

VERIZON COMMUNICATIONS INC

Form DEF 14A

March 18, 2013

Table of Contents

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

**SCHEDULE**

**(RULE 14a-101)**

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the Securities**

**Exchange Act of 1934 (Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

**VERIZON COMMUNICATIONS INC.**

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

**Table of Contents**

**Verizon Communications Inc.  
140 West Street  
New York, New York 10007**

March 18, 2013

Dear Fellow Shareholders:

On behalf of the Board of Directors, we invite you to attend Verizon's 2013 Annual Meeting of Shareholders. The meeting will be held on Thursday, May 2, 2013 at 10:30 a.m., local time, at the DoubleTree by Hilton Tulsa Downtown, 616 W. 7<sup>th</sup> Street, Tulsa, Oklahoma. You can find directions to the meeting on the admission ticket attached to your proxy card or Notice of Internet Availability of Proxy Materials, in the proxy statement and online at [www.verizon.com/investor](http://www.verizon.com/investor).

The annual meeting is an opportunity to discuss matters of general interest to Verizon's shareholders and for you to vote on the items included in the proxy statement. At this year's meeting, you will be asked to elect Directors, ratify the appointment of the independent registered public accounting firm, cast an advisory vote to approve Verizon's executive compensation, approve Verizon's amended 2009 Long-Term Incentive Plan pursuant to Internal Revenue Code Section 162(m) and consider six shareholder proposals. The Board of Directors recommends that you vote FOR items 1 through 4 and AGAINST items 5 through 10.

Only Verizon shareholders may attend the annual meeting. If you are a registered Verizon shareholder, your admission ticket is attached to your proxy card or Notice of Internet Availability of Proxy Materials. If you hold your shares through a bank, broker or other institution, the proxy statement explains how to obtain an admission ticket at the meeting.

Your vote is very important. Please take the time to vote so that your shares are represented at the meeting. We appreciate your participation and your ongoing interest in Verizon.

Sincerely,

Chairman and Chief Executive Officer

**Your vote is important. Please vote promptly.**

**You may vote online, by telephone or  
by signing, dating and returning  
the enclosed proxy card.**

**Table of Contents**

---

**Notice of Annual Meeting of Shareholders**

---

|                          |  |
|--------------------------|--|
| <b>Time and Date</b>     | 10:30 a.m., local time, on May 2, 2013   |
| <b>Place</b>             | DoubleTree by Hilton Tulsa Downtown<br><br>616 W. 7 <sup>th</sup> Street<br><br>Tulsa, Oklahoma 74127  |
| <b>Items of Business</b> | <ul style="list-style-type: none"><li>· Elect the 13 Directors identified in the accompanying proxy statement</li><li>· Ratify the appointment of the independent registered public accounting firm</li><li>· Provide an advisory vote to approve Verizon's executive compensation</li><li>· Approve Verizon's amended 2009 Long-Term Incentive Plan pursuant to Internal Revenue Code Section 162(m)</li><li>· Act upon the shareholder proposals described in the proxy statement that are properly presented at the meeting</li><li>· Consider any other business that is properly brought before the meeting</li></ul> |
| <b>How to Vote</b>       | If you are a registered shareholder, you may vote online at <a href="http://www.envisionreports.com/vz">www.envisionreports.com/vz</a> , by telephone or by mailing a proxy card. You may also vote in person at the annual meeting. If you hold shares through a bank, broker or other institution, you may vote your shares by any method specified on the voting instruction form that they provide. We encourage you to vote your shares as soon as possible.  |

By Order of the Board of Directors,

William L. Horton, Jr.

Senior Vice President,

Deputy General Counsel and

Corporate Secretary

March 18, 2013

**Important Notice Regarding Availability of Proxy Materials for Verizon's  
Shareholder Meeting to be Held on May 2, 2013**

**The Proxy Statement and Annual Report to Shareowners are available at  
[www.edocumentview.com/vz](http://www.edocumentview.com/vz)**



**Table of Contents****Proxy Statement**

We are mailing this proxy statement to our shareholders beginning on March 18, 2013, and it is also available online at [www.edocumentview.com/vz](http://www.edocumentview.com/vz) or, if you are a registered holder, at [www.envisionreports.com/vz](http://www.envisionreports.com/vz). The Board of Directors is soliciting proxies in connection with the 2013 Annual Meeting of Shareholders and encourages you to read this proxy statement and vote your shares online, by telephone or by mailing your proxy card.

**Table of Contents**

|  | <b>Page</b> |
|--|-------------|
| <u>Proxy Statement Summary</u>   | i           |
| <u>About Verizon's Governance Practices</u>  | 1           |
| <u>About the Board of Directors</u>  | 3           |
| <u>Report of the Audit Committee</u>   | 10          |
| <u>Election of Directors (Item 1 on Proxy Card)</u>  | 11          |
| <u>Ratification of Appointment of Independent Registered Public Accounting Firm (Item 2 on Proxy Card)</u>                                 | 18          |
| <u>Advisory Vote to Approve Executive Compensation (Item 3 on Proxy Card)</u>  | 19          |
| <u>Approval of Verizon's amended 2009 Long-Term Incentive Plan pursuant to Internal Revenue Code Section 162(m) (Item 4 on Proxy Card)</u> | 20          |
| <u>Shareholder Proposals:</u>  |             |
| <u>Network Neutrality (Item 5 on Proxy Card)</u>   | 26          |
| <u>Lobbying Activities (Item 6 on Proxy Card)</u>  | 27          |
| <u>Proxy Access Bylaw (Item 7 on Proxy Card)</u>   | 29          |
| <u>Severance Approval Policy (Item 8 on Proxy Card)</u>  | 31          |
| <u>Shareholder Right to Call a Special Meeting (Item 9 on Proxy Card)</u>  | 32          |
| <u>Shareholder Right to Act by Written Consent (Item 10 on Proxy Card)</u>   | 33          |
| <u>Compensation Committee Report</u>   | 35          |
| <u>Compensation Discussion and Analysis</u>  | 35          |
| <u>Compensation Tables</u>   | 51          |
| <u>Security Ownership of Certain Beneficial Owners and Management</u>  | 64          |
| <u>Additional Information and Frequently Asked Questions</u>   | 66          |
| <u>Contacting Verizon</u>  | 70          |
| <u>Other Business</u>  | 70          |
| <u>Corporate Governance Guidelines</u>   | Appendix A  |
| <u>Related Dow Peer Information</u>  | Appendix B  |
| <u>Verizon Communications Inc. Reconciliation of Non-GAAP Measures</u>   | Appendix C  |



**Table of Contents****Proxy Statement Summary**

*This summary highlights information contained elsewhere in this proxy statement. This summary does not contain all of the information you should consider, and you should read the entire proxy statement before voting. For more complete information regarding Verizon's 2012 performance, please review Verizon's Annual Report to Shareowners.*

**Annual Meeting Details**

|                      |   |
|----------------------|---|
| <b>Date and Time</b> | May 2, 2013, 10:30 a.m., local time   |
| <b>Place</b>         | DoubleTree by Hilton Tulsa Downtown<br><br>616 W. 7 <sup>th</sup> Street<br><br>Tulsa, Oklahoma 74127   |
| <b>Record Date</b>   | March 4, 2013   |
| <b>Voting</b>        | Shareholders as of the record date are entitled to vote. Each share of Verizon stock is entitled to one vote for each Director nominee and one vote for each of the other proposals to be voted on. |

**Agenda Items and Board Recommendations**

| <u>Proposal</u>   | <u>Board's<br/>Recommendation</u> | <u>Page<br/>(for more information)</u> |
|---|-----------------------------------|--|
| Item 1 Election of Directors  | FOR each nominee                  | 11                                     |
| Item 2 Ratification of Auditors   | FOR                               | 18                                     |
| Item 3 Advisory Vote to Approve Executive Compensation  | FOR                               | 19                                     |
| Item 4 Approval of Verizon's amended 2009 Long-Term Incentive Plan pursuant to Internal Revenue Code Section 162(m) | FOR                               | 20                                     |
| Shareholder Proposals:  |                                   |  |
| Item 5 Network Neutrality   | AGAINST                           | 26                                     |
| Item 6 Lobbying Activities  | AGAINST                           | 27                                     |
| Item 7 Proxy Access Bylaw   | AGAINST                           | 29                                     |
| Item 8 Severance Approval Policy  | AGAINST                           | 31                                     |
| Item 9 Shareholder Right to Call a Special Meeting  | AGAINST                           | 32                                     |
| Item 10 Shareholder Right to Act by Written Consent   | AGAINST                           | 33                                     |

**2012 Company Highlights**

Verizon provides telecommunications services and solutions to individual, business and government customers in the United States and around the world. These services and solutions are enabled by the most extensive 4G long term evolution (LTE) wireless network in the United States,

## Edgar Filing: VERIZON COMMUNICATIONS INC - Form DEF 14A

the most reliable 3G wireless network, the country's only large-scale fiber to the home broadband network and the world's largest private internet protocol network.

Advances in technology have changed the ways that our customers interact in their personal and professional lives and that businesses operate. To meet the changing needs of our customers and the changing technological landscape, we are transforming our business to focus on the growing areas of wireless data, wireline data and strategic business services, including cloud computing services.

During 2012 Verizon continued to take significant steps in its strategic transformation to deliver advanced services and solutions to its customers, further focusing Verizon's asset base around its fastest growing businesses.

---

## **Table of Contents**

These include the following strategic successes:

- Exceeding our already aggressive roll-out schedule for the 4G LTE wireless network by covering 476 markets and over 273 million people and having almost 50% of our wireless data traffic on our LTE network by the end of the year;
- Being the first major wireless carrier to move to account-based wireless billing with our Share Everything Plan, thereby establishing the business model for the future growth of consumer-oriented wireless data devices;
- Expanding FiOS penetration to 33% for the video service and 37% for the Internet service and exceeding our target for migrations of residential customers from our legacy copper network to our fiber network; and
- Expanding our enterprise strategic services business through the purchase of Hughes Telematics and integrating our strategic cloud-related acquisitions.

In addition, under the leadership of its Board of Directors and management team, Verizon delivered strong financial and operating results in 2012. Highlights of Verizon's 2012 performance and notable achievements include the following:

- Delivered a 13.2% total return to shareholders;
- Increased the quarterly dividend by 3%, the 6<sup>th</sup> consecutive year with a dividend increase;
- \$2.24 in adjusted earnings per common share (EPS)<sup>1</sup>;
- \$115.8 billion in consolidated total revenue;
- \$15.3 billion of free cash flow<sup>1</sup>; and
- A capital expenditure to revenue ratio of 14.0%, representing improved capital efficiency over the ratio of 14.7% for 2011.

---

<sup>1</sup> A reconciliation of non-GAAP measures to the most directly comparable GAAP measures can be found in Appendix C to this proxy statement.

These results are consistent with our goal of driving long-term shareholder returns. The chart below reflects how \$100 invested in Verizon stock on December 31, 2007 would have grown to \$140.15 on December 31, 2012, with dividends reinvested quarterly. It also shows how \$100 invested in the Related Dow Peers\* (as described beginning on page 38 and in Appendix B) and \$100 invested in the S&P 500 Index on December 31, 2007, with dividends reinvested, would have grown over the same five-year period. We believe this performance is the result of Verizon's success in effecting the business transformation discussed above and is the kind of performance that our executive compensation program is designed to encourage and reward.

### **Comparison of Five-Year Cumulative Total Shareholder Return**

\*Total shareholder return based on equal weighting methodology.

**Table of Contents****Director Nominees**

Verizon's Directors are elected for one-year terms by a majority of the votes cast. Additional information about each Director and his or her qualifications may be found beginning on page 11 of this proxy statement.

| Name                 | Age*                                      | Director Since | Primary Occupation   | Independent | Committee Memberships            |     |      |
|----------------------|---|----------------|--|-------------|----------------------------------|-----|------|
|                      |   |                |  |             | Audit                            | HRC | CGPC |
| Richard L. Carrión   | 60  | 1997           | Chairman, President and CEO, Popular, Inc. and Banco Popular de Puerto Rico                                      | Ö           |                                  | Ö   | Ö    |
| Melanie L. Healey    | 51  | 2011           | Group President North America and Global Hyper, Super, Mass Channel, The Procter & Gamble Company                | Ö           |                                  | Ö   |      |
| M. Frances Keeth     | 66  | 2006           | Retired Executive Vice President, Royal Dutch Shell plc  | Ö           | FE                               | Ö   |      |
| Robert W. Lane       | 63  | 2004           | Retired Chairman and CEO, Deere & Company  | Ö           | FE                               | Ö   |      |
| Lowell C. McAdam     | 58  | 2011           | Chairman and CEO, Verizon  |             |                                  |     |      |
| Sandra O. Moose (PD) | 71  | 2000           | President, Strategic Advisory Services   | Ö           | FE                               |     | C    |
| Joseph Neubauer      | 71  | 1995           | Chairman, ARAMARK Holdings Corporation and ARAMARK Corporation   | Ö           |                                  | C   |      |
| Donald T. Nicolaisen | 68  | 2005           | Retired Chief Accountant of the U.S. Securities and Exchange Commission  | Ö           | C, FE                            |     | Ö    |
| Clarence Otis, Jr.   | 56  | 2006           | Chairman and CEO, Darden Restaurants, Inc.   | Ö           | FE                               | Ö   |      |
| Hugh B. Price        | 71  | 1997           | Visiting Professor and Lecturer, Princeton University, and Non-Resident Senior Fellow, The Brookings Institution | Ö           |                                  |     | Ö    |
| Rodney E. Slater     | 58  | 2010           | Partner, Patton Boggs LLP  | Ö           |                                  |     | Ö    |
| Kathryn A. Tesija    | 50  | 2012           | Executive Vice President, Merchandising and Supply Chain, Target Corporation                                     | Ö           |                                  |     |      |
| Gregory D. Wasson    | 54  | 2013           | President and CEO, Walgreen Co.  | Ö           |                                  |     |      |
| *                    | Ages are as of March 8, 2013              |                |  | FE          | Audit Committee Financial Expert |     |      |
| C                    | Committee Chair                           |                |  | HRC         | Human Resources Committee        |     |      |
| CGPC                 | Corporate Governance and Policy Committee |                |  | PD          | Presiding Director               |     |      |

**Auditors**

Consistent with our approach to good governance, we are asking shareholders to ratify the Audit Committee's appointment of Ernst & Young LLP as Verizon's independent registered public accounting firm for 2013. Information on fees paid to Ernst & Young in 2012 and 2011 may be found on page 18.

**Executive Compensation and Pay for Performance**

This proxy statement discusses the compensation of the Chief Executive Officer, the Chief Financial Officer and the three other most highly compensated executives at Verizon, to whom we collectively refer as the named executive officers. The primary objectives of Verizon's compensation program are to align executives' and shareholders' interests through the use of performance-based compensation and to attract, retain and motivate high-performing executives.

Approximately 90% of our named executive officers' annual total compensation opportunity is variable, at risk and incentive-based. The primary components of our executive compensation program and their approximate percentage of the total compensation opportunity are as follows:

- 10% Fixed pay annual cash base salary
- 90% Variable, performance-based pay comprised of an annual short-term incentive paid in cash based on achievement of pre-established performance goals and a long-term incentive in the form of an equity-based award that vests after 3 years and is composed of performance stock units (PSUs) and restricted stock units

**Table of Contents**

To further strengthen the link between pay and performance in the executive compensation program, in 2012 we made the following changes to our executive compensation program:

- **Incentivized stronger short-term performance** by widening the payout range of the short-term incentive awards to provide for potentially lower payouts for below target performance and potentially higher payouts for above target performance;
- **Incentivized stronger long-term performance** by lowering the percent of the PSU awards that vest at the threshold level of relative total shareholder return (TSR) performance and by changing the TSR vesting scale so that each incremental percentage of achievement between the threshold and maximum performance levels results in a corresponding change in the percent of the awards that vest; and
- **Aligned the compensation program with Verizon's long-term business objectives** by providing that a portion of the annual PSU grant will vest based on the Company's cumulative free cash flow results.

Our executive compensation program, including these and other 2012 key compensation decisions, is discussed in more detail in the Compensation Discussion and Analysis beginning on page 35.

Set forth below is the 2012 compensation for each named executive officer, as required to be reported in the Summary Compensation Table pursuant to U.S. Securities and Exchange Commission (SEC) rules. Please see the notes accompanying the Summary Compensation Table on page 51 for more information.

| Name and<br>Principal Position   | Salary<br>(\$) | Bonus<br>(\$) | Stock<br>Awards<br>(\$) | Option<br>Awards<br>(\$) | Non-Equity<br>Incentive<br>Plan<br>Compensation<br>(\$) | Change in<br>Pension<br>Value and<br>Nonqualified<br>Deferred<br>Compensation<br>Earnings<br>(\$) | All Other<br>Compensation<br>(\$) | Total<br>(\$) |
|--|----------------|---------------|-------------------------|--------------------------|---|---|-----------------------------------|---------------|
| Lowell C. McAdam<br>Chairman & CEO   | 1,400,000      | 0             | 8,750,055               | 0                        | 3,150,000   | 213,468   | 535,577                           | 14,049,100    |
| Daniel S. Mead<br>Executive Vice President & President &<br>CEO - Verizon Wireless Joint Venture | 794,231        | 0             | 4,200,026               | 0                        | 792,000   | 388,096   | 225,253                           | 6,399,606     |
| Francis J. Shammo<br>Executive Vice President & CFO  | 698,077        | 0             | 3,675,003               | 0                        | 693,000   | 9,004   | 139,841                           | 5,214,925     |
| John G. Stratton<br>Executive Vice President & President -<br>Verizon Enterprise                 | 673,558        | 0             | 3,543,796               | 0                        | 668,250   | 31,776  | 143,629                           | 5,061,009     |
| Randal S. Milch<br>Executive Vice President & General<br>Counsel*                                | 648,077        | 0             | 3,250,020               | 0                        | 643,500   | 58,366  | 125,949                           | 4,725,912     |

\* Effective January 1, 2013, Mr. Milch was appointed Executive Vice President - Public Policy and General Counsel.

### Approval of Verizon's amended 2009 Long-Term Incentive Plan pursuant to Internal Revenue Code Section 162(m)

We are asking shareholders to approve Verizon's amended 2009 Long-Term Incentive Plan (the Plan) pursuant to Internal Revenue Code Section 162(m). Approval of this proposal will constitute approval of the material terms of the performance goals and award limits for performance-based awards, so as to continue to allow Verizon the opportunity to make awards under the Plan that are tax deductible in compliance with the performance-based compensation exception to Section 162(m) of the U.S. Internal Revenue Code and permit Verizon to



claim an income tax deduction for the payment of such awards.

We are not asking shareholders to approve additional shares under the Plan or any other changes to terms of the Plan as they were approved by shareholders in 2009.

### **Shareholder Proposals**

In accordance with SEC rules, we have included in this proxy statement six proposals submitted by shareholders for consideration. The proposals can be found beginning on page 26. For the reasons set forth following each proposal, the Board recommends a vote AGAINST each of the proposals.

### **Additional Information and Frequently Asked Questions**

We provide more information about the annual meeting and voting, as well as answers to many frequently asked questions, in the Additional Information and Frequently Asked Questions section beginning on page 66.

**Table of Contents**

## **About Verizon's Governance Practices**

### **Commitment to Good Governance Practices**

The Board of Directors is committed to maintaining high standards of corporate governance. The Corporate Governance and Policy Committee is responsible for ensuring that the membership, structure, policies and practices of the Board and its Committees facilitate the effective exercise of the Board's role in the governance of Verizon. The Board has approved Corporate Governance Guidelines that provide a framework for the operation of the Board and address key governance practices. The Corporate Governance and Policy Committee monitors developments in corporate governance, considers the views of Verizon's shareholders and periodically recommends that the Board make changes to its policies and practices or to the Guidelines.

A copy of the Guidelines is included in this proxy statement in Appendix A. We have also posted the Guidelines and other corporate governance materials, including Verizon's certificate of incorporation, bylaws, Committee charters and policies, on the Corporate Governance section of our website at [www.verizon.com/investor](http://www.verizon.com/investor). You can request copies of these materials from the Assistant Corporate Secretary at the address given under [Contacting Verizon](#).

### **Key Corporate Governance Provisions**

*Majority voting in Director elections*

Verizon's bylaws provide for the election of Directors by a majority of the votes cast in uncontested elections. This provision can only be changed by a majority vote of the shareholders.

*Shareholder right to call a special meeting of shareholders*

Verizon's bylaws provide that, if the requirements set forth in the bylaws are met, the Board will call a special meeting of shareholders upon the request of a holder of at least 10% or holders of at least 25% of Verizon's outstanding common stock.

*Independence standards*

The Board has adopted standards for assessing the independence of our Directors, which are stricter than the standards required by the New York Stock Exchange, referred to as NYSE, or the Nasdaq Stock Market, referred to as Nasdaq. All non-employee Directors are independent. You can find more information about the independence of the non-employee Directors under [Independence](#) on page 3.

*Board leadership*

The Board evaluates its leadership structure annually. Currently, the Board is led by the Chairman in consultation with an empowered Presiding Director. You can find more information on the respective roles and responsibilities of the Chairman and Presiding Director, and why the Board believes that Verizon's shareholders are best served by this leadership structure, under [Board Leadership](#) beginning on page 3.

*Stock ownership*

The Guidelines provide that within three years of joining the Board, each Director shall acquire, and continue to hold during his or her tenure on the Board, Verizon stock with a value equivalent to three times the cash component of the annual Board retainer. Shares held by a Director in any deferral plan are included in determining the number of shares

held.

*Limits on board service*

The Guidelines provide that a Director who serves as an executive officer of a public company should not serve on the board of more than three public companies, including the board of the company that

## **Table of Contents**

employs him or her. Other Directors should not serve on more than six public company boards. The Guidelines also limit Verizon executive officers to serving on no more than two public company boards.

### *Director retirement policy*

The Guidelines provide that a Director will retire from the Board the day before the Annual Meeting of Shareholders next following his or her 72<sup>nd</sup> birthday. In the event of a retirement pursuant to this policy, the size of the Board is reduced by one for each such retirement.

### *Shareholder approval of poison pill*

Verizon does not have a shareholder rights plan, commonly referred to as a poison pill. Under the Guidelines, if the Board decides to adopt a poison pill, it must be approved by shareholders within one year and then re-approved every three years.

### *Recapture of incentive payments*

The Human Resources Committee of the Board has adopted a policy that enables Verizon to recapture and cancel incentive payments received by an executive who has engaged in financial misconduct to ensure that executives do not benefit from engaging in such misconduct.

### *Policy on shareholder ratification of executive severance agreements*

Verizon will not enter into any new employment agreement or severance agreement with an executive officer that provides for severance benefits exceeding 2.99 times the sum of the executive's base salary plus non-equity incentive plan payment, without seeking shareholder ratification of the agreement. This policy is described in more detail on page 49.

## **Business Conduct and Ethics**

Verizon is committed to operating our business with the highest level of integrity, responsibility and accountability. We have adopted a strict Code of Conduct that applies to all employees, including the CEO, the Chief Financial Officer and the Controller. The Code of Conduct describes each employee's responsibility to conduct business with the highest ethical standards and provides guidance in preventing, reporting and remediating potential compliance violations in key areas. Directors are expected to act in compliance with the spirit of the Code of Conduct, as well as comply with the specific ethical provisions of the Corporate Governance Guidelines. We have posted the Code of Conduct on the Corporate Governance section of our website at [www.verizon.com/investor](http://www.verizon.com/investor). You can also obtain a copy by writing to the Assistant Corporate Secretary at the address given under [Contacting Verizon](#).

The Board is strongly predisposed against waiving any of the business conduct and ethics provisions applicable to Directors or executive officers. In the event of a waiver, we will promptly disclose the Board's action on our website.

## **Related Person Transaction Policy**

The Board has adopted the Related Person Transaction Policy that is included in the Guidelines. The Corporate Governance and Policy Committee reviews transactions involving Verizon and any of our Directors or executive officers or their immediate family members to determine if any of the individual participants has a material interest in the transaction. Based on the facts and circumstances of each case, the Committee may approve, disapprove, ratify or cancel the transaction or recommend another course of action. Any member of the Committee who is involved in a transaction under review cannot participate in the Committee's decision about that transaction.

From time to time Verizon may have employees who are related to our executive officers or Directors. Francis J. Shammo, Executive Vice President and Chief Financial Officer, has a brother-in-law who is employed by one of the Company's subsidiaries and earned approximately \$351,000 in 2012. John G. Stratton, Executive Vice President and President Verizon Enterprise, has a daughter who is employed by one of the Company's

## **Table of Contents**

subsidiaries and earned approximately \$124,000 in 2012. W. Robert Mudge, President – Consumer and Mass Business Markets, has a brother who is employed by one of the Company’s subsidiaries and earned approximately \$134,000 in 2012. In each case, the amount of compensation was commensurate with that of other employees in similar positions.

---

## **About the Board of Directors**

Verizon’s Board of Directors has the independence, professional experience, expertise and commitment to effectively oversee management’s performance and act in the long-term best interests of shareholders.

### **Independence**

Verizon’s Corporate Governance Guidelines require that a substantial majority of the members of the Board be independent Directors. The Guidelines establish standards for evaluating the independence of each Director. A Director is considered independent if the Board finds that the Director is independent under the NYSE’s and Nasdaq’s governance standards and the additional standards included in the Guidelines, which identify the types of relationships that, if material, would impair a Director’s independence. The standards set monetary thresholds at which the Board would consider the relationships to be material. To determine that a Director is independent, the Board must find that a Director does not have any relationship that is likely to impair his or her ability to act independently. The Board makes this determination by evaluating the facts and circumstances for each Director.

The Corporate Governance and Policy Committee conducts an annual review of the independence of members of the Board and its Committees and reports its findings to the full Board. Based on the recommendation of the Corporate Governance and Policy Committee, the Board has determined that the 12 incumbent non-employee Directors who are standing for election are independent: Richard L. Carrión, Melanie L. Healey, M. Frances Keeth, Robert W. Lane, Sandra O. Moose, Joseph Neubauer, Donald T. Nicolaisen, Clarence Otis, Jr., Hugh B. Price, Rodney E. Slater, Kathryn A. Tesija and Gregory D. Wasson. The Board also determined that John W. Snow, who retired from the Board in May 2012, was independent.

