

But the dividend, yes, I said this actually to our management team last week, that one of the biggest surprises to me on this job the last year is that the question of the ability to pay the dividend has even come up. So when you look at the very strong free cash flow generation of the business, the levers we have to pull, I mean, we have been on a fairly aggressive -- reinvent the wireline business with capital expenditures. And we have levers there that we can pull, too, in terms of cash flow. So I think we're in a very, very strong cash situation.

Jonathan Chaplin - *Credit Suisse - Analyst*

So looking at all the puts and takes between the intercompany debt, the revenue or the proceeds that come in from selling the trust properties, an improving free cash flow picture on the wireline side, and the contribution you already get from wireless, you are good through 2010, 2011. Do you start looking at a dividend to both partners out of Verizon Wireless in 2012?

John Killian - *Verizon - EVP and CFO*

That is something we will look at as we go through the next couple of years. I'm not about today to announce the timing of a dividend out of Verizon Wireless. We have got plenty to do, as I mentioned, on delevering the business. We are a long way away from when I really need to seriously think about that particular issue. And then we will think about it.

Jonathan Chaplin - *Credit Suisse - Analyst*

Is it something you're at all worried about, paying a dividend to Vodafone?

John Killian - *Verizon - EVP and CFO*

Am I worried about paying? I'm not worried about it, but obviously, anybody would just as soon keep the cash within their business, right? So, by the way, with Vodafone, we have a very good partner, very good relationship with Vodafone. So we will work through these issues as we go through the next couple years.

Jonathan Chaplin - *Credit Suisse - Analyst*

Okay. With that, I will turn it over to the audience for a little bit, take some questions.

John Killian - *Verizon - EVP and CFO*

I think they are still digesting that nice lunch you provided.

Jonathan Chaplin - *Credit Suisse - Analyst*

Okay, so if they are not going to ask questions, I will.

John Killian - *Verizon - EVP and CFO*

He's not shy.

Jonathan Chaplin - *Credit Suisse - Analyst*

I think we've got a couple over here.

Unidentified Audience Member

(inaudible -- microphone inaccessible)

John Killian - *Verizon - EVP and CFO*

No, I'm not playing golf this afternoon.

Unidentified Audience Member

Me neither. John, I don't know if you touched on this earlier or not, but apologies if you did. But could you talk a little bit about your partnerships on the DBS side, particularly, obviously, with DirecTV, and how you see that fitting into your overall video strategy over the long run?

John Killian - *Verizon - EVP and CFO*

Yes. I mean, DirecTV is the partner we use on the satellite side. We have a very good relationship with them. They are, as we've said in the past, they are an important partner for us in the areas where we don't have FiOS. And we would intend to continue to work with them.

It has been successful for us. I think we believe we can still capitalize a little bit more on that operationally to retain more of the voice business in the areas and, candidly, the broadband business in the areas where we don't have FiOS available. So what we see as an important partnership we have today continuing to be an important partnership.

Jonathan Chaplin - *Credit Suisse - Analyst*

So when you talk about capitalizing on that opportunity, do you need to -- does it make sense for you to own DBS assets? Do you need more distribution assets?

John Killian - *Verizon - EVP and CFO*

We do not at all need to own the DBS assets. What we need to do is have the ability to work with them. They love working with us, by the way. So it works extremely well for them. So I think we will continue to have a strong relationship there, but there is not a need to own the asset.

Unidentified Audience Member

On the last quarterly conference call, the Company signaled perhaps a change in the trajectory of FiOS adds going forward. And my question was, is it something you're seeing in the market that perhaps the underlying economics of the business are not what you originally thought they would be, or is it more some combination of a tough economy and perhaps the overall pay-TV market being more mature than --

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John Killian - *Verizon - EVP and CFO*

Sure. Let me give a stab at it here. No, the underlying economics of FiOS is pretty much exactly what we thought when we embarked on it. Yes, there are some pieces that we have done a little better on, like video penetration has run a little bit better than we originally thought it would be. It took us a little longer to realize some of the cost savings, particularly from a maintenance standpoint. But we're actually doing better now than we had originally anticipated.

So what we really said on the call was we have grown the last couple years in the above 950,000 -- 900,000 to 950,000 net adds. That is kind of where we were still targeting ourselves as we went through 2010. We always said this was going to be about a 17 million to 18 million home or premise passed buildout. And that is kind of where we still are. Past that, we would maybe look to say, are there certain areas on a much smaller scale where the economics might make sense to do more? But I don't think that will be the case.

I see someone, by the way, giving us -- giving you -- giving you the cutoff signal, by the way.

Jonathan Chaplin - *Credit Suisse - Analyst*

I'm not talking to them. (multiple speakers). Okay, with that, we will wrap it up. Thank you very much for joining us. We appreciate it.

John Killian - *Verizon - EVP and CFO*

My pleasure.