In determining the independence of Mr. Carrión, Ms. Healey, Mr. Neubauer, Mr. Otis, Mr. Price, Mr. Slater, Dr. Snow, Ms. Tesija and Mr. Wasson, the Board considered payments for telecommunications services that the companies that employ them made to Verizon. In determining Mr. Neubauer’s independence, the Board also considered payments that Verizon made under a competitively bid contract for food and facility management services to the company that employs him. In determining Ms. Tesija’s independence, the Board also considered payments that Verizon made to the company that employs her in connection with sales of Verizon’s products and services in that company’s stores. In determining Mr. Wasson’s independence, the Board also considered payments for Workers’ Compensation prescription benefits that Verizon made to the company that employs him. In applying the independence standards, the independent Directors have determined that these general business transactions and relationships were not material and do not impair the ability of those Directors to act independently.

### **Board Governance**

**Board Leadership**

Each year, the Board elects one of its members to serve as Chairman. The Board reviews its governance structure and the qualifications of each Director and determines which Director is best qualified to chair the Board. The Board believes that Verizon and its shareholders are best served by having a Chairman who has a wide-ranging, in-depth knowledge of Verizon's business operations and the competitive landscape and who can best identify the strategic issues to be considered by the Board. Based on his extensive experience and knowledge of Verizon's competitive challenges and opportunities, the Board has determined that, at this time, the Chief Executive Officer is the Director best qualified to serve in the role of Chairman. At the same time, in order to maintain an appropriate level of independent checks and balances in its governance, the independent members of the Board have elected a Presiding Director who has the authority to review and approve the information provided to the Board and to provide independent leadership, including in the evaluation and compensation of the CEO. Dr. Sandra O. Moose is currently the Presiding Director. More specifically:

## **Table of Contents**

The Chairman:

- Chairs all meetings of the Board, other than executive sessions;
- Identifies strategic issues that should be considered for the Board agenda, subject to the approval of the Presiding Director; and
- Consults with the Presiding Director in the development of the schedule, agenda and materials for all meetings of the Board.

The Presiding Director:

- Chairs executive sessions, including the evaluation of the performance and compensation of the CEO;
- Chairs any meeting of the Board if the Chairman is not present;
- Approves the schedule, agenda and materials for all meetings of the Board, in consultation with the Chairman;
- Acts as liaison with the Chairman, in consultation with the other independent Directors who continue to have direct and complete access to the Chairman at any time they deem necessary or appropriate; and
- Presides over the Board's annual self-evaluation.

The Presiding Director has the authority to call meetings of the Board, as well as executive sessions of the Board, and will do so at the request of any other Director. Any shareholder or interested party may communicate directly with the Presiding Director.

The agenda for each Board meeting and the schedule of meetings are available to all Directors in advance so that any Director can review and request changes. In addition, all Directors have unrestricted access to management at all times and communicate informally with management on a variety of topics.

The Board believes that shareholders are best served by the Board's current leadership structure, because the Corporate Governance Guidelines and the Company's policies and procedures provide for an empowered, independent Presiding Director and the full involvement of the independent members of the Board in the Board's operations and its decision making.

### **Attendance at Meetings**

In 2012, the Board of Directors held 10 meetings, including seven regularly scheduled meetings and three special meetings. No Director standing for election attended fewer than 75% percent of the total number of meetings of the Board and the Committees to which the Director was assigned.

Directors standing for re-election are expected to attend the annual meeting of shareholders. In 2012, all but two Directors standing for re-election attended the annual meeting.



## Edgar Filing: VERIZON COMMUNICATIONS INC - Form DEF 14A

The independent Directors meet regularly in executive session without any members of management present. The independent Directors are required to meet in executive session at least twice a year to review and evaluate the performance of the Board and to evaluate the performance and approve the compensation of the CEO. In practice, the independent Directors typically meet in executive session at the end of each regular Board meeting.

### **Board Evaluations**

The Board conducts an annual evaluation of its practices and processes. The Presiding Director oversees the evaluation and chairs the Board meeting and executive session where the Board reviews and discusses the results of this evaluation.

**Table of Contents**

**Committees of the Board**

The Board of Directors has established three standing Committees – the Audit Committee, the Corporate Governance and Policy Committee and the Human Resources Committee. Each Committee has a written charter that defines the specific responsibilities of that Committee. The Committee charters are available on the Corporate Governance section of our website at [www.verizon.com/investor](http://www.verizon.com/investor). You may also obtain a copy of a charter by sending a written request to the Assistant Corporate Secretary at the address given under Contacting Verizon.

The Chairperson of each Committee approves the agenda and materials for each meeting. At least once a year, each Committee performs a self-assessment and reviews its processes and practices to ensure that the Committee has sufficient information, resources and time to fulfill its obligations and to determine whether any changes should be made to its processes, practices or charter. Each Committee has the authority to retain independent advisors to assist it in carrying out its responsibilities.

**Ø *Audit Committee***

|                 |   |                                       |
|-----------------|---|---------------------------------------|
| <i>Members:</i> | Donald T. Nicolaisen, Chairperson<br>M. Frances Keeth<br>Robert W. Lane | Sandra O. Moose<br>Clarence Otis, Jr. |
|-----------------|---|---------------------------------------|

The Board has determined that each member of the Committee is an audit committee financial expert and meets the independence requirements of applicable laws, the NYSE, Nasdaq and the Guidelines. The Committee met 11 times during 2012. The report of the Audit Committee is included on page 10.

*Summary of Key Responsibilities:*

- Review risk management and controls, including the processes of identifying and monitoring high-priority risks and developing effective mitigation strategies which management incorporates into its strategic decision-making, and report to the Board on these matters;
- Oversee financial reporting and disclosure matters, including
  - Annual audited and quarterly unaudited financial statements and related footnotes and disclosures; and
  - Any significant events, transactions, changes in accounting estimates or changes in important accounting principles and any major issues as to adequacy of internal controls;
- Oversee Verizon’s internal audit function;
- Oversee Verizon’s processes for ethical, legal and regulatory compliance;
- Appoint, approve fees and oversee work of the independent registered public accounting firm;
- Review the performance and qualifications of the independent registered public accounting firm (including its independence);
- Assess policies and procedures for executive officer expense accounts and perquisites, including the use of corporate assets; and
- Assess procedures for the handling of complaints relating to accounting, internal accounting controls or auditing matters.

**Ø *Corporate Governance and Policy Committee***

## Edgar Filing: VERIZON COMMUNICATIONS INC - Form DEF 14A

|          |                              |                  |
|----------|------------------------------|------------------|
| Members: | Sandra O. Moose, Chairperson | Hugh B. Price    |
|          | Richard L. Carrión           | Rodney E. Slater |
|          | Donald T. Nicolaisen         |                  |

The Board has determined that each member of the Committee meets the independence requirements of applicable laws, the NYSE, Nasdaq and the Guidelines. The Committee met six times in 2012.

---

**Table of Contents**

*Summary of Key Responsibilities:*

- Evaluate the structure and practices of the Board and its Committees, including size, composition, independence and governance policies;
- Recommend to the Board changes or additions to the Board's policies or the Guidelines;
- Evaluate the qualifications of candidates for election as Directors and present recommendations to the Board;
- Review potential related person transactions; and
- Review Verizon's processes related to charitable contribution policies, selected social, environmental, regulatory and political matters, compliance with equal opportunity and diversity initiatives and safety issues.

Ø ***Human Resources Committee***

|          |                              |                    |
|----------|------------------------------|--------------------|
| Members: | Joseph Neubauer, Chairperson | M. Frances Keeth   |
|          | Richard L. Carrión           | Robert W. Lane     |
|          | Melanie L. Healey            | Clarence Otis, Jr. |

The Board has determined that each member of the Committee meets the independence requirements of applicable laws, the NYSE, Nasdaq and the Guidelines. The Committee met five times in 2012. The report of the Human Resources Committee is included on page 35 of this proxy statement.

*Summary of Key Responsibilities:*

- Oversee the development of Verizon's compensation policies and practices for senior management;
- Approve corporate goals relevant to the CEO's compensation;
- Evaluate the CEO's performance in light of goals and recommend his compensation to the Board;
- Consider Verizon's policies and practices with respect to succession planning and oversee assignments to key leadership positions; and
- Review and recommend to the Board the compensation and benefits for non-employee Directors.

**Role and Function of the Independent Compensation Consultant**

The Human Resources Committee has the sole authority to retain and to terminate a compensation consultant and to approve the consultant's fees and all other terms of the engagement. The Committee has retained Pearl Meyer & Partners as its compensation consultant (the Consultant) based on its expertise in representing the compensation committees of large corporations and its independence. The Consultant advises the Committee on all matters related to the compensation of the named executive officers and assists the Committee in interpreting the Consultant's data as well as data received from the Company. The Consultant participates in all Committee meetings. The Committee holds an executive session with the Consultant each time it meets.

The Committee's policy does not permit its Consultant to do any work for the Company while that firm is acting as the Committee's consultant. In compliance with the terms of this policy, neither Pearl Meyer & Partners nor its affiliates have performed any work for the Company or any Company affiliate since the date it was retained by the Committee in 2006.

The Committee has considered the independence of Pearl Meyer & Partners in light of new SEC rules and NYSE and Nasdaq listing standards. The Committee requested and received a letter from Pearl Meyer & Partners addressing the consulting firm's independence, including the following factors: (1) other services provided to the Company by the consulting firm; (2) fees paid by the Committee as a percentage of the consulting firm's total revenue; (3) policies or procedures maintained by the consulting firm that are designed to prevent a conflict of interest; (4) any business or personal relationships between the individual consultants involved in the engagement and a member of the Committee; (5) any Company stock owned by the individual consultants involved in the engagement; and (6) any business or personal relationships between our executive officers and the consulting firm or the individual consultants involved in the engagement. The Committee discussed these considerations and concluded that the work of the Consultant did not raise any conflict of interest.

## **Table of Contents**

The Committee makes an independent determination on all matters related to the compensation of the named executive officers. In making its determination, the Committee may seek the CEO's views on whether the existing compensation policies and practices continue to support the Company's business objectives, appropriate performance goals, the Company's performance and the contributions of the other named executive officers to that performance.

The Committee may also consult with the Executive Vice President and Chief Administrative Officer on matters related to the design, administration and operation of the Company's compensation program and has delegated administrative responsibility for implementing its decisions on compensation and benefits matters to him. He reports to the Committee on the actions he has taken under this delegation.

### **Nomination of Candidates for Director**

The Corporate Governance and Policy Committee considers and recommends candidates for Director. The Committee reviews all nominations submitted to Verizon, including individuals recommended by shareholders, Directors or members of management. The Committee has also retained Heidrick & Struggles International, Inc. to assist in the identification of potential candidates. To be eligible for consideration, any proposed candidate must:

- Be ethical;
- Have proven judgment and competence;
- Have professional skills and experience in dealing with a large, complex organization or in dealing with complex problems that are complementary to the background and experience represented on the Board and that meet the needs of Verizon;
- Have demonstrated the ability to act independently and be willing to represent the interests of all shareholders and not just those of a particular philosophy or constituency; and
- Be willing and able to devote sufficient time to fulfill his or her responsibilities to Verizon and its shareholders.

In evaluating candidates, the Committee considers a wide variety of qualifications, attributes and other factors and recognizes that a diversity of viewpoints and practical experiences can enhance the effectiveness of the Board. Accordingly, as part of its evaluation of each candidate, the Committee takes into account how that candidate's background, experience, qualifications, attributes and skills may complement, supplement or duplicate those of other prospective candidates.

The Committee specifically reviews the qualifications of each candidate for election or re-election, including for incumbent Directors, his or her understanding of Verizon's businesses and the environment within which Verizon operates, attendance and participation at meetings, and independence, including any relationships with Verizon. Prior to nomination, each candidate for election must consent to stand for election, and each incumbent Director standing for re-election must provide an irrevocable, conditional resignation to the Committee. If the Director standing for re-election does not receive a majority of the votes cast for his or her election at the annual meeting, the independent members of the Board will determine whether to accept the resignation and will disclose their decision within 90 days of the certification of the election results.

After the Committee has completed its evaluation of all candidates, it presents its recommendation to the Board for consideration and approval. The Committee also discusses with the Board any candidates who were submitted to and considered by the Committee but not recommended for election or re-election as Directors.

## Edgar Filing: VERIZON COMMUNICATIONS INC - Form DEF 14A

We will report any material change to this procedure in a quarterly or annual filing with the SEC. In addition, we will make any changes to this procedure available promptly by posting that information on the Corporate Governance section of our website at [www.verizon.com/investor](http://www.verizon.com/investor).

Each candidate for election to the Board this year has previously served as a Verizon Director. Ms. Tesija was appointed to the Board in December 2012 as an independent Director and was recommended for consideration as a candidate by a non-employee Director. Mr. Wasson was appointed to the Board effective March 2013 as an independent Director and was recommended for consideration as a candidate by a non-employee Director. Based on the process described above, the Committee recommended and the Board determined to nominate each of the incumbent Directors named below under Election of Directors for election at the 2013 Annual Meeting of

## **Table of Contents**

Shareholders. The Committee and Board concluded that each of the incumbent Directors should be nominated for re-election based on the experience, qualifications, attributes and skills identified in the biographical information contained under Election of Directors. The Committee and the Board assessed these factors in light of Verizon's businesses, which provide a broad array of wireless and wireline telecommunications products and services to individuals, businesses, governments and wholesale customers in the United States and around the world.

### **Risk Oversight**

The Board of Directors oversees the management of risks inherent in the operation of the Company's businesses and the implementation of its strategic plan. The Board performs this oversight role by using several different levels of review. In connection with its reviews of the operations of the Company's business units and corporate functions, the Board addresses the primary risks associated with those units and functions. In addition, the Board reviews the risks associated with the Company's strategic plan at an annual strategic planning session and periodically throughout the year as part of its consideration of the strategic direction of the Company.

Each of the Board's Committees also oversees the management of Company risks that fall within the Committee's areas of responsibility. In performing this function, each Committee has full access to management, as well as the ability to engage advisors.

Verizon has a robust enterprise risk management program. The Audit Committee oversees the operation of the Company's enterprise risk management program, including the identification of the primary risks to the Company's business and interim updates of those risks, and periodically monitors and evaluates the primary risks associated with particular business units and functions. The Company's Senior Vice President Internal Auditing, who functionally reports directly to the Audit Committee, assists the Company in identifying, evaluating and implementing risk management controls and methodologies to address identified risks. In connection with its risk management role, at each of its meetings the Audit Committee meets privately with representatives from the Company's independent registered public accounting firm, the Company's Senior Vice President Internal Auditing and the Company's Executive Vice President Public Policy and General Counsel. The Audit Committee provides reports to the Board that include these activities.

As part of its oversight of the Company's executive compensation program, the Human Resources Committee considers the impact of the Company's executive compensation program, and the incentives created by the compensation awards that it administers, on the Company's risk profile. In addition, as part of the annual risk assessment review process, management conducts an assessment of the risks arising from our compensation policies and practices. The assessment of risk includes a review of the following compensation policies and practices and other internal controls that mitigate risk:

- Various design features and characteristics of our company-wide compensation programs;
- Performance metrics under the Short- and Long-Term Incentive Plans;
- Approval processes for all compensation programs, including those for associate sales and non-sales employees;
- Governance oversight at the Committee and Board level; and
- Code of Conduct provisions and mandatory training programs that mitigate risk.

Based on this review, the Company has concluded that its compensation policies and procedures are not reasonably likely to have a material adverse effect on the Company because they are appropriately structured and discourage employees from taking excessive risks.



## Edgar Filing: VERIZON COMMUNICATIONS INC - Form DEF 14A

As part of its oversight of the Company's governance processes and policies, the Corporate Governance and Policy Committee considers the impact of selected social, environmental, regulatory and political matters and safety issues on the Company's risk profile.

**Table of Contents**

**Succession Planning and Management Development**

Verizon's Board of Directors recognizes that one of its most important duties is to ensure continuity in the Company's senior leadership by overseeing the development of executive talent and planning for the effective succession of the Company's chief executive officer. In accordance with Verizon's Corporate Governance Guidelines, the Board addresses CEO succession and management development on an ongoing basis throughout the year. The Board has delegated primary oversight responsibility for succession planning to the Human Resources Committee, which oversees assignments to key leadership positions. The Committee reports on its activities to the full Board, which addresses succession planning during executive sessions that typically occur in connection with each regularly scheduled meeting.

In order to ensure that the succession planning and management development process supports and enhances Verizon's strategic objectives, the Board and the Committee regularly consult with the CEO on the Company's organizational needs, its competitive challenges, the potential of key managers and planning for future developments and emergency situations. As part of this process, the Board and Committee also routinely seek input from the Executive Vice President and Chief Administrative Officer and advice from the Committee's Consultant on related compensation issues.

The Board usually conducts its annual in-depth review of management development and succession planning for senior leader positions in conjunction with its annual strategic planning session with management. Led by the CEO and Executive Vice President and Chief Administrative Officer, this review addresses the Company's management development initiatives, assesses senior management resources and identifies individuals who are considered potential future senior executives of the Company. High potential executives are regularly challenged with additional responsibilities, new positions, promotions or similar assignments to expose them to diverse operations within the Company, with the goal of developing well-rounded and experienced senior leaders. Identified individuals are also often positioned to interact more frequently with the Board so that the Directors may get to know these executives.

**Shareholder Communications with Directors**

The Board of Directors believes that communication with shareholders and other interested parties is an important part of the governance process and has adopted the following procedure to facilitate this communication. Please direct any correspondence to the Board, any Committee of the Board, the Presiding Director, any Committee Chairperson or individual Director or the non-employee Directors as a group to:

Verizon Communications Inc.

Board of Directors (or Committee name, Presiding Director, Committee Chairperson, individual

Director or non-employee Directors as a group, as appropriate)

140 West Street, 29th Floor

New York, New York 10007

The independent Directors have approved a process for forwarding correspondence about Verizon to members of the Board.



**Table of Contents**

**Report of the Audit Committee**

In the performance of our oversight responsibilities, the Committee has reviewed and discussed with management and the independent registered public accounting firm Verizon's audited financial statements for the year ended December 31, 2012 and the effectiveness of Verizon's internal controls over financial reporting as of December 31, 2012.

The Committee has discussed with the independent registered public accounting firm the matters required to be discussed by the Securities and Exchange Commission, the New York Stock Exchange, the Nasdaq Stock Market and Statement on Auditing Standards No. 61, as amended, as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

The Committee has received the written disclosures and the letter from the independent registered public accounting firm consistent with applicable Public Company Accounting Oversight Board requirements for independent registered public accounting firm communications with audit committees concerning independence and has discussed with the independent registered public accounting firm its independence.

The Committee discussed with the internal auditors and the independent registered public accounting firm the overall scope and plans for their respective audits. The Committee met with the internal auditors and the independent registered public accounting firm, with and without management present, to discuss the results of their examinations, their evaluations of Verizon's internal controls and the overall quality of Verizon's financial reporting.

The Committee has overseen the operation of Verizon's enterprise risk management program, including the identification of the primary risks to the Company's business. The Committee has also periodically monitored and evaluated the primary risks associated with particular business units and functions.

Based on the reviews and discussions referred to above, in reliance on management and the independent registered public accounting firm, and subject to the limitations of our role, the Committee recommended to the Board of Directors, and the Board has approved, the inclusion of the financial statements referred to above in Verizon's Annual Report on Form 10-K for the year ended December 31, 2012.

Following a review of the independent registered public accounting firm's performance and qualifications, including consideration of management's recommendation, the Committee approved the reappointment of the independent registered public accounting firm for the fiscal year 2013.

Respectfully submitted,

Audit Committee

Edgar Filing: VERIZON COMMUNICATIONS INC - Form DEF 14A

*Donald T. Nicolaisen, Chairperson*

*M. Frances Keeth*

*Robert W. Lane*

*Sandra O. Moose*

*Clarence Otis, Jr.*

Dated: March 8, 2013

---

**Table of Contents**

**Election of Directors**

**(Item 1 on Proxy Card)**

All of the members of the Board of Directors are elected annually. The Board consists of 13 members. In the future the Board may increase or decrease the size of the Board.

The Board has nominated the 13 candidates listed below for election as Directors. Information about each candidate as of March 8, 2013 is set forth below. All of these candidates currently serve as Directors of Verizon. Each candidate has consented to stand for election, and we do not anticipate that any candidate will be unavailable to serve. However, if any candidate should become unavailable before the election, the proxy committee will vote the shares it represents for a substitute named by the Board.

Verizon's bylaws require Directors to be elected by a majority of the votes cast. Each candidate has submitted an irrevocable, conditional letter of resignation that will be considered by the Board if that candidate fails to receive a majority of the votes cast.

**The Board of Directors recommends that you vote FOR each of the following candidates:**

**RICHARD L. CARRIÓN**

Mr. Carrión, 60, has served for over 18 years as Chairman, President and Chief Executive Officer of both Popular, Inc., a diversified bank holding company, and Banco Popular de Puerto Rico, Popular's principal bank subsidiary. Popular, Inc. is the largest financial institution based in Puerto Rico, with consolidated assets of \$36.4 billion, total deposits of \$26.9 billion and 8,072 employees as of December 31, 2012. In addition to his experience guiding these companies, Mr. Carrión has been a class A director of the Federal Reserve Bank of New York since 2008. In that role, he contributes to the formulation of monetary policy, oversight of the bank's operational risk management and the review and appointment of senior management of the bank.

As a result of his tenure as Chairman, President and Chief Executive Officer of Popular, Inc. and Banco Popular de Puerto Rico, Mr. Carrión brings to the Board a strong operational and strategic background and extensive business, leadership and management experience. In addition, Mr. Carrión's knowledge of business and consumer services gives him insights into providing services to retail and business customers, activities that make up a significant portion of Verizon's business. Mr. Carrión's experience at the Federal Reserve Bank of New York also enables him to advise the Board and senior management on risk management, which is an important area for a large, complex organization like Verizon.

Mr. Carrión has served as a Director of Verizon since 1997 and was a director of NYNEX Corporation from 1995 to 1997. He is a member of the Corporate Governance and Policy Committee and the Human Resources Committee.

**Table of Contents**

**MELANIE L. HEALEY**

Ms. Healey, 51, is Group President North America and Global Hyper, Super, Mass Channel of The Procter & Gamble Company, a provider of branded consumer packaged goods to customers in over 180 countries around the world. In this role, Ms. Healey is responsible for the overall North America business, which in fiscal 2012 had net sales of \$32.6 billion. Since joining Procter & Gamble in 1990, Ms. Healey has held positions of increasing responsibility, including Group President, Global Feminine and Health Care, and President, Global Feminine Care & Adult Care.

Ms. Healey brings to the Board, among other skills and qualifications, an extensive background in consumer goods, marketing and international operations. Her experience in marketing, including more than 15 years outside the United States, uniquely positions Ms. Healey to advise the Board and senior management on critical issues facing Verizon, including corporate strategy with respect to brand management, the consumer experience and global growth. In addition, Ms. Healey's leadership experience at a complex international organization with a large, diverse workforce gives her a thorough understanding of the operational challenges facing Verizon.

Ms. Healey has served as a Director of Verizon since December 2011 and is a member of the Human Resources Committee.

**M. FRANCES KEETH**

Ms. Keeth, 66, was Executive Vice President of Royal Dutch Shell plc, an energy company, from 2005 to 2006. In this role, Ms. Keeth was accountable for Shell's global chemicals businesses, which produced \$36.3 billion in third party revenue in 2006 and operated in 35 countries. From 2001 to 2006, she was also President and Chief Executive Officer of Shell Chemicals LP, Shell's U.S. operating company through which it conducted all of its operations in the United States. During her 37-year career, Ms. Keeth held multiple positions of increasing responsibility at Shell, including serving as Executive Vice President, Finance and Business Systems, and Executive Vice President, Customer Fulfillment and Product Business Units. In addition, from 1996 to 1997, Ms. Keeth was controller and principal accounting officer of Mobil Corporation.

Ms. Keeth's extensive senior leadership experience at Shell, a complex global business organization, positions her well to advise the Board and senior management on a wide range of strategic and financial matters. Ms. Keeth brings to the Board, among other skills and qualifications, valuable business, leadership and operations management experience in a global, capital-intensive business. As a result of this experience, she is able to provide insights into many aspects of our business, including business systems, public accounting and finance. Ms. Keeth also has extensive expertise in international operations and strategic partnerships, which assists the Company in implementing our growth strategies.

Ms. Keeth has served as a Director of Verizon since 2006 and is a member of the Audit Committee and the Human Resources Committee. She is also a director of Arrow Electronics, Inc. (since 2004) and Peabody Energy Corporation (since 2009).

**Table of Contents**

**ROBERT W. LANE**

Mr. Lane, 63, served as Chairman and Chief Executive Officer of Deere & Company from 2000 to 2009. Deere & Company is an equipment manufacturer that in fiscal 2009 had net sales and revenues of \$23.1 billion and approximately 51,300 employees as of October 31, 2009. During his 28 years at Deere, Mr. Lane held positions of increasing responsibility across a wide variety of domestic and overseas units. These positions included serving as President and Chief Operating Officer of the company, President of the Worldwide Agricultural Equipment Division, Chief Financial Officer of the company and President and Chief Operating Officer of Deere Credit, Inc.

Mr. Lane's tenure as Chairman and Chief Executive Officer of Deere & Company and as a senior executive in several of its business units provides him with valuable business, leadership and management experience, including experience leading a large, complex organization with global operations. This background gives him a global perspective that positions him well to advise the Board and senior management on implementing the Company's growth strategies. Mr. Lane also brings to the Board an extensive background in manufacturing, marketing, operations and finance.

Mr. Lane has served as a Director of Verizon since 2004 and is a member of the Audit Committee and the Human Resources Committee. He is also a director of General Electric Company (since 2005) and Northern Trust Corporation (since 2009) and a member of the supervisory board of BMW AG (since 2009). In the past five years, Mr. Lane has served on the board of Deere & Company as its Chairman.

**LOWELL C. MCADAM**

Mr. McAdam, 58, is Chairman and Chief Executive Officer of Verizon Communications Inc. Mr. McAdam became Chief Executive Officer on August 1, 2011 and Chairman on January 1, 2012. From October 2010 until becoming Chief Executive Officer, Mr. McAdam served as President and Chief Operating Officer and had responsibility for the operations of the Company's network-based businesses Verizon Wireless and Verizon Telecom and Business as well as Verizon's shared services operations. Prior to assuming this role, Mr. McAdam held key executive positions at Verizon Wireless from its inception in 2000 and was instrumental in building Verizon Wireless into an industry-leading wireless provider. He was President and Chief Executive Officer of Verizon Wireless from 2007 until October 2010, and before that served as the company's Executive Vice President and Chief Operating Officer. Before the formation of Verizon Wireless, Mr. McAdam held executive positions with PrimeCo Personal Communications, a joint venture owned by Bell Atlantic and Vodafone AirTouch, AirTouch Communications and Pacific Bell.

Mr. McAdam brings to the Board a unique understanding of our strategies and operations through his broad experience in the telecommunications industry and his pivotal role in the development of Verizon Wireless. Mr. McAdam serves a key leadership role on the Board, providing the Board with an in-depth knowledge of the Company's business, industry, challenges and opportunities. His extensive leadership experience enables Mr. McAdam to play a key role in all matters involving our Board and positions him well to act not only as the Board's Chairman, but also as the principal intermediary between management and the independent members of our Board.

Mr. McAdam has served as a Director of Verizon since March 2011. Mr. McAdam has been a member of the Board of Representatives of Verizon Wireless since 2003 and has served as its Chairman since September 2010.



**Table of Contents**

**SANDRA O. MOOSE**

Dr. Moose, 71, is President of Strategic Advisory Services LLC, a consulting firm. She was Senior Vice President and Director of The Boston Consulting Group, Inc. (BCG) until 2004. At BCG, Dr. Moose provided strategic planning, operational effectiveness and related consulting services to global clients in a variety of industries, including consumer and industrial goods, financial services and telecommunications, over a 35-year career. Dr. Moose was a principal founder of BCG's Financial Services practice and a key contributor in the development of the firm's early management concepts. She led BCG's New York office from 1988 to 1998 and was Chair of the East Coast region, which accounted for approximately 20% of BCG's overall revenues, from 1994 to 1999.

Dr. Moose's experience at BCG as a strategic advisor to diverse clients enables her to advise the Board and senior management on key issues of corporate strategy, including with respect to global growth, consumer goods and telecommunications issues. In addition to her strategic planning expertise, Dr. Moose has been the chair or presiding director of several public companies and several charitable organizations, which has given her extensive expertise in corporate governance. Dr. Moose also brings to the Board substantial financial expertise and insights into the views of institutional investors, which are important to Verizon as a public company.

Dr. Moose has served as a Director of Verizon since 2000 and was a director of GTE Corporation from 1978 to 2000. She is Presiding Director, Chairperson of the Corporate Governance and Policy Committee and a member of the Audit Committee. Dr. Moose is also Chairperson of the Board of Trustees of Natixis Advisor Funds (where she has served as a trustee of the funds and their predecessors since 1982) and Loomis Sayles Funds (where she has served as a trustee since 2003) and a director of The AES Corporation (since 2004). In the past five years, Dr. Moose has served on the board of Rohm and Haas Company as its lead director.

**JOSEPH NEUBAUER**

Mr. Neubauer, 71, is Chairman of ARAMARK Holdings Corporation and its subsidiary, ARAMARK Corporation, a professional services company. Until May 2012, he was also the Chief Executive Officer. He has served in those roles with ARAMARK and its predecessors for more than 25 years. ARAMARK's approximately 259,000 employees provide food, hospitality, facility and uniform services in 22 countries and generated \$13.5 billion in revenue during its 2012 fiscal year. Mr. Neubauer joined ARAMARK's predecessor, ARA Services, in 1979 as Executive Vice President of Finance and Development, Chief Financial Officer and a Director. He was elected President in 1981, Chief Executive Officer in 1983 and Chairman in 1984.

During his long tenure as Chairman and Chief Executive Officer of ARAMARK, Mr. Neubauer gained business and management experience leading a large, complex organization with international operations and a large, diverse workforce. This experience gives him a thorough understanding of many important issues facing Verizon. Mr. Neubauer brings to the Board, along with other skills and qualifications, extensive expertise in corporate finance, strategy and development. His broad background in hospitality and professional services, as well as his in-depth knowledge of consumer services, give Mr. Neubauer insights on reaching retail and business customers, which is critical to Verizon's success.

Mr. Neubauer has served as a Director of Verizon since 1995 and is Chairperson of the Human Resources Committee. He is also a director of Macy's, Inc. (since 1992). In the past five years, Mr. Neubauer has served as a director of Wachovia Corporation.

**Table of Contents**

**DONALD T. NICOLAISEN**

Mr. Nicolaisen, 68, was Chief Accountant of the U.S. Securities and Exchange Commission from 2003 to 2005. In that role, Mr. Nicolaisen was responsible for establishing and enforcing accounting and auditing policy applicable to all U.S. reporting companies and for improving the professional performance of public company auditors. Prior to joining the SEC, he was a Partner in PricewaterhouseCoopers and its predecessors, which he joined in 1967. At PricewaterhouseCoopers, Mr. Nicolaisen served on the firm's global and international boards, led the firm's national office for accounting and SEC services from 1988 to 1994, led the firm's financial services practice, and was responsible for auditing and providing risk management advice to large, complex multinational firms.

Mr. Nicolaisen brings to the Board a range of experience in leadership positions in both the public and private sector. His extensive experience as Chief Accountant at the SEC, an outside strategic advisor to multinational companies and a senior leader of one of the world's largest accounting firms enables him to advise the Board and senior management on accounting matters, government relations and public policy. Mr. Nicolaisen's unique financial and accounting background also provides financial expertise to the Board, including an in-depth understanding of risk management, corporate finance and accounting, as well as the numerous issues facing a public reporting company.

Mr. Nicolaisen has served as a Director of Verizon since 2005 and is Chairperson of the Audit Committee and a member of the Corporate Governance and Policy Committee. He is also a director of MGIC Investment Corporation (since 2006), Morgan Stanley (since 2006) and Zurich Insurance Group (since 2006).

**CLARENCE OTIS, JR.**

Mr. Otis, 56, has been Chairman of Darden Restaurants, Inc., a restaurant holding company, since 2005 and Chief Executive Officer since 2004. Darden Restaurants is the largest company-owned and operated full-service restaurant company in the world. As of May 27, 2012, the company's 180,000 employees operated 1,994 restaurants in the United States and Canada and generated fiscal 2012 sales of \$8.0 billion. Mr. Otis joined Darden in 1995 as Vice President and Treasurer and held positions of increasing responsibility, including serving as Chief Financial Officer from 1999 until 2002, Executive Vice President from 2002 to 2004 and President of Smokey Bones Barbeque & Grill, a restaurant concept formerly owned and operated by Darden Restaurants, from 2002 to 2004. In addition, Mr. Otis has served as a class B director of the Federal Reserve Bank of Atlanta since 2010. In that role, he contributes to the formulation of monetary policy, oversight of the bank's operational risk management and the review and appointment of senior management of the bank.

Mr. Otis brings to the Board, among other skills and qualifications, a broad background in consumer services, retail operations and finance, which are critical areas for Verizon. He has extensive business, leadership and management experience. Mr. Otis leads a complex organization with a large, diverse workforce, which gives him a thorough understanding of many of the operational challenges Verizon faces. In addition, as a result of his experience at the Federal Reserve Bank of Atlanta, Mr. Otis is positioned well to advise the Board and senior management on risk management, which is an important area for a large, complex organization like Verizon.

Mr. Otis has served as a Director of Verizon since 2006 and is a member of the Audit Committee and the Human Resources Committee. He has been a director of Darden Restaurants since 2004 and Chairman since 2005. He is also a director of VF Corporation (since 2004).

**Table of Contents**

**HUGH B. PRICE**

Mr. Price, 71, is a Visiting Professor and Lecturer at the Woodrow Wilson School of Public and International Affairs at Princeton University and Non-Resident Senior Fellow at The Brookings Institution, an independent research and policy institute. Mr. Price was President and Chief Executive Officer of the National Urban League from 1994 until 2003. During that time, Mr. Price restructured its board of directors, developed a new mission for the League and established its research and policy center. Following his work at the National Urban League, Mr. Price was Senior Advisor of DLA Piper Rudnick Gray Cary US LLP from 2003 to 2005 and a Non-Resident Senior Fellow of the Economic Studies Program at The Brookings Institution from 2006 to 2008. He accepted his current position at Princeton University in 2008. Prior to joining the National Urban League, Mr. Price held a variety of positions in journalism, law and public interest organizations, including serving on the Editorial Board of *The New York Times*.

Mr. Price brings to the Board, among other skills and qualifications, a wide range of experience in leadership positions in both the private and non-profit sectors. As a result of his experience at the National Urban League and The Brookings Institution, Mr. Price is able to advise the Board and senior management on economic, government and public interest issues. His extensive management and leadership experience enables him to provide insights on corporate governance matters. He also has expertise in strategic planning, operations management and business services, which are critical issues for Verizon.

Mr. Price has served as a Director of Verizon since 1997 and was a Director of NYNEX Corporation from 1995 to 1997. He is a member of the Corporate Governance and Policy Committee. Mr. Price is also a director of MetLife, Inc. (since 1999) and Metropolitan Life Insurance Company (since 1994).

**RODNEY E. SLATER**

Mr. Slater, 58, is a partner at the law firm Patton Boggs LLP, focusing his practice in the areas of transportation and infrastructure and public policy. Prior to joining Patton Boggs, from February 1997 to January 2001, Mr. Slater was the U.S. Secretary of Transportation. In that position, Mr. Slater was responsible for overseeing national transportation policy, encouraging intermodal transportation, negotiating international transportation agreements and assuring the fitness of U.S. airlines. Prior to his appointment as Secretary of Transportation, from 1993 to 1997, Mr. Slater was the Administrator of the Federal Highway Administration, which provides financial and technical support for constructing, improving and preserving the U.S. highway system.

Mr. Slater's experience as the U.S. Secretary of Transportation and as the Administrator of the Federal Highway Administration positions him well to provide oversight to our Company, which operates in a highly regulated industry, and to advise the Board and senior management on logistics, strategic partnerships, government relations and public policy. Each of these areas is an important focus for Verizon and has a fundamental impact on the way the Company operates. Mr. Slater also brings to the Board his experience guiding clients in developing infrastructure, as well as insights on the role of law in our business.

Mr. Slater has served as a Director of Verizon since 2010 and is a member of the Corporate Governance and Policy Committee. He is also a director of Kansas City Southern (since 2001), Transurban Group (since 2009) and Atkins plc (since 2011). In the past five years, Mr. Slater has served as a director of Delta Air Lines, Inc. and ICx Technologies, Inc.

**Table of Contents**

**KATHRYN A. TESIJA**

Ms. Tesija, 50, is Executive Vice President, Merchandising and Supply Chain and a member of the Executive Committee of Target Corporation, the second largest discount retailer in the United States with 1,782 stores, revenues of \$70.0 billion and approximately 365,000 employees in fiscal 2012. In this role, which she has held since 2008, Ms. Tesija oversees all merchandising functions, including product design and development, sourcing, inventory management, merchandising systems, presentation and operations as well as the company's global supply chain. Ms. Tesija joined Target in 1986 and was appointed to numerous positions of increasing responsibility at the company, ranging from Director, Merchandise Planning to Senior Vice President, Hardlines Merchandising.

As a result of her long tenure at Target, Ms. Tesija has gained broad business and leadership experience. Along with her significant management skills, Ms. Tesija brings to the Board an in-depth knowledge of the retail industry, expertise in leading the complex, large-scale, global retail functions of merchandising and supply chain and significant insight into consumer behavior, which give her a thorough understanding of many important issues facing Verizon. Her extensive background positions Ms. Tesija well to advise the Verizon Board and senior management on implementing the Company's strategies.

Ms. Tesija has served as a Director of Verizon since December 2012.

**GREGORY D. WASSON**

Mr. Wasson, 54, is President and Chief Executive Officer of Walgreen Co., the nation's largest retail drugstore chain, which in fiscal 2012 had \$71.6 billion of net sales, 8,385 locations and 240,000 employees. In June 2012, Walgreens announced a strategic partnership with Alliance Boots, an international pharmacy-led health and beauty group with a presence in more than 25 countries. Mr. Wasson has served as President and Chief Executive Officer and as a member of the board of directors of Walgreens since 2009. He joined the company in 1980 and was appointed to positions of increasing responsibility, including President of Walgreens Health Initiatives in 2002, Senior Vice President of Walgreens in 2004, Executive Vice President of Walgreens in 2005 and President and Chief Operating Officer of Walgreens in 2007.

As Chief Executive Officer of Walgreens, Mr. Wasson has gained valuable operational and management experience at a complex organization with a large, diverse workforce and significant global operations, which gives him a thorough understanding of the challenges facing Verizon in implementing our growth strategies. Mr. Wasson brings to the Board an in-depth knowledge of the retail industry and insight into the consumer experience. In addition, his extensive background in the healthcare industry positions Mr. Wasson well to advise the Board and senior management on an area of increasing importance to Verizon's evolving business strategy.

Mr. Wasson has served as a Director of Verizon since March 2013.

---

Table of Contents

## Ratification of Appointment of Independent Registered Public Accounting Firm

(Item 2 on Proxy Card)

The Audit Committee of the Board considered the performance and qualifications of Ernst & Young LLP, and has reappointed the independent registered public accounting firm to examine the financial statements of Verizon for the fiscal year 2013 and to examine the effectiveness of internal control over financial reporting. Ernst & Young has been retained as Verizon's Independent Registered Public Accounting Firm since 2000.

Verizon paid the following fees to Ernst & Young for services rendered during fiscal years 2012 and 2011:

|                     | 2012            | 2011            |
|---------------------|-----------------|-----------------|
| Audit fees:         | \$ 23.9 million | \$ 22.7 million |
| Audit-related fees: | \$ 3.3 million  | \$ 4.8 million  |
| Tax fees:           | \$ 3.8 million  | \$ 4.0 million  |
| All other fees:     | \$ 0.7 million  | \$ 0.8 million  |

Audit fees include the financial statement audit, the audit of the effectiveness of the Company's internal control over financial reporting required by the Sarbanes-Oxley Act of 2002, as well as financial statement audits required by statute for our foreign subsidiaries or by regulatory agencies in the United States. Audit-related fees primarily include audits of other subsidiaries, employee benefit plan audits, reviews of controls over services provided to customers, as well as other audit and due diligence procedures performed in connection with acquisitions or dispositions. Tax fees primarily consist of federal, state, local and international tax planning and compliance. All other fees primarily consist of support services to certain Verizon expatriate employees and other advisory services. The Committee considered, in consultation with management and the independent registered public accounting firm, whether the provision of these services is compatible with maintaining the independence of Ernst & Young.

The Committee is directly responsible for the appointment, compensation, retention and oversight of the independent registered public accounting firm retained to perform audit services. In order to assure continuing auditor independence, the Committee periodically considers whether there should be a regular rotation of the independent registered public accounting firm. The Committee ensures that the mandated rotation of the independent registered public accounting firm's personnel occurs routinely and is directly involved in the selection of Ernst & Young's lead engagement partner.

The Committee has established policies and procedures regarding pre-approval of services provided by the independent registered public accounting firm and is responsible for the audit fee negotiations associated with the engagement of the independent registered public accounting firm. At the beginning of the fiscal year, the Committee pre-approves the engagement of the independent registered public accounting firm to provide audit services based on fee estimates. The Committee also pre-approves proposed audit-related services, tax services and other permissible services, based on specified project and service details, fee estimates, and aggregate fee limits for each service category. The Committee receives a report at each meeting on the status of services provided or to be provided by the independent registered public accounting firm and the related fees.

The affirmative vote of a majority of the shares cast at the annual meeting is required to ratify the reappointment of Ernst & Young for the 2013 fiscal year. The Committee believes that the continued retention of Ernst & Young to serve as Verizon's independent registered public accounting firm is in the best interests of Verizon and its shareholders. If this appointment is not ratified by the shareholders, the Committee will reconsider its decision.

One or more representatives of Ernst & Young will be at the 2013 Annual Meeting of Shareholders. They will have an opportunity to make a statement and will be available to respond to appropriate questions.

**The Board of Directors recommends that you vote FOR ratification.**

---

**Table of Contents**

**Advisory Vote to Approve Executive Compensation**

**(Item 3 on Proxy Card)**

Verizon's Board of Directors is committed to excellence in governance. As part of that commitment, the Board provided Verizon's shareholders with the opportunity to cast an annual advisory vote related to executive compensation beginning with our 2009 Annual Meeting of Shareholders.

Beginning in 2011, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 mandates that we provide our shareholders with a non-binding advisory vote, referred to as a say-on-pay vote, to approve the compensation of our named executive officers as disclosed in the proxy statement at least once every three years. Our Board has determined to continue providing shareholders with a say-on-pay vote every year.

The Human Resources Committee of the Board has overseen the development of a compensation program that focuses on promoting a performance- and values-based culture that links the interests of management and shareholders. The compensation program is described more fully in the Compensation Discussion and Analysis section of this proxy statement, including the related tables and narrative.

As described in those sections, we believe that the compensation of our named executive officers:

- Balances short-term and longer-term compensation opportunities to provide incentives to meet short-term business objectives while continuing to produce value for Verizon's shareholders over the long term;
- Is closely aligned with Verizon's strong performance over the last one and three years, which resulted in a total shareholder return of 13.2% and 64.7%, respectively, over those periods; and
- Is structured to reflect best practices in governance and executive compensation, including:
  - i No executive employment agreements;
  - i No cash severance benefits for the CEO;
  - i No guaranteed pension and supplemental retirement benefits;
  - i No executive perquisite allowances;
  - i No tax gross-up payments;

## Edgar Filing: VERIZON COMMUNICATIONS INC - Form DEF 14A

- i No single-trigger change in control equity payments;
  
- i A policy that enables the Company to recapture and cancel incentive compensation received by an executive who has engaged in financial misconduct;
  
- i A policy prohibiting the Committee's independent compensation consultant from doing any other work for the Company; and
  
- i Requirements that Board members and executive officers maintain certain stock ownership levels (described on pages 1 and 49, respectively).

For the reasons discussed above, the Board recommends that shareholders vote in favor of the following resolution:

Resolved, that the shareholders approve, on an advisory basis, the compensation of the named executive officers, as disclosed in the Company's Proxy Statement for the 2013 Annual Meeting of Shareholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the compensation tables and the related narrative discussion.

While the resolution is non-binding, the Board values the opinions that shareholders express in their votes and in any additional dialogue. The Board and the Committee will consider the outcome of the vote and those opinions when making future compensation decisions.

**The Board of Directors recommends that you vote FOR this proposal.**

---



**Table of Contents**

**Approval of Verizon's Amended 2009 Long-Term Incentive Plan Pursuant to Internal Revenue Code Section 162(m)**

**(Item 4 on Proxy Card)**

***Introduction***

Section 162(m) of the United States Internal Revenue Code of 1986, as amended (the Code), limits the deductibility of executive compensation paid to each of Verizon's chief executive officer and the three other highest compensated officers (other than the chief financial officer), as determined pursuant to the executive compensation proxy statement disclosure rules, in any one year to \$1 million. An exception to this limitation applies to performance-based compensation as defined in the U.S. Treasury regulations under Section 162(m) of the Code. This exception is referred to as the performance-based exception.

One element of the 2009 Verizon Communications Inc. Long-Term Incentive Plan (2009 LTIP) is the flexibility to grant certain awards with performance-based vesting or payment requirements that are designed to satisfy the requirements of the performance-based exception under Section 162(m) of the Code. These awards are referred to as Performance-Based Vesting Awards and are in addition to other awards, such as stock options and stock appreciation rights (SARs) discussed below, which are expressly authorized under the 2009 LTIP and may also qualify as performance-based compensation for Code Section 162(m) purposes.

One of the requirements under the performance-based exception under Code Section 162(m) is shareholder approval of the plan under which the awards are granted. In the case of Performance-Based Vesting Awards, shareholders must also approve the material terms of the performance goals pursuant to which compensation is paid under the awards. Verizon is required to obtain this approval for Performance-Based Vesting Awards at least every five years in order to enable Verizon to claim an income tax deduction when it pays such awards. Verizon's shareholders last approved the material terms of the performance goals for Performance-Based Vesting Awards under the 2009 LTIP in May 2009 when the plan was adopted.

Stock options or SARs can qualify as performance-based for Code Section 162(m) purposes even when they are subject to time-based vesting schedules if shareholders approve a maximum limit on the number of shares underlying such awards that may be granted to a participant over a specified period and so long as the exercise or base price of the award is not less than the fair market value of a share of stock on the grant date of the award, because the ultimate value of the award depends on stock price appreciation after the date the award is granted. As described below, while the Human Resources Committee (Committee) does not presently intend to grant options or SARs, the Committee amended the 2009 LTIP to include a maximum number of shares underlying stock options and SARs that may be granted to any participant in any one calendar year. This limit is referred to as the Stock Option Limit.

***Approvals Sought***

At the 2013 Annual Meeting, Verizon's shareholders will be asked to approve the amended 2009 LTIP, and specifically, the material terms of the performance goals in the 2009 LTIP under which Performance-Based Vesting Awards may be granted and the amendment to the 2009 LTIP to include the Stock Option Limit. For purposes of Section 162(m) of the Code, the material terms of the performance goals include:

## Edgar Filing: VERIZON COMMUNICATIONS INC - Form DEF 14A

- The employees eligible to receive awards under the 2009 LTIP;
- A description of the business criteria on which the performance goal is based (performance measures); and
- The maximum compensation that can be paid to an employee under the performance goal during any specified period (individual award limits).

Shareholder approval of the material terms of the performance goals in the 2009 LTIP will allow the Committee the opportunity to continue to grant Performance-Based Vesting Awards intended to qualify as performance-based compensation under Section 162(m) of the Code, thereby permitting the Company to claim an income tax deduction for such compensation when it is paid. In addition, while the Company does not presently intend to grant options or SARs, shareholder approval of the Stock Option Limit will allow the Committee to grant options and SARs intended to qualify as performance-based compensation under Section 162(m) of the Code. Approval of this Item 4 will constitute approval of the amended 2009 LTIP, and specifically, the material terms of the performance goals in the 2009 LTIP and the Stock Option Limit.

## **Table of Contents**

**Verizon is not seeking to increase the number of shares authorized for issuance under the 2009 LTIP.**

As of March 4, 2013, a total of 11,921,000 shares of common stock were subject to outstanding awards payable in shares granted under the 2009 LTIP, and an additional 103,596,991 shares of common stock were available for new award grants payable in shares under the 2009 LTIP.

If shareholders do not approve this proposal, the current terms of the Performance-Based Vesting Award feature under, and other terms and conditions of, the 2009 LTIP will continue in effect. However, the Company will not grant Performance-Based Vesting Awards after May 2014 or stock options or SARs under the 2009 LTIP that are intended to satisfy the performance based exception under Code Section 162(m) unless and until the requisite shareholder approval is obtained in accordance with the provisions of Code Section 162(m).

### ***Description of 2009 LTIP***

#### *Overview*

The 2009 LTIP provides the framework for all of the Company's long-term incentive awards, which are based on the Company's performance over a multi-year cycle. The 2009 LTIP is designed to promote a performance-based culture and link the interests of participants and shareholders.

The principal terms of the 2009 LTIP, as amended, are summarized below. The following summary is qualified in its entirety by the complete text of the 2009 LTIP (as proposed to be amended and restated), which is attached to this proxy statement as Appendix D.

#### *Purpose*

The 2009 LTIP is designed to:

- Promote a performance-based culture that links the interests of participants and shareholders;
- Motivate participants to continue to create shareholder value over the longer term; and
- Provide the Company with a variety of compensation tools that it can use to attract and retain the services of participants who make significant contributions to the Company's success.

#### *Participation and Administration*

## Edgar Filing: VERIZON COMMUNICATIONS INC - Form DEF 14A

All employees of Verizon, as well as employees of any entity in which Verizon has an ownership interest of at least fifty percent (50%) or which are otherwise designated by the Committee as participating in the 2009 LTIP, are eligible to be granted awards under the 2009 LTIP. All members of the Board are also eligible to be granted awards under the 2009 LTIP. As of December 31, 2012 approximately 183,400 employees of Verizon and certain related companies and all of Verizon's non-employee Directors were eligible to receive awards under the 2009 LTIP. In 2012, approximately 2,615 employees (including all of Verizon's named executive officers) and 12 non-employee Directors who served during 2012 were granted awards under the 2009 LTIP.

Except as noted below, the Committee administers the 2009 LTIP, and it may delegate its authority, subject to any limitations imposed by law or the regulations of any applicable stock exchange. The Committee has delegated certain administrative duties to Verizon's Executive Vice President and Chief Administrative Officer. The Corporate Governance and Policy Committee of the Board administers the 2009 LTIP with respect to awards granted to Verizon's non-employee Directors. The administrator of the 2009 LTIP has broad authority under the plan with respect to award grants including, without limitation, the authority:

- to select participants and determine the type(s) of award(s) that they are to receive;
- to determine the terms and conditions of awards in a manner consistent with the plan;
- to construe and interpret the plan and any award agreement or other agreement or instrument entered into or issued under the plan;
- to establish, amend or waive rules and regulations for the plan's administration; and
- subject to the other provisions of the 2009 LTIP, to amend the terms and conditions of any outstanding award.

All determinations or decisions made by the Board, the Committee or the Corporate Governance and Policy Committee of the Board pursuant to the provisions of the 2009 LTIP are, by the terms of the plan, final, binding and conclusive on all persons.

**Table of Contents***No Repricing or Reload Options*

The 2009 LTIP does not permit any modification of stock options or SARs that would be treated as a repricing without the approval of shareholders. In addition, the 2009 LTIP also prohibits the automatic granting of replacement options upon the exercise of an outstanding grant.

*Types of Awards*

As described in the Compensation Discussion and Analysis beginning on page 35 of this proxy statement, the Company granted in 2012 long-term incentive awards to employees in the form of performance share units and restricted stock units. Under the 2009 LTIP, the Committee has the authority to grant various types of awards including:

- **Performance Shares and Performance Share Units.** These awards are linked to the performance of the Company over a performance cycle designated by the Committee. The initial value of a performance share will be equal to the fair market value of a share of Verizon common stock on the date of grant. The initial value of a performance share unit cannot be less than the fair market value of a share of Verizon common stock on the date of grant. These awards will be paid only if and to the extent that Verizon attains the corresponding performance measures. The Committee will establish the terms, conditions, restrictions and other provisions of each award. Under the 2009 LTIP, awards may be payable in cash, Verizon common stock, or a combination of both, as determined by the Committee.
- **Performance-Based Vesting Awards.** Performance shares and performance share units may be granted as Performance-Based Vesting Awards that are intended to satisfy the performance-based exception under section 162(m) of the Code. In granting Performance-Based Vesting Awards, the Committee will establish the performance criterion or criteria and target(s) on which performance will be measured to determine the vesting and/or payment of the awards. The Committee will condition the vesting and/or payment of the awards on Company performance measures that are based on one or more of the following: income measures (including, but not limited to, gross profit, operating income, earnings before or after taxes, or earnings per common share); return measures (including, but not limited to, return on assets, investment, equity, or sales); free cash flow; cash flow return on investments (which equals net cash flows divided by owners' equity); gross revenues; market value added; economic value added; and share price (including, but not limited to, growth measures and total shareholder return or relative growth measures and relative total shareholder return). The performance measures may be applied at the Verizon level, or at a subsidiary or operating unit level. Before any Performance-Based Vesting Award is paid (other than an award based solely on stock price appreciation), the Committee must certify that the applicable performance measure has been achieved.
- **Restricted Stock and Restricted Stock Units.** These awards are grants of common stock or stock units that may be forfeited or lapse if one or more of the terms of that award are not met. The initial value of a share of restricted stock will be equal to the fair market value of a share of Verizon common stock on the date of grant. The initial value of a restricted stock unit cannot be less than the fair market value of a share of Verizon common stock on the date of grant. The Committee will determine the terms, conditions, restrictions and other provisions that apply to any award. Restricted stock units may be payable in cash, Verizon common stock, or a combination of both, as determined by the Committee.
- **Stock Options.** Each stock option represents the right to purchase a specified number of shares of Verizon common stock at a fixed grant price. That grant price cannot be less than the fair market value of the Verizon common stock on the date of grant. The maximum term of a stock option cannot exceed 10 years from the date of grant. Options will be exercisable only in accordance with terms established by the Committee. The purchase price of an option may be payable in cash, Verizon common stock (valued at fair market value on the day of exercise), or a combination of both. The 2009 LTIP authorizes the Committee to grant nonqualified stock options or grant incentive stock options that comply with the requirements of Section 422(b) of the Code.

· **Other Awards.** The Committee also has authority to grant a variety of other types of awards including, but not limited to, SARs or other share equivalents that are denominated in, payable in, valued in whole or in part by reference to, or otherwise related to shares of Verizon common stock. The Committee will determine the terms and conditions of any awards.

## **Table of Contents**

### *Payment of Awards*

The Committee will determine whether the awards have been earned and the date on which awards are payable. The Committee may permit or require a participant to defer all or a portion of an award subject to the requirements of Section 409A of the Code.

### *Limitation on Shares and Awards*

The maximum number of shares of Verizon common stock that may be issued pursuant to awards under the 2009 LTIP, as adjusted pursuant to the terms of the 2009 LTIP, equals 119,600,000 shares of Verizon common stock. The Committee believes that this number of shares represents a reasonable amount of potential equity dilution and allows the Company a sufficient reserve of shares to continue awarding equity-based incentives, which are an important component of Verizon's overall compensation program. Awards granted under the 2009 LTIP that are payable solely in cash in accordance with the terms of the award do not reduce the number of shares available for issuance under the 2009 LTIP. **This proposal will not increase the number of shares authorized for issuance under the 2009 LTIP.**

As is customary in incentive plans of this nature, if certain events occur, the Committee is required to adjust the number, type and/or price of shares subject to outstanding awards. These events include a stock split, a corporate transaction, including a merger, consolidation, separation, spin-off, or other distribution of stock or property of the Company, a reorganization, a partial or complete liquidation of the Company, or other similar events. The adjustments are designed to prevent dilution or enhancement of the benefits available under the 2009 LTIP should any of these events occur. Shares will be considered to be issued under the 2009 LTIP at the time awards denominated in shares or units are granted to a participant. However, the number of shares available under the 2009 LTIP will be restored to the extent that (i) stock-based awards are paid in cash, (ii) shares subject to an award are cancelled, terminated or forfeited or shares are subject to a grant that expires, and (iii) a participant pays an option exercise price or tax withholding obligation with previously acquired shares or, in the case of tax withholding, by withholding shares that he or she would otherwise have had the right to acquire on the exercise of such option.

Under the terms of the 2009 LTIP, the maximum aggregate number of shares of Verizon common stock subject to all awards granted to any one participant in a single calendar year may not exceed the lesser of (i) one-half of one percent of the number of shares of Verizon common stock that are issued and outstanding on May 7, 2009 or (ii) 13,500,000 shares. In addition, if shareholders approve this proposal, the 2009 LTIP will include the following Stock Option Limit: the maximum aggregate number of shares of Verizon common stock with respect to which stock options and SARs may be granted to any one participant under the 2009 LTIP in a single calendar year may not exceed the lesser of (i) one-half of one percent of the total number of shares of Verizon common stock that are issued and outstanding on May 7, 2009 or (ii) 13,500,000 shares.

### *Amendment and Termination of the 2009 LTIP*

Unless it is terminated earlier, the 2009 LTIP will remain in effect until all shares subject to the 2009 LTIP have been purchased, acquired or forfeited, and all cash awards have been paid or forfeited, pursuant to the terms and conditions of the 2009 LTIP. However, no awards may be granted after May 7, 2019, which is the tenth anniversary of the effective date of the 2009 LTIP. Prior to that date, the Committee may amend, suspend or terminate the 2009 LTIP in whole or in part. The Committee may not amend the 2009 LTIP without shareholder approval to the extent shareholder approval would be required under any requirement of applicable law or regulation.

### *Double-Trigger Change in Control Provision*

The 2009 LTIP provides for a double-trigger for the vesting of any outstanding awards following a change in control (as defined in the 2009 LTIP). In the event that (i) a change in control occurs and (ii) within 12 months following the occurrence of the change in control, the participant is either involuntarily terminated by the Company without cause or the participant leaves his or her position for good reason (both of these terms are defined in the applicable award agreement, to the extent applicable to the award), the 2009 LTIP provides that any then outstanding stock options and SARs will become exercisable and all other awards will become vested and will be paid at their targeted award level. However, upon the occurrence of such an event, restricted stock units and performance share units generally will not be paid until their regularly scheduled time under the terms of the applicable award agreement.



## **Table of Contents**

### *Transfer Restrictions*

Subject to the provisions of the 2009 LTIP, awards under the plan generally are not transferable by the recipient other than by will or the laws of descent and distribution and are generally exercisable, during the recipient's lifetime, only by the recipient.

### *Severance from Service*

The Committee has discretion to determine, with respect to each award granted under the 2009 LTIP, the extent (if any) to which the recipient of the award will have rights with respect to the award following the recipient's separation from service with Verizon and/or any of its related companies.

### *Federal Income Tax Considerations*

The U.S. federal income tax consequences of the 2009 LTIP under the Code, which is subject to change, are summarized in the following discussion of the general tax principles applicable to the 2009 LTIP. This summary is not intended to be exhaustive and, among other considerations, does not describe the deferred compensation provisions of Section 409A of the Code to the extent an award is subject to and does not satisfy those rules, nor does it describe any state, local, or international tax consequences. The federal income tax consequences of any particular award may vary based on the terms and conditions associated with that award.

- **Restricted Stock Units, Performance Share Units and Performance Shares.** A participant who has been granted a restricted stock unit, performance share unit or performance share will not realize taxable income at the time of grant, and the Company will not be entitled to claim a corresponding income tax deduction at that time. The participant will have income equal to the amount of cash received when the award is paid and/or the fair market value of the shares at the time they are distributed. The Company will be entitled to claim a corresponding income tax deduction at that time (subject to any limitation under Code Section 162(m) discussed below).
- **Restricted Stock.** A participant who has been granted shares of restricted stock will not realize taxable income at the time of grant, and the Company will not be entitled to claim a corresponding income tax deduction, assuming that any restrictions on the participant's ability to earn such award create a substantial risk of forfeiture for federal income tax purposes. When the stock that is the subject of an award vests, the participant will realize ordinary income in an amount equal to the then fair market value of those shares, and the Company will be entitled to claim a corresponding income tax deduction. Gains or losses that the participant realizes upon a subsequent disposition of those shares will be treated as capital gains or losses. Alternatively, a participant may elect under Section 83(b) of the Code to recognize income at the date of grant of restricted stock and to have the applicable capital gain holding period commence as of that date. In that event, the Company will be entitled to claim a corresponding income tax deduction as of the date of grant.
- **Stock Options and SARs.** A participant will not recognize any taxable income, and the Company will not be entitled to claim a corresponding income tax deduction, upon the grant of a nonqualified stock option, incentive stock option or SAR under the 2009 LTIP.

## Edgar Filing: VERIZON COMMUNICATIONS INC - Form DEF 14A

If a participant exercises a nonqualified stock option or SAR, he or she will recognize taxable income equal to the difference between the fair market value of Verizon common stock on the date of exercise and the grant price of such nonqualified stock option or SAR. Verizon will be entitled to claim an income tax deduction equal to the amount of taxable income recognized by the participant.

A participant does not recognize taxable income upon the exercise of an incentive stock option. However, the difference between the fair market value of Verizon common stock on the date of exercise and the grant price of the incentive stock option is a tax preference item that must be considered in determining whether the participant is subject to the alternative minimum tax. If the participant does not dispose of the stock acquired through the exercise of an incentive stock option within two years after the date of grant or one year after the exercise date, any taxable income recognized on the date of sale will be subject to tax as a capital gain. If the above holding period requirements are not met, part or all of any income recognized on the date of sale will be subject to tax as ordinary income, and Verizon will be entitled to claim an income tax deduction in an equal amount. An incentive stock option becomes a nonqualified stock option if it is exercised more than three months after the participant has terminated his or her employment with Verizon or 12 months if the termination of employment is due to death or disability.

**Table of Contents**

**Section 162(m) Deduction Limits.** As described above, Section 162(m) of the Code generally provides that a federal income tax deduction is typically not available to Verizon for annual compensation in excess of \$1,000,000 paid to each of Verizon's chief executive officer and the three highest compensated officers (other than the chief financial officer), as determined pursuant to the executive compensation proxy statement disclosure rules in a particular year. However, as outlined above, certain performance-based compensation that satisfies the requirements of the performance-based exception under Section 162(m) of the Code is not subject to this limit. The Committee may designate certain awards under the 2009 LTIP as intended to qualify as performance-based compensation for purposes of Code Section 162(m). One of the requirements for Performance-Based Vesting Awards to satisfy the performance-based exception under Code Section 162(m) is that the material terms of the performance goals under the 2009 LTIP must be approved by the Company's shareholders at least every five years. As described above, if shareholders approve this 2009 LTIP proposal, the Performance-Based Vesting Award feature of the 2009 LTIP will be extended through the first annual meeting of Verizon's shareholders that occurs in 2018. In addition, while the Company does not currently intend to grant stock options and SARs, if shareholders approve this 2009 LTIP Proposal, the Committee will be able to grant stock options and SARs that are intended to qualify under the performance-based exception.

***Past Grants under the 2009 LTIP***

The only awards that have been granted under the 2009 LTIP are performance stock units and restricted stock units to eligible employees and share equivalents to non-employee Directors. No stock options have been granted under the 2009 LTIP, and the Company does not presently intend to grant options under the 2009 LTIP.

***Specific Benefits under the 2009 LTIP***

The Company has not approved any awards that are conditioned upon shareholder approval of the proposed amendment. The Company is not currently considering any other specific award grants under the 2009 LTIP. If the amendment reflected in this 2009 LTIP proposal had been in effect in fiscal 2012, we expect that Verizon's award grants made in fiscal 2012 would not have been substantially different from those actually made in that year under the 2009 LTIP. For information regarding stock-based awards granted to Verizon's named executive officers during 2012, see the discussion under the Compensation Discussion and Analysis section of this proxy statement.

The closing market price for a share of the Company's common stock as of March 4, 2013 was \$47.11 per share.

***Equity Compensation Plan Information***

The following table provides information as of December 31, 2012 for (i) all equity compensation plans previously approved by the Company's shareholders, and (ii) all equity compensation plans not previously approved by the Company's shareholders. Since May 9, 2009, the Company has only issued awards under the 2009 LTIP, which provides for awards of stock options, restricted stock, restricted stock units, performance stock units and other equity-based hypothetical stock units to employees of Verizon and its subsidiaries. No new awards are permitted to be issued under any other equity compensation plan. In accordance with SEC rules, the table does not include outstanding awards that are payable solely in cash by the terms of the award, and such awards do not reduce the number of shares remaining for issuance under the 2009 LTIP.

| Plan category | Number of securities to be issued upon | Weighted-average exercise price of | Number of securities remaining available |
|---------------|--|------------------------------------|--|
|---------------|--|------------------------------------|--|

Edgar Filing: VERIZON COMMUNICATIONS INC - Form DEF 14A

|  | exercise of<br>outstanding<br>options,<br>warrants and rights | outstanding<br>options, warrants<br>and rights | for future issuance<br>under equity<br>compensation<br>plans<br>(excluding<br>securities<br>reflected in<br>column (a)) |
|--|---|--|---|
| Equity compensation plans approved by security holders     | 22,095,525 <sup>1</sup>                                       | \$ 34.69 <sup>2</sup>                          | 100,857,279 <sup>3</sup>  |
| Equity compensation plans not approved by security holders | 265,118 <sup>4</sup>  |  |   |
| Total  | 22,360,643  | \$ 34.69                                       | 100,857,279   |

## **Table of Contents**

<sup>1</sup> This amount includes: 3,318,335 shares of common stock subject to outstanding stock options, 18,739,251 shares of common stock subject to outstanding restricted stock units and performance stock units, and 37,939 shares subject to outstanding deferred stock units, in each case including, for awards other than stock options, dividend equivalents accrued on such awards through December 31, 2012. This does not include performance stock units, deferred stock units and deferred share equivalents payable solely in cash. None of the outstanding stock options include tandem dividend equivalent rights.

<sup>2</sup> This number reflects the weighted average exercise price of outstanding stock options. Verizon's outstanding restricted stock units, performance stock units and deferred stock units do not have exercise prices associated with the settlement of these awards.

<sup>3</sup> This number reflects the number of shares of common stock that remained available for future issuance under the 2009 LTIP.

<sup>4</sup> This number reflects shares subject to deferred stock units credited to the Verizon Income Deferral Plan, which were awarded in 2002 under the Verizon Communications Broad-Based Incentive Plan. No new awards are permitted to be issued under this plan.

**The Board of Directors recommends that you vote FOR this proposal.**

---

## **Shareholder Proposals**

**(Items 5 – 10 on Proxy Card)**

We have been advised that the shareholders submitting the proposals or their representatives intend to present the following proposals at the annual meeting. The Board of Directors has concluded that it cannot support these proposals for the reasons stated.

### **Item 5 on Proxy Card:**

Trillium Asset Management LLC, 711 Atlantic Avenue, Boston, Massachusetts 02111, as representative of Margot Cheel, owner of 750 shares of the Company's common stock, and The Nathan Cummings Foundation, 475 Tenth Avenue, 14<sup>th</sup> Floor, New York, New York 10018, owner of 5,159 shares of the Company's common stock, as co-sponsors, propose the following:

### **Wireless Network Neutrality**

**Whereas,**

Wireless communications are critical to Verizon. In 2011 wireless constituted almost two-thirds of total revenue, with wireless data revenue growing 21 percent on an annual basis.

A critical factor in this growth has been the open (non-discriminatory) architecture of the Internet. Non-discrimination principles are commonly referred to as "network neutrality" and seek to ensure equal access and non-discriminatory treatment for all content.

We believe open Internet policies help drive the economy, encourage innovation and reward investors. Network neutrality principles may help Verizon financially by bringing new products to its platform, attracting customers and creating opportunities to share revenue with developers.

An open Internet also has particular importance for minority and economically disadvantaged communities, which rely on wireless more than other demographic groups. According to Colorofchange.org, an organization representing African Americans, "The digital freedoms at stake are a 21st century civil rights issue."

Verizon's stated policies for customers who access the Internet via wireless devices are markedly different from those for customers who access the Internet via wired networks.

For example, on its web site the Company offers customers who gain Internet access via its wired network a "commitment" which includes: "We will not prevent you or other users of our service from sending and receiving the lawful content of your choice; running lawful applications and using lawful services of your choice.. and We will disclose the types of practices that we use to manage our network..."

## **Table of Contents**

Wireless customers, however, are given no such assurances. The Company tells wireless customers: We will continue to disclose accurate and relevant information in plain language about the characteristics and capabilities of our service offerings so you and other users of our service can make informed choices.

As investors, we are deeply concerned about this disparity in principles, policies and practices. In light of potential reputational, regulatory, and legislative risk related to Verizon's network management practices and the issue of network neutrality, this disparity is troubling.

There may also be reputational and commercial risk in not providing customers with evidence of open Internet policies. On its public policy blog, a Verizon executive describes a high level of competition in the wireless market and says consumers can vote with their feet if they want to by choosing another wireless provider.

**Resolved:** Shareholders request that the Board of Directors report by October 2013 (at reasonable cost; omitting proprietary and confidential information; and not conceding or forfeiting any issue in litigation) how Verizon is responding to regulatory, competitive, legislative and public pressure to ensure that its network management policies and practices support network neutrality, an Open Internet and the social values described above.

## **Supporting Statement**

We are not seeking a report on legal compliance or the details of network management. Rather, we seek to ensure that shareholders have sufficient information to evaluate how Verizon manages this significant policy challenge how it takes into account that network management decisions could potentially affect future regulatory developments.

## **BOARD OF DIRECTORS POSITION**

Verizon has been a leader among Internet providers in supporting an open and vibrant Internet. Even before the Federal Communications Commission adopted net neutrality rules, Verizon published on its website a commitment to its broadband Internet access customers to enable consumers to benefit from its networks and the open Internet. In addition, Verizon has taken affirmative steps to encourage the development of a wide range of devices and applications to promote customers' ability to access and use the Internet in the manner of their choosing.

In addition to running our networks and developing products to provide access to the open Internet for tens of millions of people, Verizon has been at the forefront of the development of policies that seek to establish a robust, level and dynamic playing field for all participants in the broader ecosystem that supports the vitality of the Internet. As a leader in developing an open architecture for the access to and use of the Internet, the Company's position on all aspects of the network neutrality debate has been consistently and publicly conveyed in the mainstream and industry-related media, through online and traditional publications, in the development of technology standards, through legislative and agency fact-finding processes and in applicable agency and court filings, to name but a few of the forums in which Verizon participates.

## Edgar Filing: VERIZON COMMUNICATIONS INC - Form DEF 14A

In view of the extensive information that Verizon makes available about its approach to the public policy issues associated with network management, the Internet and network neutrality, the Board believes that the report requested by the proposal would provide no additional meaningful information to shareholders and would be a waste of corporate resources.

**The Board of Directors recommends that you vote AGAINST this proposal.**

### **Item 6 on Proxy Card:**

AFSCME Employees Pension Plan, 1625 L Street N.W., Washington, DC 20036, owner of 20,659 shares of the Company's common stock, Congregation of the Sisters of Charity of the Incarnate Word, San Antonio, 4503 Broadway, San Antonio, Texas 78209, owner of 2,650 shares of the Company's common stock, The Domestic and Foreign Missionary Society of the Protestant Episcopal Church in the United States of America, 815 Second Avenue, New York, New York 10017, owner of 100 shares of the Company's common stock, and Domini Social Investments, 532 Broadway, 9<sup>th</sup> Floor, New York, New York, 10012, owner of 501,563 shares of the Company's common stock, as co-filers, propose the following:

**Whereas**, corporate lobbying exposes our company to risks that could affect the company's stated goals, objectives, and ultimately shareholder value, and



## **Table of Contents**

**Whereas**, we rely on the information provided by our company to evaluate goals and objectives, and we, therefore, have a strong interest in full disclosure of our company's lobbying to assess whether our company's lobbying is consistent with its expressed goals and in the best interests of shareholders and long-term value.

**Resolved**, the shareholders of Verizon Communications Inc. ( Verizon ) request that the Board authorize the preparation of a report, updated annually, disclosing:

1. Company policy and procedures governing lobbying, both direct and indirect, and grassroots lobbying communications.
2. Payments by Verizon used for (a) direct or indirect lobbying or (b) grassroots lobbying communications, in each case including the amount of the payment and the recipient.
3. Verizon's membership in and payments to any tax-exempt organization that writes and endorses model legislation.
4. Description of the decision making process and oversight by management and the Board for making payments described in section 2 above.

For purposes of this proposal, a grassroots lobbying communication is a communication directed to the general public that (a) refers to specific legislation or regulation, (b) reflects a view on the legislation or regulation and (c) encourages the recipient of the communication to take action with respect to the legislation or regulation. Indirect lobbying is lobbying engaged in by a trade association or other organization of which Verizon is a member.

Both direct and indirect lobbying and grassroots lobbying communications include efforts at the local, state and federal levels.

The report shall be presented to the Audit Committee or other relevant oversight committees of the Board and posted on the company's website.

## **Supporting Statement**

As shareholders, we encourage transparency and accountability in the use of staff time and corporate funds to influence legislation and regulation both directly and indirectly. We believe such disclosure is in shareholders' best interests. Verizon sits on the board of the Chamber of Commerce, which is characterized as by far the most muscular business lobby group in Washington ( Chamber of Secrets, Economist, April 21, 2012). In 2010 and 2011, the Chamber spent \$198 million on lobbying. Verizon does not disclose its trade association payments or the portions used for lobbying on its website. Absent a system of accountability, company assets could be used for objectives contrary to Verizon's long-term interests.

Verizon spent approximately \$32.5 million in 2010 and 2011 on direct federal lobbying activities (Senate reports). In 2011, Verizon also spent at least \$3,307,861 in 10 states that require lobbying disclosure (according to state disclosure reports). These figures may not include grassroots lobbying to directly influence legislation by mobilizing public support or opposition and do not include lobbying expenditures to influence

legislation in states that do not require disclosure. And Verizon does not disclose membership in or payments to tax-exempt organizations that write and endorse model legislation, such as the American Legislative Exchange Council.

## **BOARD OF DIRECTORS POSITION**

Verizon engages in advocacy at the federal and state levels in order to promote the interests of the Company and its shareholders. The Company's lobbying activities are already subject to an extensive framework of laws, public disclosure, and internal oversight. The additional disclosures required by the proposal would provide little or no value to shareholders while imposing significant administrative burdens on the Company.

Verizon already complies fully with all laws governing its lobbying activities, which require it to make extensive public disclosures about those activities. At the federal level, Verizon files public quarterly reports disclosing its lobbying expenditures and detailing its lobbying activities, the entities it lobbied, and the subject matters upon which it lobbied. Any lobbying firms hired by Verizon file similar reports. In addition, Verizon files public semiannual reports disclosing certain political contributions and honorary payments made by the Company or its

## **Table of Contents**

federal political action committee. Each of Verizon's in-house and external lobbyists file similar reports disclosing personal contributions and payments. Finally, Verizon belongs to a number of trade associations which are registered under the Lobbying Disclosure Act, and which file their own lobbying reports. These reports disclose the trade association's own lobbying activities, and to the extent the trade associations have members who contribute more than \$5,000 per quarter to the association and who actively participate in the planning, supervision, or control of the association's lobbying activities, those members are identified on the association's lobbying reports. Verizon also files extensive lobbying disclosure reports as required by state law.

Verizon's lobbying activities are subject to robust internal controls, including oversight by the Corporate Governance and Policy Committee of the Board of Directors. The Code of Conduct requires that all lobbying activities on behalf of the Company be authorized by public policy or legal personnel. In addition, corporate policy and training materials provide guidance to employees regarding legal requirements in connection with lobbying activities.

Because Verizon is already subject to extensive reporting requirements regarding its lobbying activities and has strong internal controls to ensure that any lobbying activity is conducted in accordance with the law and in furtherance of the Company's and its shareholders' interests, the Board does not believe that the additional requested disclosure would be valuable to shareholders.

**The Board of Directors recommends that you vote AGAINST this proposal.**

### **Item 7 on Proxy Card:**

C. William Jones, 1 Muirfield Court, Frisco, Texas 75034, owner of 126 shares of the Company's common stock, proposes the following:

**Resolved:** The shareholders of Verizon hereby ask our Board of Directors to adopt a proxy access bylaw, with conforming amendments to related bylaws, that require Verizon to include in any proxy materials prepared for a shareholder meeting at which directors will be elected, the name, Disclosure and Statement (as defined herein) of any person nominated for election to the Board by a shareholder or group thereof (the Nominator) that meets the criteria set out below. Verizon shall allow shareholders to vote on such nominee(s) on Verizon's proxy card.

The number of shareholder-nominated candidates appearing in proxy materials shall not exceed 20 percent of the number of directors then serving. This bylaw should provide that a Nominator must:

(a) Have beneficially owned 3% or more of Verizon's outstanding common stock continuously for at least three years before the nomination is submitted;

(b) Give Verizon written notice within the time period identified in Verizon's bylaws, of information required by the bylaws and any rules of the Securities and Exchange Commission about (i) the nominee, including his or her consent to being named in the proxy materials, to serving as a director if elected, and to public disclosure of data required by Verizon's bylaws; and (ii) the Nominator, including proof of ownership of the required shares (the Disclosure); and

(c) Certify that (i) it assumes liability stemming from any legal violation arising out of the Nominator's communications with shareholders, including the Disclosure and Statement; (ii) it will comply with all applicable legal requirements in its own soliciting material; and (iii) to the best of its knowledge, the required shares were acquired in the ordinary course of business and not to change or influence control at Verizon.

The Nominator may submit with the Disclosure a supporting statement not exceeding 500 words (the Statement). The Board shall adopt procedures for timely resolving disputes over whether the notice of a nomination, Disclosure and Statement satisfy the bylaw and any applicable regulations, and the priority to be given to multiple nominations exceeding the 20 percent limit.

### **Supporting Statement**

We believe long-term Verizon owners should have a meaningful voice in electing directors.

The process proposed here adopts the strict 3% and 3-year eligibility threshold the SEC adopted in its now-vacated 2010 proxy access rule.

## **Table of Contents**

The 20% limit on shareholder-nominated candidates will prevent abuse, we believe, and is the limit Hewlett-Packard agreed to put before shareholders in 2013 with a recommended yes vote.

The need for enhanced accountability at Verizon is compelling in our view:

- Verizon's Performance Stock Unit program provides significant payouts (50% of target) for below-median performance and even if total shareholder return is negative.
- The Board opposed shareholder resolutions in 2012 that proposed a 15% threshold to call special meetings and the right to act by written consent, reforms receiving 46.8% and 43.2% support, respectively.
- Over 10% of votes were cast against re-electing the Board Compensation Committee chairman in 2012 and 2011.

Please vote FOR this proposal.

## **BOARD OF DIRECTORS POSITION**

The Board believes that the need for proxy access should be evaluated in the context of Verizon's overall corporate governance practices that provide shareholders with the opportunity to have meaningful input into the director nomination and election process and ensure that the Board has the independence, professional experience, expertise and commitment to effectively oversee management's performance and act in the best interests of all shareholders. Given Verizon's overall governance structure, the Board believes that the proposed proxy access regime is unnecessary and would decrease the effectiveness of the Board.

The Board believes that its current director nomination process in which the Corporate Governance and Policy Committee evaluates all nominees, including individuals recommended by shareholders, is the most appropriate process to ensure that only the highest quality Director candidates are nominated for election. The Committee, which is comprised of independent Directors who owe fiduciary duties to act in the best interests of all shareholders, is in the best position to review and recommend director nominees who have the skills and qualifications to enhance the effectiveness of the Board and who are free from conflicts of interest and will represent the interests of all shareholders and not just those with special interests. As part of its evaluation of each candidate, the Committee takes into account how that candidate's background experience, qualifications, attributes and skills may complement, supplement or duplicate those of other prospective candidates.

Candidates identified by the Committee are elected in accordance with corporate governance requirements adopted to ensure that all Directors remain accountable to shareholders. These include a majority voting requirement for the election of Directors and a requirement that all Directors stand for reelection annually. Since the Committee annually considers nominees recommended by shareholders and there is an annual election for all Directors, the Board believes that all of Verizon's Directors are fully accountable to shareholders and that shareholders have meaningful ways to address Board composition.

A proxy access regime, when coupled with annual elections of all Directors, could turn each year's annual meeting into a free-for-all contested election. The Board believes that dealing with contested elections every year would not only be highly distracting to the Board and management, but could also encourage a short-term focus to the management of the business that would not be in the interests of Verizon's shareholders. Encouraging short-termism and distracting the Board and management from their responsibilities are very high costs to pay for a regime for which there is not a demonstrated need.

The Board strongly disagrees with the proponent's allegation that there is a need for enhanced accountability at Verizon. Notably, the proponent does not allege that any nominee proposed to the Committee has ever failed to receive due consideration and does not allege any other governance failings. Contrary to the proponent's allegation, the Board has consistently demonstrated its accountability and responsiveness to shareholders by adopting robust director independence standards and limitations on service on other boards, implementing majority voting for the election of directors, implementing a shareholder advisory vote on executive compensation before it was required to do so and providing shareholders with the right to call special meetings.

The Board believes that the adoption of a proxy access bylaw is not in the best interests of Verizon or its shareholders because a proxy access regime could disrupt the Company's existing, effective corporate governance regime and result in a less effective Board that includes less independent and qualified individuals.

**The Board of Directors recommends that you vote AGAINST this proposal.**

## **Table of Contents**

### **Item 8 on Proxy Card:**

Jack K. and Ilene Cohen, 3354 Curry Street, Yorktown Heights, New York 10598, owners of 664 shares of the Company's common stock, propose the following:

**Resolved:** Verizon shareholders urge our Board of Directors to seek shareholder approval of any senior executive officer's new or renewed compensation package that provides for severance or termination payments with an estimated total value exceeding 2.99 times the sum of the executive's base salary plus target short-term bonus.

Severance or termination payments include any cash, equity or other compensation that is paid out or vests due to a senior executive's termination for any reason. Such payments include those provided under employment agreements, severance plans, change-in-control clauses in long-term equity or other compensation plans, and agreements renewing, modifying or extending any such agreement or plan.

Total value of these payments includes: lump-sum payments; payments offsetting tax liabilities; post-employment perquisites or benefits that are not vested under a plan generally available to management employees; post-employment consulting fees or office expense; and any equity awards as to which the executive's vesting is accelerated, or a performance condition waived, due to termination.

The Board shall retain the option to seek shareholder approval after material terms are agreed upon.

### **Supporting Statement**

We believe that requiring shareholder ratification of golden parachute severance packages with a total cost equal to or exceeding three times an executive's base salary plus target bonus will provide valuable feedback, encourage restraint, and strengthen the hand of the Board's compensation committee.

According to the 2012 Proxy (page 56), if CEO Lowell McAdam is terminated without cause in the 12 months following a change in control, he could receive an estimated \$34.8 million, more than nine times his 2011 base salary plus short-term bonus.

McAdam could receive a similar payout as a result of any involuntary termination without cause, or due to his disability or death.

Similarly, Executive Vice President Daniel Mead could receive an estimated \$11.8 million (eight times base salary plus bonus) if he is terminated without cause, or due to disability, death or even voluntary retirement (Proxy, pp. 53, 56).

## Edgar Filing: VERIZON COMMUNICATIONS INC - Form DEF 14A

The 2012 Proxy also discloses that former CEO Ivan Seidenberg became entitled to receive upon his retirement \$35.3 million in termination payments- over six times his 2011 base salary plus short-term bonus.

The estimated payments to McAdam, Mead and Seidenberg are in addition to their pension and nonqualified deferred compensation plans, which pay millions more.

The majority of termination payments result from the accelerated vesting of outstanding Restricted Stock Units (RSUs) and Performance Stock Units (PSUs). This practice effectively waives performance conditions that justify Verizon's annual grants of performance-based restricted stock to senior executives, in our view.

Years ago Verizon's Board adopted a policy requiring shareholder approval of new severance agreements with a value exceeding 2.99 times base salary plus bonus, excluding equity awards. We believe that policy should be updated to include the full value of termination payments, including the estimated value of accelerated vesting of RSUs and PSUs that otherwise would not have been earned or vested until after the executive's termination.

Please **VOTE FOR** this proposal.

### **BOARD OF DIRECTORS POSITION**

The Human Resources Committee of the Board of Directors believes that maintaining a competitive level of separation benefits is an important part of an overall program designed to attract, retain and motivate the highest



## **Table of Contents**

quality management team. At the same time, the Committee supports reasonable and appropriate limits on severance payments and already has in place a policy requiring the Company to obtain shareholder ratification of any new employment agreement or severance agreement with an executive officer that provides for severance benefits with a total cash value exceeding 2.99 times the sum of the executive's base salary plus target short-term incentive opportunity. The policy defines severance pay broadly to include payments for any consulting services, payments to secure a non-compete agreement, payments to settle any litigation or claim, payments to offset tax liabilities, payments or benefits that are not generally available to similarly-situated management employees and payments in excess of, or outside, the terms of a Company plan or policy.

The proponent's policy would unnecessarily significantly expand Verizon's existing policy by including the value of outstanding equity awards and each benefit or amount that could be paid out on a termination of employment for any reason. The Committee strongly believes that it would be inappropriate to include these benefits in the severance calculation, because they are not payable under the terms of any severance plan or employment agreement, but are earned by the executives in the course of their employment.

Furthermore, the Committee disagrees with the proponent's characterization of the nature of the amounts payable under outstanding long-term incentive awards as severance payments, when they represent equity awards provided to and earned by the executive officer in the course of his or her employment. Under the terms of Verizon's long-term incentive awards, if an employee's employment is terminated without cause, or upon the employee's death, disability or qualifying retirement, the awards remain outstanding and become payable, if at all, on the regularly scheduled payment date. In the case of performance stock unit awards, the awards are only paid if, and only to the extent that, the applicable performance criteria are satisfied at the end of the three-year performance cycle. It is important to note that the award payments are not a windfall—they are not accelerated or increased on the employee's termination—nor, as the proponent asserts, are the performance conditions effectively waived.

The Committee believes that the proposed policy would effectively subject all of Verizon's executive compensation arrangements to a binding shareholder vote on an annual basis, which would be in addition to the annual say on pay advisory vote that Verizon has been providing shareholders since 2009. As a result, the Committee strongly believes that the proposal could have a significant adverse effect on Verizon's ability to recruit and retain leadership talent because the annual equity grants that comprise a significant portion of an executive's annual compensation and represent an important part of our pay-for-performance objective would be subject to uncertainty for an extended period of time pending the shareholder vote. Accordingly, the Committee firmly believes that the Proposal is not in the best interests of Verizon and its shareholders.

**The Board of Directors recommends that you vote AGAINST this proposal.**

### **Item 9 on Proxy Card:**

Kenneth Steiner, 14 Stoner Avenue, Apt. 2M, Great Neck, New York 11021, owner of 2,140 shares of the Company's common stock, proposes the following:

#### **9-Special Shareowner Meeting Right**

**Resolved**, Shareowners ask our board to take the steps necessary unilaterally (to the fullest extent permitted by law) to amend our bylaws and each appropriate governing document to give holders of 15% of our outstanding common stock (or the lowest percentage permitted by law above 15%) the power to call a special shareowner meeting.

This includes that such bylaw and/or charter text will not have any exclusionary or prohibitive language in regard to calling a special meeting that apply only to shareowners but not to management and/or the board (to the fullest extent permitted by law). This proposal does not impact our board's current power to call a special meeting.

Special meetings allow shareowners to vote on important matters, such as electing new directors that can arise between annual meetings. Shareowner input on the timing of shareowner meetings is especially important when events unfold quickly and issues may become moot by the next annual meeting. This proposal topic won more than 60% support at CVS, Sprint and Safeway.

## **Table of Contents**

This proposal should also be evaluated in the context of our Company's overall corporate governance as reported in 2012:

GMI/The Corporate Library, an independent investment research firm, had rated our company "D" continuously since 2005 with "High Governance Risk" and "Very High Concern" in Executive Pay-\$26 million for our former CEO Ivan Seidenberg.

Mr. Seidenberg was entitled to payments of \$33 million related to RSU and PSU pay given in 2010 and 2011, nearly \$2 million in life insurance, and \$10,000 for financial planning. Indeed, Mr. Seidenberg will need extra money for financial planning because he has nearly \$68 million in non-qualified deferred pay plans, \$3 million in accumulated pension benefits, and \$20 million realized on the vesting of 498,000 stock awards. This totaled \$126 million.

GMI said Lowell McAdam, our new CEO, received a special one-time equity payment related to his promotion consisting of 70% performance share units worth \$7 million based on average annual ROE over a five-year period and 30% restricted stock units worth \$3 million that simply vest over time. This was in addition to \$5.25 million in PSUs and \$3.5 million from the annual equity grant awarded earlier in the year. Mr. McAdam also had a potential \$32 million entitlement for a change in control.

This proposal topic might have received our majority vote in 2012 had our directors refrained from making it more difficult to vote for shareholder proposals than to vote against them and had our directors refrained from instigated their costly extra solicitation for negative votes. In other words this proposal topic might have received our majority vote had there been a level playing field.

Please encourage our board to respond positively to this proposal to strengthen our corporate governance and protect shareholder value:

### **Special Shareowner Meeting Right Proposal 9**

#### **BOARD OF DIRECTORS POSITION**

Verizon's Board of Directors has carefully considered this issue in each of the past five years. The Board continues to believe that this proposal is unnecessary because Verizon's shareholders already have a meaningful right to call a special meeting. Under Verizon's bylaws, any shareholder who owns at least 10%, or multiple shareholders who together own at least 25%, of Verizon's stock may call a special meeting of shareholders. There are only limited circumstances under which a special meeting requested in accordance with the bylaws would not occur, each of which is designed to prevent a costly meeting that is unnecessary because the proposed business is not a proper subject for shareholder action under Delaware law or because shareholders have recently had or will soon have an opportunity to address the issue.

A special meeting of shareholders is an extraordinary event that is both expensive and time-consuming. The Board firmly believes that the ownership thresholds and the common sense safeguards contained in Verizon's current bylaw provision strike an appropriate balance between the right of shareholders to call a special meeting and the interests of Verizon and its shareholders in promoting the appropriate use of company resources.

**The Board of Directors recommends that you vote AGAINST this proposal.**

**Item 10 on Proxy Card:**

William Steiner, 112 Abbottsford Gate, Piermont, New York 10968, owner of 300 shares of the Company's common stock, proposes the following:

**Proposal 10 Right to Act by Written Consent**

**Resolved**, Shareholders request that our board of directors undertake such steps as may be necessary to permit written consent by shareholders entitled to cast the minimum number of votes that would be necessary to authorize the action at a meeting at which all shareholders entitled to vote thereon were present and voting. This written consent includes all issues that shareholders may propose. This written consent is to be consistent with applicable law and consistent with giving shareholders the fullest power to act by written consent consistent with applicable law.

## **Table of Contents**

This proposal topic won majority shareholder support at 13 major companies in a single year. This included 67%-support at both Allstate and Sprint. Hundreds of major companies enable shareholder action by written consent.

This proposal should also be evaluated in the context of our Company's overall corporate governance as reported in 2012:

GMI/The Corporate Library, an independent investment research firm, has rated our company D continuously since 2005 with High Governance Risk and Very High Concern in Executive Pay-\$26 million for our former CEO Ivan Seidenberg.

Directors Sandra Moose, Richard Carrion, Hugh Price and Joseph Neubauer each had 12 to 17 years long-tenure. GMI said long-tenured directors can often form relationships that may compromise their independence and therefore hinder their ability to provide effective oversight. Ms. Moose was also our Lead Director, a position which demands greater independence. Mr. Carrion was also a CEO who was furthermore on our executive pay committee along with another CEO, Clarence Otis, who was further over-extended with seats on the boards of 3 major companies. Mr. Otis also had a seat on our audit committee. Long-tenured directors also chaired our executive pay and nomination committees. In fact Mr. Neubauer, the chair of our executive pay committee, received our highest negative votes.

Shareholder support for 2012 shareholder proposals would have been higher had our directors refrained from making it easier to vote against shareholder proposals than to vote for them and had our directors not instigated a costly extra solicitation for negative votes.

Please encourage our board to respond positively to this proposal to strengthen our corporate governance and protect shareholder value:

### **Right to Act by Written Consent Proposal 10**

#### **BOARD OF DIRECTORS POSITION**

The Board of Directors has carefully considered the arguments put forth in support of this proposal and continues to believe that adoption of the proposal is not in the best interests of all shareholders. Action by written consent can result in certain shareholders being denied the ability to vote or otherwise have a say on proposed corporate action. The Board strongly believes that shareholder democracy can best be assured by shareholder action being taken at an appropriately called annual or special meeting of shareholders. Shareholder meetings provide the best opportunity for discussion and interaction among the Company's stakeholders so that all points of view may be considered prior to a vote.

The Board also opposes this proposal because action by written consent can occur with little or no advance notice to the Company, minority shareholders and the market. As a result, the Board may not have a meaningful opportunity to consider the merits of the proposed action, to consider alternative courses of action or to communicate its views to shareholders. For example, hostile or insurgent shareholders have relied on consent solicitations as a coercive tool to threaten or fundamentally change companies without providing all shareholders with notice or an opportunity to be engaged in the consideration of such changes at a shareholders meeting.

## Edgar Filing: VERIZON COMMUNICATIONS INC - Form DEF 14A

The Board believes that adoption of this proposal is unnecessary in the context of Verizon's overall corporate governance. Verizon's shareholders have the ability to raise important matters outside of the annual meeting cycle. Any shareholder owning at least 10%, or any group owning 25%, of Verizon's common stock has the right to call a special meeting of shareholders. As a result, shareholders holding far fewer shares than the majority contemplated by the proposal already have the ability to cause important matters to be addressed in a forum that permits the involvement of all shareholders and constructive engagement with the Board and management.

The Verizon Board has consistently demonstrated its willingness to listen to and constructively respond to shareholder concerns. As a result, the Board believes that a proposal that seeks to remove the Board and minority shareholders from the process of considering important corporate matters is not in the best interests of all shareholders.

**The Board of Directors recommends that you vote AGAINST this proposal.**

---

**Table of Contents**

**Compensation Committee Report**

The Human Resources Committee has reviewed and discussed the Compensation Discussion and Analysis with management. Based on such review and discussions, the Committee recommended to the Board of Directors, and the Board has approved, the inclusion of the Compensation Discussion and Analysis in this proxy statement and the Company's Annual Report on Form 10-K.

Respectfully submitted,

Human Resources Committee

*Joseph Neubauer, Chairperson*

*Richard L. Carrión*

*Melanie L. Healey*

*M. Frances Keeth*

*Robert W. Lane*

*Clarence Otis, Jr.*

Dated: March 8, 2013

---

**Compensation Discussion and Analysis**

The Human Resources Committee oversees the development and implementation of the total compensation program for Verizon's named executive officers. Throughout this discussion and analysis of compensation, we refer to the Board of Directors as the Board and the Human Resources Committee as the Committee.

For 2012, Verizon's named executive officers were:

Lowell C. McAdam                      Chairman and Chief Executive Officer

## Edgar Filing: VERIZON COMMUNICATIONS INC - Form DEF 14A

|                   |  |                                |
|-------------------|--|--------------------------------|
| Daniel S. Mead    | Executive Vice President and President and Chief Executive Officer | Verizon Wireless Joint Venture |
| Francis J. Shammo | Executive Vice President and Chief Financial Officer               |                                |
| John G. Stratton  | Executive Vice President and President                             | Verizon Enterprise             |
| Randal S. Milch   | Executive Vice President and General Counsel*                      |                                |

\*Effective January 1, 2013, Mr. Milch was appointed Executive Vice President - Public Policy and General Counsel.

### *Executive Summary*

### *Summary of 2012 Results*

In 2012, Verizon produced generally strong results. These included:

|                  | Performance Metric <sup>1</sup> | 2012 Result | Change from<br>2011 |
|------------------|---------------------------------|-------------|---------------------|
| Adjusted EPS     |                                 | \$2.24      | 4.2%                |
| Total Revenue    |                                 | \$115.8B    | 4.5%                |
| Free Cash Flow   |                                 | \$15.3B     | 13.1%               |
| Return on Equity |                                 | 17.1%       | 167bps              |

<sup>1</sup> A reconciliation of non-GAAP measures to the most directly comparable GAAP measures can be found in Appendix C to this proxy statement.



---

**Table of Contents**

The chart below reflects how \$100 invested in Verizon stock on December 31, 2007 would have grown to \$140.15 on December 31, 2012, with dividends reinvested quarterly. It also shows how \$100 invested in the Related Dow Peers\* and \$100 invested in the S&P 500 Index on December 31, 2007, with dividends reinvested, would have grown over the same five-year period.

**Comparison of Five-Year Cumulative Total Shareholder Return**

---

\*Total shareholder return based on equal weighting methodology.

*Summary of Key 2012 Compensation Decisions*

Based on Verizon's business strategy and accomplishments in 2012, the Committee made the following key compensation decisions in 2012:

*2012 Base Salary*

After considering competitive peer pay practices, the Committee approved base salary increases of 10.3% for Mr. Mead, 3.7% for Mr. Shammo and 4.0% for Mr. Milch. In addition, in recognition of Mr. Stratton's promotion to Executive Vice President and President Verizon Enterprise, the Committee increased Mr. Stratton's base salary by 12.5%. Mr. McAdam did not receive a base salary increase in 2012.

*2012 Short-Term Incentive Awards*

In connection with the Committee's review of competitive peer pay practices and to provide executives with additional focus and incentives to drive year-over-year growth and profitability, and further strengthen the relationship between pay and performance, the Committee expanded the payout range of the short-term incentive program for 2012 by decreasing the potential payout amount at threshold performance from 67% to 50% of target and by increasing the potential payout amount at maximum performance from 133% to 150% of target.

Also, in connection with its review of competitive peer pay practices, the Committee modified the short-term target incentive opportunity (which is expressed as a percentage of base salary levels) by reducing the target percentage for the named executive officers other than the CEO from 112.5% to 110% and increasing the target percentage for the CEO from 187.5% to 250%.

Based on the Company's performance against the measures the Committee established at the beginning of the year, each of the participants in the short-term incentive plan, including the named executive officers, received a 2012 short-term incentive award paid at 90% of its targeted level.

**Table of Contents**

*2012-2014 Long-Term Incentive Awards* In prior years, the long-term incentives awarded to the named executive officers as part of the annual equity grant consisted of performance stock units (referred to as PSUs) that vest based on Verizon’s relative Total Shareholder Return (TSR) during the three-year performance cycle and restricted stock units (referred to as RSUs). The 2012 awards again consisted of PSUs and RSUs. However, for the 2012 award, the Committee made the following changes to the design of the PSUs to more closely align with Verizon’s business strategy and drive shareholder value:

- Added a three-year cumulative free cash flow metric;
- Lowered the percent of the PSU awards that vest at the threshold TSR performance level from 50% to 32% of target while continuing to pay less than 100% for median TSR performance; and
- Changed the TSR vesting scale so that each incremental percentage of achievement between the threshold and maximum performance levels results in a corresponding change in the percent of the PSU awards that vest.

*2010-2012 Long-Term Incentives Earned* The Company’s TSR for the 2010-2012 performance cycle ranked 3<sup>rd</sup>, or at the 94<sup>th</sup> percentile among the members of the Related Dow Peers as constituted on the date the grant was made. As a result of this achievement, each of the participants in the long-term incentive plan, including the named executive officers, vested in 200% of the number of PSUs that were granted to them, plus dividend equivalents credited pursuant to the terms of the award.

*Mr. McAdam’s 2009 Special Succession Planning PSU Award Earned* In December 2009, the Committee granted Mr. McAdam a special PSU award in connection with the Board’s long-term succession planning efforts, which consisted of PSUs that would vest based on the Company’s return on equity during the three-year performance period ending December 31, 2012. Based on the Company’s performance against the award’s performance measures, Mr. McAdam vested in 136% of the number of PSUs granted to him, plus dividend equivalents credited pursuant to the terms of the award. The PSUs were settled in shares, and Mr. McAdam must hold the shares he received for two years.

*Summary of Executive Compensation Program and Practices*

Our commitment to following industry-leading compensation and governance practices is reflected in the design of our compensation program. Some of these elements include:

*Pay-for-Performance* Approximately 90% of our named executive officers’ annual total compensation opportunity is variable, at risk and incentive-based. The primary components of our executive compensation program and their approximate percentage of the total compensation opportunity are as follows:

- 10% fixed pay – annual cash base salary
- 90% variable, performance-based pay – comprised of an annual cash incentive based on achievement of pre-established performance goals and a long-term incentive in the form of an equity-based award that vests after three years and is composed of PSUs and RSUs

*Benchmarking Total Compensation* The Committee benchmarks each executive’s total compensation opportunity against a single peer group, referred to as the Related Dow Peers and described beginning on page 38 and in Appendix B. The

Committee references the 50<sup>th</sup> percentile of the Related Dow Peers for total compensation opportunity, with additional consideration given to the tenure and overall level of responsibility of a particular executive. For these purposes, total compensation opportunity consists of the named executive officer's base salary, targeted annual short-term incentive level and targeted long-term incentive level.

---

**Table of Contents**

*Compensation Best Practices*      The Committee regularly considers competitive market trends and seeks to understand the views of shareholders when considering changes to existing policies. As a result of this process, the Committee has been a leader in adopting many best practices over the years, including:

- Holding advisory votes on executive compensation beginning in 2009;
- Maintaining a claw back policy to recapture and cancel incentive payments received by executives who engage in financial misconduct;
- Settling RSUs and special succession-related awards in shares; and
- Requiring the CEO to maintain share ownership equal to at least seven times his base salary and requiring the other named executive officers to maintain share ownership equal to at least four times their base salaries.

In addition, as a result of the Committee's consideration of plan terms and components over the years, Verizon's executive compensation program has:

- No guaranteed pension and supplemental retirement benefits;
- No Section 280G and other tax gross-ups;
- No executive employment agreements;
- No cash severance benefits for the CEO; and
- No single-trigger change in control equity payments.

*Evaluation of Potential Linkage between Compensation and Risk Taking*      When reviewing the compensation program and the performance metrics used under the program, the Committee considers the impact of the compensation program on the Company's risk profile. The Committee believes that Verizon's compensation program has been structured to provide strong incentives for executives to appropriately balance risk and reward consistent with the Company's enterprise business risk management efforts.

*Shareholder Outreach Program*      At the request of the Committee, management and the Committee's compensation consultant, Pearl Meyer & Partners (the Consultant), engage in a semiannual shareholder outreach program with certain institutional investors to discuss the design and operation of Verizon's executive compensation program. Management and the Consultant provide a report to the Committee on the results of that outreach. The Committee believes this program provides opportunities for shareholders to provide input on Verizon's executive compensation program and policies in addition to the annual say-on-pay vote.

***The Role of Shareholder Say-on-Pay Votes and Shareholder Outreach***

The Company provides its shareholders with the opportunity to cast an annual advisory vote on executive compensation (say-on-pay). At the Company's Annual Meeting of Shareholders held in May 2012, approximately 87% of the votes cast on the say-on-pay proposal at that meeting

were voted in favor of the proposal. The Committee believes this affirms shareholders' support of the Company's approach to executive compensation.

Based on the shareholders' strong support for the Company's say-on-pay proposal in 2012 as well as in each of the preceding years that a say-on-pay vote has been held and the discussions with the Company's investors during the semiannual shareholder outreach program described above, the Company did not make fundamental changes to its approach to executive compensation in 2012. However, the Committee noted that during the Company's ongoing dialogue, certain of our shareholders expressed support for having a second, long-term financial performance metric for our PSU awards, in addition to the comparative TSR measure. The Committee took these views into account, along with its desire to further align the vesting of the PSUs with the successful achievement of our strategic goals, when it approved the addition of a free cash flow metric to the PSU awards in 2012.

***Role of Benchmarking and Peer Group Selection***

The Committee believes that it is appropriate to use the same peer group to benchmark executive pay opportunities and to evaluate Verizon's relative stock performance under its long-term incentive plan. For this

---

## **Table of Contents**

purpose, the Committee uses a single peer group that includes the 29 companies (other than Verizon) in the Dow Jones Industrial Average, plus Verizon's four largest industry competitors that are not included in the Dow Jones Industrial Average. This group is referred to as the Related Dow Peers. The Committee believes that this group of companies, comprised of similarly-sized companies based on market capitalization, net income, revenue and total employees that are included in an established and recognizable index, as well as Verizon's four largest industry competitors, is appropriate for the dual purpose of benchmarking executive pay opportunities and evaluating relative stock performance under the long-term incentive plan, because the companies in the Related Dow Peers represent Verizon's primary competitors for executive talent and investor dollars. Moreover, this peer group is self-adjusting so that changes in the companies included in the Dow Jones Industrial Average are also reflected in the Related Dow Peers over time. For this reason, the Committee believes that the Related Dow Peers provides a consistent measure of Verizon's performance and makes it easier for shareholders to evaluate, monitor and understand Verizon's compensation program.

To determine whether the compensation opportunities for executives are appropriate and competitive, the Committee compares each named executive officer's total compensation opportunity—which represents the aggregate total amount of the executive's base salary and target award amounts under the short-term and long-term incentive plans—to the total compensation opportunities for executives in comparable positions at peer companies. The Committee generally references the 50<sup>th</sup> percentile of the Related Dow Peers for total compensation opportunity, although the total compensation opportunity may be above or below the 50<sup>th</sup> percentile depending upon the tenure and overall level of responsibility of a particular executive. The Committee believes that this is an appropriate targeted level of total compensation opportunity because of Verizon's emphasis on performance-based incentive pay, Verizon's size relative to the Related Dow Peers and the fact that, unlike many of the companies in the Related Dow Peers, Verizon has eliminated certain fixed pay elements, including guaranteed defined benefit pension and supplemental pension benefits. Actual total compensation may fall above or below the targeted percentile based on annual and long-term performance results.

Appendix B to this proxy statement includes a chart that lists the companies included in the Related Dow Peers for 2012 compensation purposes, their market capitalization as of December 31, 2012, as reported by Bloomberg, and their net income attributable to the company, revenue and total number of employees, as of each company's most recent fiscal year-end as reported in SEC filings.

### ***Compensation Objectives and Elements of Compensation***

#### ***Compensation Objectives***

The primary objectives of Verizon's compensation program are to:

- Align executives' and shareholders' interests through the use of performance-based compensation; and
- Attract, retain and motivate high-performing executives.

To promote a performance-based culture that further links the interests of management and shareholders, the Committee has developed a compensation program that focuses extensively on variable, performance-based compensation. As detailed below under Elements of Compensation, the largest portion of our executives' total compensation opportunity is based on performance against challenging pre-established metrics, while fixed compensation in the form of base salary constitutes only a relatively small percentage of each executive's total compensation opportunity. In addition, our executive compensation program does not include such fixed compensation elements as guaranteed defined benefit pension and supplemental pension benefits.

In establishing the mix of incentive pay used in the Company's pay-for-performance program, the Committee balances the importance of meeting the Company's short-term business goals with the need to create shareholder value over the longer term. To help ensure that the interests of executives remain closely aligned with the interests of shareholders, target long-term compensation opportunities represent more than three times the target compensation opportunities related to short-term performance.

Additionally, to attract and retain executives, the Company's compensation program is designed to provide competitive compensation opportunities, which are established by referencing the 50<sup>th</sup> percentile of the total compensation opportunities for comparable positions in the Related Dow Peers. The program also features three-year long-term incentive awards, including RSUs that vest based on the executive's continued employment through the end of the three-year performance cycle, and PSUs subject to both performance-based and time-based vesting requirements, to encourage high-performing executives to remain with the Company.

**Table of Contents***Elements of Compensation*

In setting total compensation at competitive levels, the Committee determines the appropriate balance between:

- Fixed and variable pay elements;
- Short- and long-term pay elements; and
- Cash and equity-based pay elements.

The following table illustrates the principal elements of Verizon's executive compensation program.

| Pay Element                            | Characteristics   | Primary Objective  |
|--|---|--|
| Base salary                            | Annual fixed cash compensation  | Attract and compensate high-performing and experienced executives                                    |
| Short-term incentive opportunity (STI) | Annual variable cash compensation based on the achievement of annual performance measures | Incentivize executives to achieve challenging short-term performance measures                        |
| Long-term incentive opportunity (LTI)  | Long-term variable equity awards granted annually as a combination of PSUs and RSUs       | Align executives' interests with those of shareholders to grow long-term value and retain executives |

As discussed above, the Committee references the 50<sup>th</sup> percentile of the Related Dow Peers to benchmark the total compensation opportunity of each of our named executive officers. However, the Committee does not benchmark each element of a named executive officer's total compensation opportunity. Instead, consistent with the Committee's emphasis on a performance-based culture, the Committee has determined that a substantial majority of each named executive officer's total compensation opportunity should be variable and performance-based. Accordingly, the Committee determined in its business judgment to allocate approximately 10% of each executive's total compensation opportunity in the form of base salary, approximately 15% to 25% in the form of short-term incentive, and approximately 65% to 75% in the form of long-term incentive.

The following chart illustrates the approximate allocation of the named executive officers' total compensation opportunity for 2012 between elements that are variable, performance-based and fixed pay:



**Table of Contents**

The named executive officers are also eligible to receive medical, disability and savings plan benefits that are generally provided to all management employees, as well as certain other benefits that are described under Other Elements of the Total Compensation Program beginning on page 47.

***2012 Annual Base Salary***

To determine an executive's base salary, the Committee, in consultation with the Consultant, reviews the competitive pay practices of the Related Dow Peers for comparable positions and considers the scope of the executive's responsibility and experience. In particular, the Committee focuses on how base salary levels may impact the market competitiveness of an executive's total compensation opportunity. The Committee also discusses its assessment of the other named executive officers with the CEO. Based on its assessment, the Committee approved a base salary increase in 2012 of 10.3% for Mr. Mead, 3.7% for Mr. Shammo and 4.0% for Mr. Milch. In addition, in recognition of Mr. Stratton's promotion to Executive Vice President and President Verizon Enterprise, effective January 1, 2012, the Committee increased Mr. Stratton's base salary by 12.5%. The base salary levels of Messrs. Mead, Shammo, Milch and Stratton were adjusted to reflect that approximately 10% of their total compensation opportunity would be in the form of base salary, with the total compensation opportunity for each of them benchmarked at approximately the 50<sup>th</sup> percentile for similar positions within the Related Dow Peers. Applying this same methodology, the Committee determined that no adjustment was required to Mr. McAdam's base salary in 2012.

***2012 Short-Term Incentive Compensation***

The Verizon Short-Term Incentive Plan, which is referred to as the Short-Term Plan, motivates executives to achieve challenging short-term performance goals. Each year, the Committee establishes the potential value of the opportunities under the Short-Term Plan, as well as the performance targets required to achieve these opportunities.

The Committee sets the values of the Short-Term Plan award opportunities as a percentage of an executive's base salary. The applicable percentage for each named executive officer is based on the scope of the executive's responsibilities and on the competitive pay practices of the Related Dow Peers for comparable positions. These award opportunities are established at threshold, target and maximum levels. For 2012, to provide executives with additional focus and incentives to drive year-over-year growth and profitability, the Committee expanded the payout range of the Short-Term Plan award opportunities by decreasing the award opportunity at the threshold level from 67% to 50% of target and by increasing the award opportunity at the maximum level from 133% to 150% of target. The Short-Term Plan award opportunities at the threshold, target and maximum levels for each of the named executive officers are shown in the Grants of Plan-Based Awards table on page 53.

The following chart shows the 2012 Short-Term Plan target award opportunity for each of the named executive officers.

| Named Executive Officer | 2012 Short-Term Plan<br>Target Award Opportunity<br>(\$) |
|-------------------------|--|
| Mr. McAdam              | 3,500,000  |
| Mr. Mead                | 880,000  |
| Mr. Shammo              | 770,000  |
| Mr. Stratton            | 742,500  |
| Mr. Milch               | 715,000  |

## Edgar Filing: VERIZON COMMUNICATIONS INC - Form DEF 14A

Mr. McAdam's 2012 target award opportunity was increased from 187.5% to 250% of his base salary. In addition, in connection with the modification of the payout range of the Short-Term Plan award opportunities and the changes made to their base salaries in 2012, the 2012 target award opportunity of our named executive officers other than the CEO was decreased from 112.5% to 110% of their respective base salaries. The Committee determined that these adjustments were appropriate so that each executive's target annual short-term incentive would fall within a range of approximately 15% to 25% of the executive's benchmarked total compensation opportunity. Whether, and the extent to which, the named executive officers earn the targeted Short-Term Plan award is determined based on whether Verizon achieves performance measures established by the Committee at the beginning of the year.

## **Table of Contents**

### *Determination of Annual Performance Measures*

The Committee reviews and establishes the performance measures for the Short-Term Plan on an annual basis to help ensure that the program design appropriately incentivizes executives to achieve challenging financial and operational performance goals. In the first quarter of 2012, the Committee reviewed and approved the following annual financial and operating performance measures for all corporate executives, including the named executive officers, and ascribed to each the weighting shown below as the percentage of the total Short-Term Plan award opportunity at target level performance.

Consistent with 2011, the Committee based the Short-Term Plan award opportunities for all corporate executives, including the named executive officers, primarily on three Company-wide financial performance measures, as determined by specific goals for adjusted EPS, revenue and free cash flow. These three measures were selected to reflect the Company's strategic goals of encouraging profitable operations, overall growth in the Company and efficient use of capital. The Committee believes that these performance measures are appropriate to incentivize the Company's executives to achieve outstanding short-term results and, at the same time, help build long-term value for shareholders.

*Adjusted EPS.* The Committee views adjusted EPS as an important indicator of Verizon's success. The Committee assigns the greatest weight to adjusted EPS in determining awards under the Short-Term Plan, because it is broadly used and recognized by investors as a significant indicator of Verizon's ongoing operational performance and is a clearly defined indicator of the Company's profitability. Adjusted EPS excludes non-recurring and non-operational items, including but not limited to impairments and gains and losses from discontinued operations, business combinations, changes in accounting principles, the net impact of pension and post-retirement benefit costs, extraordinary items and restructurings. As a result, adjusted EPS is not positively or negatively impacted from period to period by these types of items, so the Committee believes it better reflects the relative success of the Company's ongoing business.

*Revenue.* The Committee also views achievement of consolidated total revenue goals as an important indicator of the Company's growth and success in managing its capital investments. This measure also reflects the level of penetration of Verizon's products and services in key markets.

*Free Cash Flow.* The Committee views consolidated free cash flow as another important indicator of Verizon's success in delivering shareholder value, because investors often consider free cash flow as part of their equity valuation models. Free cash flow is determined by subtracting capital expenditures from cash flow from operations. The Committee believes that this type of cash flow measure is relevant for Verizon because Verizon's businesses require significant capital investment, and the level of free cash flow reflects how efficiently a business

## Table of Contents

is managing its capital expenditures. Free cash flow also provides an indication of the amount of cash that the Company has available to return to shareholders in the form of dividends and to reduce its outstanding debt, which is an important financial goal.

*Diversity.* The Company is committed to promoting diversity among its employees and to recognizing and encouraging the contribution of diverse business partners to the Company's success. To reflect that important commitment, the 2012 performance measures also include a diversity measure. For 2012, the Committee determined that the diversity target would be measured for these purposes by the percentage of new hires and promotions at and above the manager level consisting of minority and female candidates and the levels of supplier spending at the corporate level with minority- and female-owned or operated firms.

The value of the Short-Term Plan award opportunity with respect to each performance measure varies depending on the Company's performance with respect to that measure. The Committee also has the discretion to modify awards based on other factors that it deems appropriate.

In addition, under the Short-Term Plan no awards may be paid if Verizon's return on equity for the plan year, calculated based on adjusted net income (ROE), does not exceed 8%, even if some or all of the other performance measures are achieved.

### *2012 Annual Performance Measures*

The 2012 annual performance measures for all corporate executives, including the named executive officers, were:

- An adjusted EPS target range of \$2.39 to \$2.52;
- A consolidated total revenue target range of \$115.0 billion to \$115.6 billion;
- A consolidated free cash flow target range of \$15.3 billion to \$16.9 billion; and
- A diversity target of (i) having 50% of new hires and promotions at and above the manager level consist of minority and female candidates, and (ii) directing at least 14% of the overall supplier spending at the corporate level to minority- and female-owned or operated firms.

### *2012 Company Results and Annual Performance Awards*

In 2012, Verizon reported generally strong results. Verizon's 2012 results included:

- ROE of 17.1%;
- Adjusted EPS of \$2.24, which, the Committee noted, would have been \$2.31 after considering the impact of Superstorm Sandy;
- Consolidated total revenue of \$115.8 billion;
- Consolidated free cash flow of \$15.3 billion, which, the Committee noted, would have been \$18.0 billion after considering the impact of Superstorm Sandy and the 2012 pension annuitization; and
- Diversity in new hires and promotions above target performance and supplier spending slightly below target performance.

<sup>1</sup> A reconciliation of non-GAAP measures to the most directly comparable GAAP measures may be found in Appendix C to this proxy statement.

**Table of Contents**

After considering the level of performance of each performance measure, and applying its business judgment based on its assessment of the level of achievement of each goal individually and collectively, the Committee and, for Mr. McAdam, the independent members of the Board, determine the final Short-Term Plan awards at a percentage of the target level for all participants. For 2012, the target payout percentage was determined to be 90% of the target level for all corporate executives. The following table shows the amount of the Short-Term Plan awards paid to each named executive officer.

| Named Executive Officer | Actual 2012<br>Short-Term Plan Award<br>(\$) |
|-------------------------|--|
| Mr. McAdam              | 3,150,000                                    |
| Mr. Mead                | 792,000                                      |
| Mr. Shammo              | 693,000                                      |
| Mr. Stratton            | 668,250                                      |
| Mr. Milch               | 643,500                                      |

**Long-Term Incentive Compensation**

The Verizon Long-Term Incentive Plan, which is referred to as the Long-Term Plan, is intended to reward participants for the creation of long-term shareholder value over a three-year period. In considering the appropriate duration of the performance cycle under the Long-Term Plan, the Committee believes that it is important to establish a period that is longer than one year in order to meaningfully evaluate the performance of long-term strategies and the effect on value created for shareholders. Based on this consideration, the Committee determined that a three-year performance cycle for the Long-Term Plan awards was appropriate.

In prior years, the long-term incentives awarded to executives, including the named executive officers, as part of the annual equity grant consisted of performance stock units (referred to as PSUs) that vest based on Verizon's Total Shareholder Return (TSR) relative to the TSRs of the companies in the Related Dow Peers on the date of grant over the three-year performance cycle and restricted stock units (referred to as RSUs) that vest based on the executive's continued service with Verizon through the end of the three-year performance cycle. In late 2011 and early 2012, the Committee, with the assistance of the Consultant, undertook a comprehensive review of the structure and mix of the annual equity compensation program. As part of that review, the Committee considered Verizon's business strategy and focus, feedback the Company received from our shareholders through the semi-annual shareholder outreach program, and market data on competitive pay practices of the Related Dow Peers. Based on this information, the Committee made the following changes to the design of the 2012 PSUs:

- Added a three-year free cash flow metric;
- Lowered the percent of the PSU awards that vest at the threshold TSR performance level from 50% to 32% of target while continuing to pay less than 100% for median TSR performance; and
- Changed the TSR vesting scale so that each incremental percentage of achievement between the threshold and maximum performance levels results in a corresponding change in the percent of the award that vests.

The Committee believes that adding a free cash flow performance measure to the PSU mix provides an additional focus on Verizon's strategy to increase profitability and capital efficiency over the long-term, provides executives with an easily measurable and tangible goal, and provides an appropriate balance between absolute and relative long-term performance measures. The addition of a second performance measure was also consistent with input the Company received from certain shareholders through its shareholder outreach program. The Committee believes that modifying the vesting scale from a stepped scale between performance levels to a smooth interpolation between performance levels will further align the interests of executives with increasing shareholder value and will motivate strong performance. The terms of the 2012 PSUs are discussed in more detail below under *Terms of 2012 PSU Awards*. The Committee did not make any changes to the mix between PSUs and RSUs or to the terms of the RSU awards for 2012.

Consistent with the 2010 and 2011 awards, the 2012 PSUs are payable in cash, and the 2012 RSUs are payable in Verizon shares. The Committee believes that paying PSUs in cash and RSUs in shares creates an appropriate balance between the potential impact on shareholder dilution from paying awards in shares and cash flow

**Table of Contents**

considerations, and that both types of awards further align executives' interests with those of Verizon's shareholders as the ultimate values of the awards are based on the value of Verizon's common stock. In addition, paying the 2012 RSU awards in shares is consistent with Verizon's policy of requiring a significant level of equity ownership by our named executive officers.

The value of each PSU is equal to the value of one share of Verizon common stock and accrues dividend equivalents that are deemed to be reinvested in PSUs. The dividend equivalents are only paid to the extent that PSUs are vested and earned. The Committee determines an executive's total compensation opportunity by assuming that he or she will earn 100% of the PSUs initially awarded in any performance cycle. However, the number of PSUs that are actually earned and paid is determined based on Verizon's achievement of the pre-established performance goals over the three-year performance cycle. The final value of each PSU is based on the closing price of Verizon's common stock on the last trading day of the year that the performance cycle ends. As a result, awarding PSUs provides a strong incentive to executives to deliver value to Verizon's shareholders.

On the date the long-term incentive is awarded, the Committee also establishes the number of RSUs that may be earned based on the executive's continued employment with the Company through the end of the three-year award cycle as reflected in the award agreement. The value of each RSU is equal to the value of one share of Verizon common stock and accrues dividend equivalents that are deemed to be reinvested in RSUs. The dividend equivalents are only paid to the extent that RSUs are vested and earned. The 2012 RSU awards are payable in shares at the end of the three-year award cycle and provide both a retention incentive and a performance incentive as the value of the award depends on Verizon's stock price.

*2012 Long-Term Plan Award Opportunities*

For 2012, each of the named executive officers received 60% of their 2012 Long-Term Plan award opportunity in the form of PSUs, of which two-thirds are eligible to vest based on Verizon's relative TSR performance and one-third is eligible to vest based on Verizon's cumulative free cash flow, and 40% in the form of RSUs. This allocation reflects the Committee's focus on encouraging both outstanding relative TSR performance and free cash flow creation and the retention of the Company's highly-qualified executive team.

The Committee generally establishes an executive's Long-Term Plan target award opportunity as a percentage of the executive's base salary. The Long-Term Plan target award opportunity for each of the named executive officers in 2012 was: 625% of base salary for Mr. McAdam, 525% of base salary for Messrs. Mead, Shammo and Stratton and 500% of base salary for Mr. Milch. The target award opportunities for Messrs. Mead, Shammo, Stratton and Milch increased over their 2011 target award opportunities solely as a result of their base salary increases identified above (*i.e.*, their target award opportunities, expressed as a percentage of their base salaries, did not change). The Committee determined that these award levels were appropriate so that each executive's target annual Long-Term Plan award opportunity would constitute a significant portion of the executive's benchmarked total compensation opportunity consistent with the objectives of the Company's pay-for performance program. The target award opportunity for an executive is allocated between PSUs and RSUs as noted above, and the target award opportunity allocated to each type of award is converted into a target number of shares using the closing price of Verizon's common stock on the grant date.

The following table shows the target value of the awards granted to the named executive officers during 2012 in connection with the annual long-term incentive compensation opportunity. Additional detail regarding the 2012 PSU awards, including the performance requirements, follows the table.

|                         |   |
|-------------------------|---|
| Named Executive Officer | 2012 Long-Term Plan<br>Target Award Opportunity |
|-------------------------|---|



Edgar Filing: VERIZON COMMUNICATIONS INC - Form DEF 14A

|              | (\$)      |
|--------------|-----------|
| Mr. McAdam   | 8,750,000 |
| Mr. Mead     | 4,200,000 |
| Mr. Shammo   | 3,675,000 |
| Mr. Stratton | 3,543,750 |
| Mr. Milch    | 3,250,000 |

**Table of Contents**

*Terms of 2012 PSU Awards*

Two-thirds of the number of PSUs awarded are eligible to vest based on Verizon's TSR as compared to the TSRs of the companies in the Related Dow Peers, as constituted on the grant date of the award, over the 2012-2014 performance cycle. One-third of the number of PSUs awarded is eligible to vest based on Verizon's cumulative free cash flow over the 2012-2014 performance cycle compared against the performance targets established by the Committee at the beginning of the performance cycle.

*TSR Metric.* The following chart shows the percentage of PSUs awarded for the 2012-2014 performance cycle that can vest based on Verizon's relative TSR positioning compared with the companies in the Related Dow Peers (referred to as TSR PSUs):

Verizon's TSR during the three-year performance cycle must rank at least 1<sup>st</sup>, or at the 58<sup>th</sup> percentile, among the Related Dow Peers in order for 100% of the target number of TSR PSUs to vest. Similarly, the maximum number of TSR PSUs (200% of target) will vest only if Verizon's TSR during the three-year performance cycle ranks among the top four companies in the Related Dow Peers, which corresponds to the 91<sup>st</sup> percentile or higher. If Verizon's TSR during the three-year performance cycle ranks below 2<sup>nd</sup>, or below approximately the 27<sup>th</sup> percentile of the companies in the Related Dow Peers, none of the TSR PSUs will vest.

*Free Cash Flow Metric.* The percentage of PSUs awarded for the 2012-2014 performance cycle that can vest based on Verizon's cumulative free cash flow (FCF) (referred to as FCF PSUs) will be determined based on the extent to which Verizon's cumulative FCF over the performance cycle meets or exceeds the cumulative FCF performance levels that were established by the Committee at the beginning of the performance cycle. The performance levels range between 0% and 200% of the target number of FCF PSUs granted. FCF is determined by subtracting capital expenditures from cash flow from operations, and is subject to adjustment to eliminate the financial impact of significant transactions, changes in legal or regulatory policy and other extraordinary items.

At the end of the performance cycle, the number of FCF PSUs that will vest, if any, will be determined by comparing the actual performance of the Company against the performance objectives. The cumulative FCF target for the 2012-2014 performance cycle was set at a level that the Committee believes may be challenging in light of the economic environment, but attainable. For performance above or below the target level, the number of

**Table of Contents**

FCF PSUs that will vest will range from 0% if performance is below the threshold cumulative FCF level and up to 200% for performance at or above the maximum cumulative FCF level. The number of FCF PSUs that will vest in between threshold and maximum performance levels will be determined by linear interpolation in between vesting percentage levels.

*2010 PSU Awards Earned in 2012*

With respect to the PSUs awarded in 2010, the Committee determined the number of PSUs that vested for a participant based on Verizon's TSR for the 2010-2012 three-year performance cycle relative to the TSRs of the Related Dow Peers as constituted on the date the award was granted. The following table shows the percentage of PSUs awarded for the 2010-2012 performance cycle that could vest based on a range of Verizon's relative TSR positioning compared with the companies in the applicable Related Dow Peers.

| Verizon's Relative TSR |  |                                       |                |
|------------------------|--|---------------------------------------|----------------|
| Ranking Among the      |  | Corresponding Relative                |                |
| Companies in the       |  | TSR Percentile                        | Percentage of  |
| Related Dow Peers      |  | Ranking Among the                     | Awarded PSUs   |
|                        |  | Companies in the                      | that will Vest |
|                        |  | Related Dow Peers                     |                |
| 1 - 4                  |  | 91 <sup>st</sup> to 100 <sup>th</sup> | 200%           |
| 5 - 8                  |  | 79 <sup>th</sup> to 88 <sup>th</sup>  | 175%           |
| 9 - 12                 |  | 67 <sup>th</sup> to 76 <sup>th</sup>  | 150%           |
| 13 - 16                |  | 55 <sup>th</sup> to 64 <sup>th</sup>  | 100%           |
| 17 - 21                |  | 39 <sup>th</sup> to 52 <sup>nd</sup>  | 75%            |
| 22 - 25                |  | 27 <sup>th</sup> to 36 <sup>th</sup>  | 50%            |
| 26 - 34                |  | 0 to 24 <sup>th</sup>                 | 0%             |

Over the three-year performance cycle ending on December 31, 2012, Verizon's TSR ranked 3<sup>rd</sup>, or in the 94<sup>th</sup> percentile, when compared to the Related Dow Peers. As a result of this achievement, in early 2013 the Committee approved a payment to all participants of 200% of the number of PSUs awarded for the 2010-2012 performance cycle, plus dividend equivalents credited on those PSUs that vested pursuant to the terms of the award.

*Mr. McAdam's 2009 Special Succession Planning PSU Award*

In December 2009, the Committee granted Mr. McAdam a special PSU award in connection with the Board's CEO succession plan. The PSUs represented shares of Verizon common stock that would become payable after the completion of a three-year performance cycle ending on December 31, 2012, provided that the pre-established performance criteria were met and Mr. McAdam remained actively employed throughout the cycle. The number of PSUs that were eligible to vest at the end of the three-year performance cycle would be determined based on Verizon's average annual ROE during the performance cycle. No PSUs would vest unless Verizon's average annual ROE was at least 8%. Two times the number of PSUs granted would vest if Verizon's average annual ROE met or exceeded 17%. If Verizon's average annual ROE during the performance cycle was greater than the 8% threshold and less than the 17% maximum, the Committee would determine the extent to which the PSUs would vest between 50% and 150% of the number of PSUs awarded.

## Edgar Filing: VERIZON COMMUNICATIONS INC - Form DEF 14A

Over the three-year performance cycle ending on December 31, 2012, Verizon's average annual ROE was 15.8%. As a result, using linear interpolation between the applicable performance levels, the Committee recommended, and the independent members of the Board approved, in 2013 a payment of 136% of the number of PSUs awarded, plus accrued dividend equivalents credited on those PSUs that vested pursuant to the terms of the award. The PSUs were paid in shares in accordance with the terms of the award, and Mr. McAdam is required to hold the shares he received for at least two years following the payment date unless he dies or becomes disabled.

### *Other Elements of the Total Compensation Program*

The Company also provides the named executive officers with certain limited personal benefits as generally described below. None of the named executive officers is eligible for any tax gross-up payment in connection with any of these benefits, including with respect to the excise tax liability under Internal Revenue Code Section 4999 related to any Section 280G excess parachute payments.

## **Table of Contents**

### *Transportation*

The Company provides certain aircraft and ground transportation benefits to enhance the safety and security of certain named executive officers. These transportation benefits, even when classified as a perquisite under applicable SEC rules, also serve business purposes as they frequently enhance the ability of the executive to attend to business matters while in transit. Additional information on Company-provided transportation is included in footnote 4 to the Summary Compensation Table on page 52.

### *Executive Life Insurance*

The Company offers the named executive officers and other executives the opportunity to participate in an executive life insurance program in lieu of participation in the Company's basic and supplemental life insurance programs. The executives who elect to participate in the executive life insurance program own the life insurance policy, and the Company provides an annual cash payment to the executives to defray a portion of the annual premiums. Additional information on this program is provided in footnote 4 to the Summary Compensation Table on page 52.

### *Financial Planning*

The Company provides a voluntary Company-sponsored financial planning benefit program for the named executive officers and other executives. Additional information on this program is provided in footnote 4 to the Summary Compensation Table on page 52.

### *Retirement Benefits*

In 2006, the Committee determined that guaranteed pay in the form of pension and supplemental executive retirement benefits was not consistent with the Company's pay-for-performance culture. Accordingly, effective June 30, 2006, Verizon froze all future pension accruals under its management tax-qualified and supplemental defined benefit retirement plans. These legacy retirement benefits that were previously provided to Verizon's named executive officers are described in more detail under the section entitled "Pension Plans" beginning on page 55.

During 2012, all of Verizon's named executive officers were eligible to participate in the Company's tax-qualified and nonqualified retirement savings plans. These plans are described in the section entitled "Defined Contribution Savings Plans" beginning on page 57.

### *Severance and Change in Control Benefits*

The Committee believes that maintaining a competitive level of separation benefits is appropriate as part of an overall program designed to attract, retain and motivate the highest quality management team. However, the Committee does not believe that named executive officers should be entitled to receive cash severance benefits merely because a change in control transaction occurs. Therefore, the payment of cash severance benefits is triggered only by an actual or constructive termination of employment.

The Company was not a party to an employment agreement with any of the named executive officers in 2012. All senior managers of the Company (including each of the named executive officers other than Mr. McAdam) are eligible to participate in the Verizon Senior Manager Severance Plan, which provides certain separation benefits to participants whose employment is involuntarily terminated without cause from the Company. Mr. McAdam is not eligible to participate in the Senior Manager Severance Plan and is not eligible for cash severance benefits upon a termination.

The Senior Manager Severance Plan is generally consistent with the terms and conditions of Verizon's broad-based severance plan that is provided to substantially all of Verizon's management employees (other than senior managers). Under the Senior Manager Severance Plan, if a participant has been involuntarily terminated without cause or, in the case of a named executive officer, if the independent members of the Board determine that there has been a qualifying separation, the participant is eligible to receive a lump-sum cash separation payment equal to a multiple of his or her base salary and target short-term incentive opportunity, along with continuing medical coverage for the applicable severance period. To the extent that a senior manager is eligible for severance benefits under any other arrangement, that person will not be eligible for any duplicative benefits under the severance plan. The plan does not provide for any severance benefits based upon a change in control of the Company.

## **Table of Contents**

Under the plan, the named executive officers (other than Mr. McAdam) are eligible to receive a cash separation payment based on a formula equal to two times the sum of their base salary and target short-term incentive opportunity. Other senior manager participants are eligible to receive a cash separation payment based on a formula equal to between 0.75 and two times their base salary and target short-term incentive opportunity depending on their position at the time of their separation from employment. In order to be eligible for any severance benefits, participants must execute a release satisfactory to Verizon and agree not to compete or interfere with any Verizon business for a period of one year after their separation from employment.

Consistent with the Committee's belief that named executive officers should not be entitled to receive cash severance benefits merely because a change in control transaction occurs, the Long-Term Plan does not allow single trigger accelerated vesting and payment of outstanding awards in connection with a change in control of Verizon. Under the Long-Term Plan, if, in the twelve months following a change in control the participant's employment is terminated without cause, all then-unvested PSUs will fully vest at the target level performance, all then-unvested RSUs will fully vest and PSUs and RSUs (including accrued dividend equivalents) will become payable on the regularly scheduled payment date after the end of the applicable award cycle. This provision of the Long-Term Plan was not changed, and remains in effect in the Long-Term Plan submitted for shareholder approval this year.

## ***Stock Ownership Guidelines***

To further align the interests of Verizon's management with those of its shareholders, the Committee has approved guidelines that require each named executive officer and other executives to maintain certain stock ownership levels.

- The guidelines require the CEO to maintain share ownership equal to at least seven times his base salary and require the other named executive officers to maintain share ownership equal to at least four times their base salaries.
- Executives are also prohibited from short-selling or engaging in any financial activity where they would benefit from a decline in Verizon's stock price.

In determining whether an executive meets the required ownership level, the calculation includes any shares held by the executive directly or through a broker, shares held through the Verizon tax-qualified savings plan or the Verizon nonqualified savings plan and other deferred compensation plans and arrangements that are valued by reference to Verizon's stock. The calculation does not include any unvested PSUs or RSUs. Each of the named executive officers is in compliance with the stock ownership guidelines. None of the named executive officers has engaged in any pledging transaction with respect to shares of Verizon's stock.

## ***Recovery of Incentive Payments***

The Committee believes that it is appropriate that the Company's compensation plans and agreements provide for the termination or repayment of certain incentive awards and payments if an executive engages in certain fraudulent or other inappropriate conduct. Accordingly, the Committee has adopted a policy that enables the Company to recapture and cancel certain incentive payments received by an executive who has engaged in financial misconduct. The Committee reviews this policy from time to time and will refine the current policy to take into account changes in applicable law, including, for example, any changes that may be required under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

## ***Shareholder Approval of Certain Severance Arrangements***

The Committee has a policy of seeking shareholder approval or ratification of any new employment agreement or severance agreement with an executive officer that provides for a total cash value severance payment exceeding 2.99 times the sum of the executive's base salary plus Short-Term Plan incentive target opportunity. The policy defines severance pay broadly to include payments for any consulting services, payments to secure a non-compete agreement, payments to settle any litigation or claim, payments to offset tax liabilities, payments or benefits that are not generally available to similarly-situated management employees and payments in excess of, or outside, the terms of a Company plan or policy.



**Table of Contents**

*Tax and Accounting Considerations*

Federal income tax law generally prohibits publicly-held companies from deducting compensation paid to a named executive officer (other than a chief financial officer) that exceeds \$1 million during the tax year unless it is based upon attaining pre-established performance measures that are set by the Committee pursuant to a plan approved by the Company's shareholders. The Committee has the flexibility to take any compensation-related actions that it determines are in the best interests of the Company and its shareholders including determining when to request shareholder approval of the Verizon incentive plans and when to award compensation that may not qualify for a tax deduction. The Committee considered the desirability of tax deductibility for performance-based executive compensation in determining to submit the Long-Term Plan to the shareholders for approval in 2009 and in resubmitting the Long-Term Plan to shareholders for approval this year. Compensation paid to the named executive officers under the Short-Term Plan, as well as the PSUs awarded under the Long-Term Plan, are generally intended to meet the performance-based exception for deductibility under the tax laws.

The Committee also considers the effect of certain accounting rules that apply to the various aspects of the compensation program available to the named executive officers. The Committee reviews potential accounting effects in determining whether its compensation actions are in the best interests of the Company and its shareholders. The Committee has been advised by management that the impact of the variable accounting treatment required for long-term incentive awards that are payable in cash (as opposed to fixed accounting treatment for awards that are payable in shares) will depend on future stock performance.

---

Table of Contents**Compensation Tables****Summary Compensation Table**

| Name and<br>Principal Position   | Year | Salary<br>(\$) | Bonus<br>(\$) | Stock<br>Awards <sup>1</sup><br>(\$) | Option<br>Awards<br>(\$) | Non-Equity<br>Incentive<br>Plan<br>Compensation <sup>2</sup><br>(\$) | Change in<br>Pension<br><br>Value and<br>Nonqualified<br>Deferred<br>Compensation<br>Earnings <sup>3</sup><br>(\$) | All Other<br>Compensation <sup>4</sup><br>(\$) | Total<br>(\$)           |
|--|------|----------------|---------------|--------------------------------------|--------------------------|--|--|--|-------------------------|
|  |      |                |               |                                      |                          |  |  |  |                         |
| Lowell C. McAdam<br>Chairman & CEO   | 2012 | 1,400,000      | 0             | 8,750,055                            | 0                        | 3,150,000  | 213,468  | 535,577  | 14,049,100              |
|  | 2011 | 1,400,000      | 0             | 18,750,099 <sup>5</sup>              | 0                        | 2,362,500  | 127,181  | 480,719  | 23,120,499 <sup>5</sup> |
|  | 2010 | 913,462        | 0             | 4,307,642                            | 0                        | 1,736,538  | 28,410   | 209,848  | 7,195,900               |
| Daniel S. Mead<br>Executive Vice President &<br>President & CEO                | 2012 | 794,231        | 0             | 4,200,026                            | 0                        | 792,000  | 388,096  | 225,253  | 6,399,606               |
|  | 2011 | 725,000        | 0             | 3,806,258                            | 0                        | 734,063  | 175,217  | 220,103  | 5,660,641               |
|  | 2010 | 598,077        | 0             | 2,565,964                            | 0                        | 815,625  | 68,475   | 133,690  | 4,181,831               |
| Verizon Wireless Joint Venture   |      |                |               |                                      |                          |  |  |  |                         |
| Francis J. Shammo<br>Executive Vice President & CFO                            | 2012 | 698,077        | 0             | 3,675,003                            | 0                        | 693,000  | 9,004  | 139,841  | 5,214,925               |
|  | 2011 | 675,000        | 0             | 3,543,775                            | 0                        | 683,438  | 4,499  | 144,351  | 5,051,063               |
|  | 2010 | 611,538        | 0             | 2,677,535                            | 0                        | 759,375  | 5,024  | 106,416  | 4,159,888               |
| John G. Stratton<br>Executive Vice President &<br>President Verizon Enterprise | 2012 | 673,558        | 0             | 3,543,796                            | 0                        | 668,250  | 31,776   | 143,629  | 5,061,009               |
| Randal S. Milch<br>Executive Vice President &<br>General Counsel               | 2012 | 648,077        | 0             | 3,250,020                            | 0                        | 643,500  | 58,366   | 125,949  | 4,725,912               |
|  | 2011 | 621,154        | 0             | 3,125,042                            | 0                        | 632,813  | 61,182   | 126,026  | 4,566,217               |

<sup>1</sup> The amounts in this column reflect the grant date fair value of the PSUs and RSUs computed in accordance with FASB ASC Topic 718 based on the closing price of Verizon's common stock on the grant date. The grant date fair value of PSUs granted to the named executive officers in the designated year as part of Verizon's annual long-term incentive award program and, in the case of Mr. McAdam, the special PSU awarded granted in 2011 in connection with his appointment to CEO, has been determined based on the vesting of 100% of the nominal PSUs awarded, which is the performance threshold the Company believed was most likely to be achieved under the grants on the grant date. The following table reflects the grant date fair value of these PSUs, as well as the maximum grant date fair value of these awards based on the closing price of Verizon's common stock on the grant date if, due to the Company's performance during the applicable performance cycle, the PSUs vested at their maximum level:

| Name         | Grant Date Fair Value of PSUs |              |                                  |              | Maximum Value of PSUs |              |                                  |              |
|--------------|-------------------------------|--------------|----------------------------------|--------------|-----------------------|--------------|----------------------------------|--------------|
|              | 2010<br>(\$)                  | 2011<br>(\$) | 2011<br>Special<br>Award<br>(\$) | 2012<br>(\$) | 2010<br>(\$)          | 2011<br>(\$) | 2011<br>Special<br>Award<br>(\$) | 2012<br>(\$) |
| Mr. McAdam   | 2,584,573                     | 5,250,034    | 7,000,031                        | 5,250,033    | 5,169,146             | 10,500,068   | 14,000,062                       | 10,500,066   |
| Mr. Mead     | 1,539,578                     | 2,283,755    | NA                               | 2,520,008    | 3,079,156             | 4,567,510    | NA                               | 5,040,016    |
| Mr. Shammo   | 1,606,515                     | 2,126,265    | NA                               | 2,205,002    | 3,213,030             | 4,252,530    | NA                               | 4,410,004    |
| Mr. Stratton | NA                            | NA           | NA                               | 2,126,270    | NA                    | NA           | NA                               | 4,252,540    |
| Mr. Milch    | NA                            | 1,875,025    | NA                               | 1,950,012    | NA                    | 3,750,050    | NA                               | 3,900,024    |

## Edgar Filing: VERIZON COMMUNICATIONS INC - Form DEF 14A

<sup>2</sup> The amounts in this column for 2012 reflect the 2012 Short-Term Plan award paid to the named executive officers in March 2013 as described on pages 41-44.

<sup>3</sup> The amounts in this column for 2012 for Messrs. McAdam and Mead reflect the sum of the change in the actuarial present value of the accumulated benefit under the defined benefit plans and the above-market earnings on amounts held in nonqualified deferred compensation plans as follows: \$155,288 and \$58,180 for Mr. McAdam, and \$244,965 and \$143,131 for Mr. Mead. For Mr. Milch there was a reduction in pension value of \$1,630 based on the applicable calculation formula. Messrs. Shammo and Stratton are not eligible for pension benefits. Accordingly, the amounts shown in this column for 2012 for Messrs. Shammo, Stratton and Milch reflect above market earnings only. Verizon's defined benefit plans were frozen as of June 30, 2006, and Verizon stopped all future benefit accruals under these plans as of that date. All accruals under the Verizon Wireless pension plan were frozen as of December 31, 2006.

**Table of Contents**

<sup>4</sup> The following table provides the detail for 2012 compensation reported in the All Other Compensation column:

| Name         | Personal Use of Company Aircraft <sup>a</sup><br>(\$) | Personal Use of Company Vehicle <sup>b</sup><br>(\$) | Company Contributions to the Qualified Savings Plan<br>(\$) | Company Contributions to the Nonqualified Deferral Plan<br>(\$) | Company Contributions to the Life Insurance Benefit <sup>c</sup><br>(\$) | Other <sup>d</sup><br>(\$) | All Other Compensation Total<br>(\$) |
|--------------|---|--|---|---|--|----------------------------|--------------------------------------|
| Mr. McAdam   | 89,467  | 18,821   | 18,675  | 263,512   | 137,917  | 7,185                      | 535,577                              |
| Mr. Mead     | 1,917   | 0  | 18,554  | 94,909  | 90,504   | 19,369                     | 225,253                              |
| Mr. Shammo   | 0   | 0  | 14,481  | 88,930  | 26,430   | 10,000                     | 139,841                              |
| Mr. Stratton | 0   | 0  | 18,675  | 86,846  | 23,763   | 14,345                     | 143,629                              |
| Mr. Milch    | 0   | 0  | 18,634  | 76,959  | 20,356   | 10,000                     | 125,949                              |

<sup>a</sup> The aggregate incremental cost of the personal use of a Company aircraft is determined by multiplying the total 2012 personal flight hours by the incremental aircraft cost per hour. The incremental aircraft cost per hour is derived by adding the annual aircraft maintenance costs, fuel costs, aircraft trip expenses and crew trip expenses, and then dividing by the total annual flight hours.

<sup>b</sup> The aggregate incremental cost of the personal use of a Company vehicle is determined by (i) calculating the incremental vehicle cost per mile by dividing the annual lease and fuel costs by the total annual miles; (ii) multiplying the total 2012 personal miles by the incremental vehicle cost per mile; and (iii) adding the incremental driver cost (the 2012 driver hours for personal use multiplied by the driver's hourly rate).

<sup>c</sup> Executive life insurance is available to executives on a voluntary basis. Executives who choose to participate in this program are excluded from the basic and supplemental life insurance programs that Verizon provides to management employees. The executive owns the insurance policy and is responsible for paying the premiums. However, Verizon pays each executive an amount, which is shown in this column, that is equal to a portion of the premium. Executives who choose not to participate in the executive life insurance plan do not receive that payment. For all named executive officers the executive life insurance policy provides a death benefit equal to two times the sum of the executive's base salary plus his short-term incentive opportunity at the threshold level if the executive dies before a designated date. For Messrs. McAdam, Mead, Shammo and Stratton, this date is the latest of the participant's retirement date, the date on which the participant reaches age 60 or the fifth anniversary of plan participation. For Mr. Milch, this date is the earlier of five years post-retirement or the date on which he reaches age 65.

<sup>d</sup> This column represents the total amount of other perquisites and personal benefits provided, none of which individually exceeded the greater of \$25,000 or 10% of the total amount of all perquisites. These other benefits consist of: (i) for Mr. McAdam, reimbursement of a portion of out-of-pocket fees for routine preventive medical examinations and home security; (ii) for Mr. Mead, financial planning services and personal travel; (iii) for Messrs. Shammo and Milch, financial planning services; and (iv) for Mr. Stratton, financial planning services and reimbursement of a portion of out-of-pocket fees for routine preventive medical examinations. The Company provides each of the named executive officers who elect to participate in the financial planning program with a financial planning benefit equal to the Company's payment for the services, up to \$10,000. The aggregate incremental cost of personal travel for Mr. Mead is equal to the direct expense related to his spouse's attendance at a business event at the request of the Company. These expenses include lodging, ground transportation, meals and other travel-related items.

<sup>5</sup> As described in footnote 1, this amount includes the grant date fair value of the special equity award granted to Mr. McAdam in 2011 in connection with his appointment to CEO, with 70% of the award opportunity in the form of PSUs and 30% in the form of RSUs, which may become payable after the completion of the five-year performance cycle ending July 31, 2016, provided that Mr. McAdam remains continuously employed, subject to the terms of the award agreements. The number of PSUs that will vest at the end of the five-year performance cycle will be determined based on Verizon's average annual ROE during the performance cycle, and to the extent the performance criteria is achieved, the final award will include dividend equivalents that accrue on the vested portion of the award. No PSUs will vest unless Verizon's average annual ROE meets the minimum threshold of 10%. If Verizon's average annual ROE meets the target percentage of 15%, 100% of the nominal number of the PSUs granted will vest. A maximum of two times the nominal number of PSUs granted will vest if Verizon's average annual ROE is at least 20%. If Verizon's average annual ROE during the five-year performance cycle is greater than 10% but less than 15%, or is greater than 15% but less than 20%, the Committee will determine the extent to which the PSUs will vest, provided that the vested percentage must be between 50% and 100% and between 100% and 200%, respectively. The award will be settled in shares of Verizon common stock, and Mr. McAdam will be required to hold any shares he receives for at least two years following the vesting date unless he dies or becomes disabled.

**Table of Contents****Plan-Based Awards**

The following table provides information about the 2012 awards granted under the Short-Term Plan and the Long-Term Plan to each named executive officer.

**Grants of Plan-Based Awards**

| Name         | Type of Award <sup>1</sup> | Grant Date | Estimated Future Payouts Under Non-Equity Incentive Plan Awards <sup>2</sup> |             |              | Estimated Future Payouts Under Equity Incentive Plan Awards <sup>3</sup> |            |             | All Other   |  | Grant Date Fair Value of Stock and Option Awards <sup>5</sup> |
|--------------|----------------------------|------------|--|-------------|--------------|--|------------|-------------|---|--|---|
|              |                            |            | Threshold (\$)   | Target (\$) | Maximum (\$) | Threshold (#)  | Target (#) | Maximum (#) | Stock Awards: Number of Shares of Stock or Units <sup>4</sup> | All Other Option Awards: Number of Securities Underlying Options |   |
| (a)          | (b)                        | (c)        | (d)  | (e)         | (f)          | (g)  | (h)        | (i)         | (j)   | (k)  | (l)   |
| Mr. McAdam   | STIP                       |            | 1,750,000  | 3,500,000   | 5,250,000    |  |            |             |   |  |   |
|              | PSU                        | 3/2/2012   |  |             |              | 43,445   | 135,765    | 271,530     |   |  | 5,250,033   |
|              | RSU                        | 3/2/2012   |  |             |              |  |            |             | 90,510  |  | 3,500,022   |
| Mr. Mead     | STIP                       |            | 440,000  | 880,000     | 1,320,000    |  |            |             |   |  |   |
|              | PSU                        | 3/2/2012   |  |             |              | 20,853   | 65,167     | 130,334     |   |  | 2,520,008   |
|              | RSU                        | 3/2/2012   |  |             |              |  |            |             | 43,445  |  | 1,680,018   |
| Mr. Shammo   | STIP                       |            | 385,000  | 770,000     | 1,155,000    |  |            |             |   |  |   |
|              | PSU                        | 3/2/2012   |  |             |              | 18,247   | 57,021     | 114,042     |   |  | 2,205,002   |
|              | RSU                        | 3/2/2012   |  |             |              |  |            |             | 38,014  |  | 1,470,001   |
| Mr. Stratton | STIP                       |            | 371,250  | 742,500     | 1,113,750    |  |            |             |   |  |   |
|              | PSU                        | 3/2/2012   |  |             |              | 17,595   | 54,985     | 109,970     |   |  | 2,126,270   |
|              | RSU                        | 3/2/2012   |  |             |              |  |            |             | 36,657  |  | 1,417,526   |
| Mr. Milch    | STIP                       |            | 357,500  | 715,000     | 1,072,500    |  |            |             |   |  |   |
|              | PSU                        | 3/2/2012   |  |             |              | 16,137   | 50,427     | 100,854     |   |  | 1,950,012   |
|              | RSU                        | 3/2/2012   |  |             |              |  |            |             | 33,618  |  | 1,300,008   |

<sup>1</sup> These awards are described in the Compensation Discussion and Analysis on pages 41-47.

<sup>2</sup> The actual amount awarded in 2012 was paid in March 2013 and is shown in column (g) of the Summary Compensation Table on page 51.

<sup>3</sup> These columns reflect the potential payout range of PSU awards granted in 2012 to our named executive officers in accordance with the Company's annual long-term incentive award program, as described on pages 45-47. At the conclusion of the three-year performance cycle, payouts can range from 0% to 200% of the target number of units awarded based on Verizon's relative TSR position as compared with the Related Dow Peers and Verizon's cumulative free cash flow over the three-year performance cycle as described in more detail on pages 46-47. PSUs and the applicable dividend equivalents are paid only and to the extent that the applicable performance criteria for the award are achieved at the end of the award cycle. When dividends are distributed to shareholders, dividend equivalents are credited on the PSU awards in an amount equal to the dollar amount of dividends on the total number of PSUs credited as of the dividend distribution date and divided by the fair market value of the Company's common stock on that date.

<sup>4</sup> This column reflects the RSU awards granted in 2012 to the named executive officers in accordance with the Company's annual long-term incentive award program. When dividends are distributed to shareholders, dividend equivalents are credited on the RSU awards in an amount equal to the dollar amount of dividends on the total number of RSUs credited as of the dividend distribution date and divided by the fair market value of the Company's common stock on that date.

<sup>5</sup>

## Edgar Filing: VERIZON COMMUNICATIONS INC - Form DEF 14A

This column reflects the grant date fair value of each equity award computed in accordance with FASB ASC Topic 718 based on the closing price of Verizon's common stock on the grant date. For PSUs, the grant date fair value has been determined based on the vesting of 100% of the nominal PSUs awarded, which is the performance threshold the Company believes is the most likely to be achieved under the grants.

**Table of Contents**

**Outstanding Equity Awards at Fiscal Year-End**

| Name                    | Option Awards                                       |   | Equity Incentive Plan Awards:                       |                       | Option Exercise Price | Option Expiration Date | Stock Awards   |  | Market Value of Shares or Units of Stock That Have Not Vested <sup>2</sup> | Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested <sup>4</sup> | Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested <sup>4</sup> |
|-------------------------|---|---|---|-----------------------|-----------------------|------------------------|--|--|--|--|--|
|                         | Number of Securities Underlying Unexercised Options | Number of Securities Underlying Unexercised Options | Number of Securities Underlying Unexercised Options | Option Exercise Price |                       |                        | Number of Shares or Units of Stock That Have Not Vested <sup>1</sup> | Market Value of Shares or Units of Stock That Have Not Vested <sup>2</sup> |  |  |  |
| (a)                     | (b)   | (c)   | (d)   | (e)                   | (f)                   | (g)                    | (h)  | (i)  | (j)  | Grant Date   |  |
| Mr. McAdam <sup>5</sup> | 420,863   | 0   | 0   | 13.89                 | 3/31/2014             | 105,030                | 4,544,648  | 275,706  | 11,929,799   | 2/3/2011   |  |
|                         |   |   |   |                       |                       | 88,928                 | 3,847,915  | 414,996  | 17,956,877   | 8/1/2011   |  |
|                         |   |   |   |                       |                       | 93,696                 | 4,054,226  | 164,436  | 7,115,146  | 3/2/2012   |  |
| Mr. Mead                | 0   | 0   | 0   | 0                     | 0                     | 45,688                 | 1,976,920  | 119,931  | 5,189,414  | 2/3/2011   |  |
|                         |   |   |   |                       |                       | 44,974                 | 1,946,025  | 78,929   | 3,415,258  | 3/2/2012   |  |
| Mr. Shammo              | 0   | 0   | 0   | 0                     | 0                     | 42,537                 | 1,840,576  | 111,661  | 4,831,571  | 2/3/2011   |  |
|                         |   |   |   |                       |                       | 39,352                 | 1,702,761  | 69,063   | 2,988,356  | 3/2/2012   |  |
| Mr. Stratton            | 0   | 0   | 0   | 0                     | 0                     | 36,011                 | 1,558,196  | 94,528   | 4,090,227  | 2/3/2011   |  |
|                         |   |   |   |                       |                       | 37,947                 | 1,641,967  | 66,597   | 2,881,652  | 3/2/2012   |  |
| Mr. Milch               | 0   | 0   | 0   | 0                     | 0                     | 37,511                 | 1,623,101  | 98,467   | 4,260,667  | 2/3/2011   |  |
|                         |   |   |   |                       |                       | 34,801                 | 1,505,839  | 61,076   | 2,642,759  | 3/2/2012   |  |

<sup>1</sup> The annual 2011 and 2012 RSU awards vest on December 31, 2013 and December 31, 2014, respectively. Mr. McAdam's 2011 special RSU award vests on July 31, 2016. RSUs accrue quarterly dividends that are reinvested into the participant's account as additional RSUs and will be included in the final RSU payment if the awards vest. This column includes dividend equivalent units that have accrued through December 31, 2012.

<sup>2</sup> This column represents the value of the RSU awards listed in column (g) based on a share price of \$43.27, the closing price of Verizon's common stock on December 31, 2012.

<sup>3</sup> The annual 2011 and 2012 PSU awards vest on December 31, 2013 and December 31, 2014, respectively. Mr. McAdam's 2011 special PSU award vests on July 31, 2016. PSUs accrue quarterly dividends that are reinvested into the participant's account as additional PSUs. PSUs and the applicable dividend equivalents are paid if and to the extent that the applicable PSU award vests. As required by SEC rules, the number of units in this column represents the 2011 PSU awards at a 175% vesting percentage, the 2012 PSU awards at a 117% vesting percentage, and Mr. McAdam's 2011 special PSU Award at a 200% vesting percentage, in each case including accrued dividend equivalents through December 31, 2012 that will be paid to the executives if the awards vest at the indicated levels.

<sup>4</sup> This column represents the value of the PSU awards listed in column (i) based on a share price of \$43.27, the closing price of Verizon's common stock on December 31, 2012.

<sup>5</sup> Each option award listed for Mr. McAdam represents unexercised partnership value appreciation rights granted by Verizon Wireless, his employer on the date the rights were granted. When he exercises these rights he will receive a cash amount equal to the difference between the then current value of the corresponding Verizon Wireless partnership rights over the exercise price for such rights as reported in the table. The Option Awards section of the table shows the number of unexercised partnership value appreciation rights held by Mr. McAdam at year-end, the exercise price and expiration date of the award. The values in the Stock Awards section of the table are attributable to grants of Verizon RSU and PSU awards.

**Value Realized from Stock Options and Certain Stock-Based Awards**

## Edgar Filing: VERIZON COMMUNICATIONS INC - Form DEF 14A

The following table reports the number of options that the named executive officers exercised in 2012 and the value realized from the vesting of the following stock-based awards:

- 2010 PSUs that vested on December 31, 2012;
- 2010 RSUs that vested on December 31, 2012; and
- Mr. McAdam's 2009 special PSU award that vested on December 31, 2012.



**Table of Contents**

In 2013, based on the Company's relative TSR as compared with the Related Dow Peers, the Committee approved a vested percentage of 200% of the target number of PSU awards granted for the 2010-2012 performance cycle for all participants, including the named executive officers. The values of the 2010 PSU awards upon vesting for Mr. McAdam, Mr. Mead, Mr. Shammo, Mr. Stratton and Mr. Milch were \$9,439,776, \$5,822,826, \$6,075,986, \$5,111,523, and \$5,545,513, respectively, and the value of the 2010 RSUs upon vesting for Mr. McAdam, Mr. Mead, Mr. Shammo, Mr. Stratton and Mr. Milch were \$3,146,626, \$1,940,941, \$2,025,346, \$1,703,859 and \$1,848,523, respectively. In 2013, based on the Company's average annual ROE during the performance cycle, the independent members of the Board approved a vested percentage of 136% of the target number of PSUs granted to Mr. McAdam under his special 2009 PSU award. The value of Mr. McAdam's 2009 special PSU award upon vesting was \$10,263,964.

**Option Exercises and Stock Vested**

| Name         | Option Awards                               |                               | Stock Awards  |   |
|--------------|---|-------------------------------|---|---|
|              | Number of Shares<br>Acquired on<br>Exercise | Value Realized on<br>Exercise | Number of Shares<br>Acquired on<br>Vesting <sup>1</sup> | Value Realized on<br>Vesting <sup>1,2</sup> |
| (a)          | (b)   | (c)                           | (d)   | (e)   |
| Mr. McAdam   | 0   | 0                             | 528,088   | 22,850,366                                  |
| Mr. Mead     | 0   | 0                             | 179,426   | 7,763,767                                   |
| Mr. Shammo   | 0   | 0                             | 187,227   | 8,101,332                                   |
| Mr. Stratton | 0   | 0                             | 157,508   | 6,815,382                                   |
| Mr. Milch    | 0   | 0                             | 170,881   | 7,394,036                                   |

<sup>1</sup> The amounts include dividend equivalents that were credited on the PSU and RSU awards that vested on December 31, 2012 in accordance with the terms of the awards.

<sup>2</sup> The amounts in this column include \$3,881,884 for Mr. Mead and \$739,404 for Mr. Milch that were deferred under the Verizon Executive Deferral Plan in 2013 when the amounts would have otherwise been paid.

**Pension Plans**

Effective June 30, 2006, Verizon froze all future pension accruals under its management tax-qualified and nonqualified defined benefit pension plans. All accruals under the Verizon Wireless defined benefit retirement plan (tax-qualified and nonqualified) were frozen as of December 31, 2006. Each of the named executive officers other than Messrs. Shammo and Stratton is eligible for a frozen pension benefit.

*Verizon Management Pension Plan and Verizon Excess Pension Plan.* The Verizon Management Pension Plan is a tax-qualified defined benefit pension plan and the Verizon Excess Pension Plan is a nonqualified defined benefit pension plan. Messrs. Mead and Milch are eligible for benefits under the Verizon Management Pension Plan and the Verizon Excess Pension Plan. Mr. McAdam is not eligible for benefits under either of these plans because he was employed by Verizon Wireless prior to January 1, 2007. Under the Verizon Management Pension Plan and the Verizon Excess Pension Plan, the normal retirement age is age 65 with at least 5 years of service and the early retirement age for unreduced benefits is age 55 with 15 or more years of service, and total age plus years of service equal to at least 75. Mr. Mead is eligible for early retirement benefits under the Verizon Management Pension Plan and the Verizon Excess Pension Plan. For Messrs. Mead and Milch, their benefit under the Verizon Excess Pension Plan is based on the cash balance formula noted below, and each of them is vested in the benefit.

## Edgar Filing: VERIZON COMMUNICATIONS INC - Form DEF 14A

Until June 30, 2006, Mr. Milch earned pension benefits under a cash balance formula that provided for retirement pay credits equal to between four and seven percent (depending on age and service) of annual eligible pay for each year of service. Under the cash balance formula, a participant's account balance is also credited with monthly interest based upon the prevailing market yields on certain U.S. Treasury obligations. Eligible pay under the Verizon Management Pension Plan consisted of the employee's base salary and the short-term incentive award, up to the IRS qualified plan compensation limit. Pension benefits for all eligible pay in excess of the IRS limit were provided under the Verizon Excess Pension Plan based on the cash balance formula. At the time that the tax-qualified and nonqualified pension plans were frozen to future pension accruals on June 30, 2006, plan participants were provided with a one-time additional 18 months of benefits as a transition matter.

As a former employee of GTE Wireless Incorporated, Mr. Mead earned a pension benefit under the Verizon Management Pension Plan based on the better of two highest average pay formulas. The first formula was based on 1.35% of his average annual eligible pay for the five highest consecutive eligible years of service. The second

**Table of Contents**

formula was based on eligible pay for the five highest consecutive eligible years of service and was integrated with social security, with a 1.15% accrual for eligible pay under the social security integration level and a 1.45% accrual above the social security integration level. Both of these formulas were discontinued on May 31, 2004 for former GTE Wireless Incorporated employees employed by Verizon Wireless, and Mr. Mead ceased to accrue a pension under those formulas on May 31, 2004. Effective October 23, 2005, Mr. Mead transferred from Verizon Wireless to Verizon, and he started to again earn a pension under the better of (i) the 1.35% highest average pay formula or (ii) the cash balance formula. Mr. Mead's service with Verizon Wireless from June 1, 2004 through October 22, 2005 was excluded from any pension calculation. As noted above, accruals under the 1.35% highest average pay formula and cash balance formula were frozen effective June 30, 2006.

At the time of Mr. Mead's transfer from Verizon Wireless to Verizon effective October 23, 2005, the value of his nonqualified benefit was determined as a lump sum, and a nonqualified cash balance account was created under the Verizon Excess Pension Plan using this value as the opening balance as of November 1, 2005. Mr. Mead earned retirement pay credits equal to 7% (based on age and eligible service) of annual eligible pay in excess of the pay cap for each year of service after October 23, 2005, including monthly interest credits. As noted above, accruals under the nonqualified cash balance formula were frozen effective June 30, 2006.

*Verizon Wireless Retirement Plan.* In 2001, Verizon Wireless consolidated the pension plans of several predecessor companies under the Verizon Wireless Retirement Plan. Mr. McAdam is entitled to both a tax-qualified and a nonqualified pension benefit under this plan. Mr. McAdam's tax-qualified pension benefit was determined under two formulas: (i) for the period from January 1, 2001 until May 31, 2004, a cash balance formula that provided pay credits equal to two percent of annual eligible pay up to the IRS compensation limit (under the cash balance formula, a participant's account balance is also credited on an ongoing basis with interest credits based upon the 30-year Treasury bond); and (ii) a final average pay formula based on 24 years of service multiplied by 1.45% of Mr. McAdam's average annual eligible pay for the five final consecutive years for each year of service through the end of 2006. The normal retirement age under the Verizon Wireless Retirement Plan is 65. The early retirement age (for unreduced benefits) under the plan is 55. Mr. McAdam is eligible for early retirement benefits under the plan. In 2008, the Verizon Wireless Retirement Plan was amended to recognize eligibility service and age increases for employees who transferred to Verizon on or after January 1, 2001. As a result, Mr. McAdam continues to earn service towards early retirement benefits, based on his frozen pension accrual service as of December 31, 2006. Mr. McAdam's nonqualified plan benefit was determined using the 1.45% final average pay formula and was calculated based on 10 years of service and only included his eligible pay in excess of the IRS compensation limit through the end of 2006, at which time no further adjustments to eligible pay were recognized under the plan. For Mr. McAdam, eligible pay consisted of base salary and the short-term incentive award. No participant under the plan was eligible for cash balance credits under the nonqualified portion of the plan.

The following table illustrates the actuarial present value as of December 31, 2012 of pension benefits accumulated by the named executive officers, other than Messrs. Shammo and Stratton who are not eligible for pension benefits.

**Pension Benefits**

| Name       | Plan Name                                       | Number of Years Credited Service (#) | Present Value of Accumulated Benefit <sup>1</sup> (\$) | Payments During Last Fiscal Year (\$) |
|------------|---|--------------------------------------|--|---------------------------------------|
| (a)        | (b)   | (c)                                  | (d)  | (e)                                   |
| Mr. McAdam | Verizon Wireless Retirement Plan - Qualified    | 29                                   | 1,173,877  | 0                                     |
|            | Verizon Wireless Retirement Plan - Nonqualified | 10                                   | 1,772,254  | 0                                     |
| Mr. Mead   | Verizon Management Pension Plan                 | 34                                   | 1,347,373  | 0                                     |
|            | Verizon Excess Pension Plan                     | 7                                    | 3,388,944  | 0                                     |
| Mr. Milch  | Verizon Management Pension Plan                 | 19                                   | 175,480  | 0                                     |

<sup>1</sup> The values are based on the assumptions for the actuarial determination of pension benefits as required by the relevant accounting standards as described in note 11 to the Company's consolidated financial statements for the year ended December 31, 2012, as included in the Company's 2012 Annual Report to Shareowners. However, in accordance with the requirements for this table, the values are calculated using the executive's retirement at the earliest age at which he can retire without having the retirement benefit reduced under the plan. For Mr. McAdam, the assumptions are generally the same as described above.

## **Table of Contents**

### ***Defined Contribution Savings Plans***

The named executive officers are participants in the Company's tax-qualified defined contribution savings plan, the Verizon Management Savings Plan, which is referred to as the Savings Plan, and its nonqualified defined contribution savings plan, the Verizon Executive Deferral Plan, which is referred to as the Deferral Plan. The named executive officers participate in these plans on the same terms as other participants in these plans.

Under the terms of the Savings Plan, participants are eligible to defer up to 16% of their eligible pay into the Savings Plan up to the IRS qualified plan compensation limit. Verizon provides a matching contribution equal to 100% of the first 6% of eligible pay that any participant contributes to the Savings Plan. Under the Deferral Plan, a participant may defer up to 100% of base salary in excess of the IRS qualified plan compensation limit, short-term incentive compensation and long-term incentive compensation. Verizon provides a matching contribution equal to 100% of the first 6% of base salary and short-term incentive compensation that a participant contributes to the Deferral Plan. Deferrals of long-term incentive compensation, such as PSUs and RSUs, are not eligible for Company matching contributions. Participants in the Savings Plan and the Deferral Plan are eligible for an additional discretionary profit-sharing contribution of up to 3% of eligible pay, in the case of the Savings Plan, and eligible deferrals, in the case of the Deferral Plan. In determining whether to make a profit-sharing contribution, the Committee uses the same criteria it uses to determine the short-term incentive award paid to employees at the corporate level. For example, if the Short-Term Plan award for corporate employees is paid at target, employees would be eligible for up to an additional 2% profit-sharing contribution whether or not they participate in the Savings Plan or Deferral Plan. For 2012, the discretionary contribution was 1.5%.

Messrs. McAdam, Mead, Shammo and Stratton were participants in the Verizon Wireless Executive Deferral Plan while they were employed at Verizon Wireless. Under the Verizon Wireless Executive Deferral Plan, a participant may defer up to 100% of base salary in excess of the IRS qualified plan compensation limit and short-term incentive compensation. Verizon Wireless provides a matching contribution equal to 100% of the first 6% of base salary and short-term incentive compensation that a participant contributes to the plan. Participants are eligible for an additional discretionary profit-sharing contribution to the Verizon Wireless Executive Deferral Plan of up to 3% of eligible pay and eligible deferrals. In determining whether to make a profit-sharing contribution, the Verizon Wireless Human Resources Committee uses the same criteria used to determine the short-term incentive award paid to employees at the corporate level.

Participants in the Deferral Plan and the Verizon Wireless Executive Deferral Plan may elect to invest their deferrals in a hypothetical cash account that earns a return rate equal to the long-term, high-grade corporate bond yield average as published by Moody's Investor Services or in the other hypothetical investment options available to all plan participants under the Savings Plan. Participants in the Deferral Plan and the Verizon Wireless Executive Deferral Plan may generally elect to receive their benefits in a lump sum or installments, commencing on a separation from service or specific date elected by the participant.

Messrs. Mead and Milch also have account balances under the Income Deferral Plan (referred to as the IDP). The IDP is a nonqualified deferred compensation plan that was the predecessor to the Deferral Plan. The IDP was amended to freeze the accrual of benefits under the plan as of the close of business on December 31, 2004. Participants in the IDP no longer accrue any additional benefits other than market-based investment earnings or losses on their individual accounts. No new deferrals were permitted after 2004. Participants retain the ability to invest their frozen accounts in the investment options available under the plan. Participants in the IDP do not receive matching contribution credits or retirement credits under the plan.

**Table of Contents**

Messrs. McAdam, Mead, Shammo and Stratton also have account balances under the Verizon Wireless Executive Savings Plan (referred to as the ESP). The ESP is a nonqualified deferred compensation plan that was the predecessor to the Verizon Wireless Executive Deferral Plan. The ESP was amended to freeze the accrual of benefits under the plan as of the close of business on December 31, 2004. Participants in the ESP no longer accrue any additional benefits other than market-based investment earnings or losses on their individual accounts. No new deferrals were permitted after 2004. Participants retain the ability to invest their frozen accounts in the investment options available under the ESP. Participants in the ESP do not receive matching contribution credits or retirement credits under the plan.

The following table shows the 2012 account activity for each named executive officer and includes each executive's contributions, Company matching contributions, earnings, withdrawals and distributions and the aggregate balance of his total deferral account as of December 31, 2012.

**Nonqualified Deferred Compensation**

| Name         |  | Executive Contributions in Last FY <sup>1</sup><br>(\$) | Registrant Contributions in Last FY <sup>2</sup><br>(\$) | Aggregate Earnings in Last FY <sup>3</sup><br>(\$) | Aggregate Withdrawals/<br>Distributions<br>(\$) | Aggregate Balance at Last FYE <sup>4</sup><br>(\$) |
|--------------|--|---|--|--|---|--|
| (a)          |  | (b)   | (c)  | (d)  | (e)   | (f)  |
| Mr. McAdam   | Verizon Executive Deferral Plan          | 210,750   | 263,512  | 331,694  | 0   | 4,327,090  |
|              | Verizon Wireless Executive Deferral Plan | 0   | 0  | 18,399   | 0   | 437,756  |
|              | Verizon Wireless Executive Savings Plan  | 0   | 0  | 87,490   | 0   | 2,081,601  |
| Mr. Mead     | Verizon Executive Deferral Plan          | 530,301   | 94,909   | 671,350  | 0   | 11,184,201   |
|              | Verizon Income Deferral Plan             | 0   | 0  | 11,633   | 0   | 276,775  |
|              | Verizon Wireless Executive Deferral Plan | 0   | 0  | 75,966   | 0   | 1,807,426  |
|              | Verizon Wireless Executive Savings Plan  | 0   | 0  | 70,189   | 0   | 1,422,038  |
| Mr. Shammo   | Verizon Executive Deferral Plan          | 85,814  | 88,930   | 313,344  | 0   | 2,845,291  |
|              | Verizon Wireless Executive Deferral Plan | 0   | 0  | 5,597  | 0   | 133,168  |
|              | Verizon Wireless Executive Savings Plan  | 0   | 0  | 101,708  | 0   | 1,181,294  |
| Mr. Stratton | Verizon Executive Deferral Plan          | 361,375   | 70,890   | 263,447  | 0   | 2,704,840  |
|              | Verizon Wireless Executive Deferral Plan | 0   | 15,956   | 178,556  | 0   | 2,017,583  |
|              | Verizon Wireless Executive Savings Plan  | 0   | 0  | 267,446  | 0   | 3,207,253  |
| Mr. Milch    | Verizon Executive Deferral Plan          | 87,166  | 76,959   | 276,317  | 0   | 3,125,679  |
|              | Verizon Income Deferral Plan             | 0   | 0  | 310,281  | 0   | 4,898,081  |

<sup>1</sup> Of the amounts listed in this column, the following amounts are also included in the Summary Compensation Table in columns (c) and (j): for Mr. McAdam, \$69,000; for Mr. Mead, \$163,269; for Mr. Shammo, \$44,807; for Mr. Stratton, \$148,750; and for Mr. Milch, \$23,884.

<sup>2</sup> The amounts listed in this column are also included in columns (i) and (j) of the Summary Compensation Table.

<sup>3</sup> Of the amounts listed in this column, the following amounts are also included in the Summary Compensation Table in columns (h) and (j): for Mr. McAdam, \$58,180; for Mr. Mead, \$143,131; for Mr. Shammo, \$9,004; for Mr. Stratton, \$31,776; and for Mr. Milch, \$58,366.

<sup>4</sup> The aggregate amounts shown in columns (e) and (f) include the following amounts that were reported as compensation to the named executive officer in the Summary Compensation Table in previous proxy statements of the registrant:

- For Mr. McAdam, a total of \$2,134,031 was reported (2008 to 2012);
- For Mr. Mead, a total of \$1,132,175 was reported (2011 to 2012);
- For Mr. Shammo, a total of \$304,128 was reported (2011 to 2012); and
- For Mr. Milch, a total of \$164,097 was reported (2012).

## **Table of Contents**

### ***Potential Payments upon Termination or Change in Control***

The following summaries and tables describe and quantify the potential payments and benefits that would be provided to each of our named executive officers if a termination of employment or change in control of Verizon had occurred at the end of 2012 under Verizon's compensation plans and agreements.

### **Payments Made upon Termination**

Regardless of the manner in which a named executive officer's employment terminates, the executive is entitled to receive amounts earned during the term of employment. This includes amounts accrued and vested under our pension plans and nonqualified deferred compensation plans, which are reported in the Pension Benefits and Nonqualified Deferred Compensation tables above. Those benefits are not included in the summaries and tables below.

In addition, amounts earned under our 2012 Short-Term Plan awards and amounts earned under our 2010 Long-Term Plan awards and, for Mr. McAdam, the special 2009 PSU award are not included in the summaries or tables below. Amounts earned under our 2012 Short-Term Plan awards are discussed in the Compensation Discussion and Analysis on pages 41-44 and are reported in the Summary Compensation Table on page 51. Amounts earned under our 2010 Long-Term Plan awards and Mr. McAdam's 2009 special PSU award are discussed in the Compensation Discussion and Analysis on page 47 and are reported in the Option Exercises and Stock Vested table on page 55. If a named executive officer's employment had terminated on December 31, 2012 for any reason other than for cause, the full amount of the 2012 Short-Term Plan award and the full amount of the 2010 Long-Term Plan awards, and Mr. McAdam's 2009 special PSU award in each case to the extent earned, would have been payable. These amounts would be determined and payable at the same time as awards are determined and paid to participating employees generally under those plans. In the event of a termination for cause, no amount would have been payable under these awards.

### **Potential Payments upon Qualifying Separation or Involuntary Termination Without Cause**

*Mr. McAdam.* As Chairman and CEO, Mr. McAdam is not eligible to participate in the Senior Manager Severance Plan described below. Mr. McAdam is also not a party to an employment agreement with Verizon or any other agreement that would provide him with cash severance benefits in the event his employment is involuntarily terminated by Verizon without cause.

*Senior Manager Severance Plan.* Verizon provides severance benefits to certain employees, including all of the named executive officers other than the Chairman and CEO, under its Senior Manager Severance Plan. Under the plan, a named executive officer is eligible to receive severance benefits if he experiences a qualifying separation from Verizon, which is generally defined as an involuntary termination by Verizon without cause, a voluntary termination by the executive solely due to the executive's refusal to accept a qualifying reclassification or relocation (as those terms are defined in the plan) or a determination by the independent members of the Board that the named executive officer has incurred a qualifying separation. A severance benefit, if triggered, is payable to an executive only if the executive executes a release of claims against Verizon in the form satisfactory to Verizon and agrees not to compete or interfere with any Verizon business for a period of one year after termination from employment and always to protect Verizon's trade secrets and proprietary information.

## Edgar Filing: VERIZON COMMUNICATIONS INC - Form DEF 14A

If a named executive officer incurs a qualifying separation under the plan, he is eligible to receive the following benefits: (i) a lump-sum cash separation payment equal to two times the sum of his base salary and target short-term incentive opportunity; and (ii) continued medical, dental and vision coverage for two years.

In addition, if the executive's qualifying separation occurs prior to the last day of the year, the executive will receive a prorated Short-Term Plan award for the year in which the termination occurs, determined based on the actual level of achievement of the performance criteria under the Short-Term Plan for the applicable year and payable at the time that awards are payable to participating employees generally under the plan. To the extent that an executive also becomes eligible for severance benefits under any outstanding agreement, plan or any other arrangement, the executive's cash severance payment under the Senior Manager Severance Plan will be reduced on a dollar-for-dollar basis by the amount or single-sum value of the severance benefits payable to the executive under such other agreement, plan or arrangement.



**Table of Contents**

*Other Benefits.* Upon an involuntary termination of employment without cause, a named executive officer would also be eligible to receive financial planning and outplacement services for one year following termination on the same basis as provided to other senior executives. However, executives will only be entitled to receive financial planning services if they participate in the program in the year in which their employment terminates. Mr. McAdam did not participate in the financial planning program in 2012 and, as a result, would not have been entitled to receive financial planning services if his employment had terminated on the last business day of 2012. In addition, under the terms of the executive life insurance plan, each named executive officer who is retirement eligible upon termination and who continues to pay the annual premiums on the life insurance policy owned by the executive would be eligible to receive an annual payment from Verizon to pay a portion of the annual premium until (i) in the case of Messrs. McAdam, Mead, Shammo and Stratton, the latest of the executive's attainment of age 60, the completion of 5 years of plan participation or qualifying retirement; or (ii) in the case of Mr. Milch, the later of the executive's attainment of age 65 or 15 years of plan participation. Retirement eligibility is generally defined as having attained 75 points (age plus years of service) with at least 15 years of service.

*Estimated Payments.* The following table shows Verizon's estimate of the amount of benefits the named executive officers would have been entitled to receive had their employment been involuntarily terminated without cause or terminated for good reason on the last business day of 2012 and had incurred a qualifying separation under the Senior Manager Severance Plan.

| Name         | Cash Separation Payment<br>(\$) | Continued Health Benefits <sup>1</sup><br>(\$) | Outplacement Services<br>(\$) | Financial Planning <sup>2</sup><br>(\$) | Executive Life Insurance Benefit<br>(\$) |
|--------------|---------------------------------|--|-------------------------------|---|--|
| Mr. McAdam   | 0                               | 0  | 0                             | 0                                       | 255,555                                  |
| Mr. Mead     | 3,360,000                       | 22,903   | 14,500                        | 10,000                                  | 88,013                                   |
| Mr. Shammo   | 2,940,000                       | 33,003   | 14,500                        | 10,000                                  | 177,331                                  |
| Mr. Stratton | 2,835,000                       | 33,003   | 14,500                        | 10,000                                  | 185,050                                  |
| Mr. Milch    | 2,730,000                       | 33,003   | 14,500                        | 10,000                                  | 144,002                                  |

<sup>1</sup> The amounts reflect Verizon's estimated cost of providing medical, dental and vision coverage for two years.

<sup>2</sup> Mr. McAdam did not participate in the financial planning program in 2012 and, as a result, would not have been entitled to receive financial planning services if his employment had terminated on the last business day of 2012.

**Potential Payments upon Death, Disability or Retirement**

Under the terms of the executive life insurance plan, in the event of disability or a qualifying retirement, a named executive officer who continues to pay the annual premiums on the life insurance policy owned by the executive would be eligible to receive an annual payment from Verizon to pay a portion of the annual premium until: (i) in the case of Messrs. McAdam, Mead, Shammo and Stratton, the latest of the executive's attainment of age 60, the completion of 5 years of plan participation or qualifying retirement, or (ii) in the case of Mr. Milch, the later of the executive's attainment of age 65 or 15 years of plan participation. If the named executive officer dies, his beneficiary would be entitled to receive the proceeds of the life insurance policy owned by the executive, payable by the third-party issuer of the policy.

Under the Short-Term Plan, if the named executive officer's employment terminates due to death, disability or a qualifying retirement prior to the last day of the year, the executive would be eligible for a prorated Short-Term Plan award for the year in which the termination date occurred, determined based on the actual level of achievement of the performance criteria under the Short-Term Plan for the applicable year and payable at the time that awards are generally payable to participating employees under the plan. As described above, if the executive's employment terminates on the last day of the year for any reason other than for cause, the full amount of the Short-Term Plan award, determined based on the actual level of achievement of the performance criteria under the Short-Term Plan for the applicable year, would have been payable.

## Edgar Filing: VERIZON COMMUNICATIONS INC - Form DEF 14A

In addition, upon death, disability or a qualifying retirement, each named executive officer would also be eligible to receive financial planning services for one year following termination on the same basis as provided to other senior executives, provided that they participated in the program in the year in which their employment terminates. Upon disability, the named executive officers would also be eligible for disability benefits under the tax-qualified and nonqualified disability plans.

**Table of Contents**

*Estimated Payments.* The following table shows Verizon's estimate of the amount of benefits the named executive officers would have been entitled to receive had their employment terminated due to death, disability or qualifying retirement on the last business day of 2012.

| Name                    | Executive Life Insurance Benefit <sup>1</sup><br>(\$) | Disability Benefit <sup>2</sup><br>(\$) | Financial Planning <sup>3</sup><br>(\$) |
|-------------------------|---|---|---|
| Mr. McAdam              |   |   |   |
| Death                   | 6,300,000   | 0                                       | 0                                       |
| Disability              | 255,555   | 1,501,922                               | 0                                       |
| Retirement              | 255,555   | 0                                       | 0                                       |
| Mr. Mead                |   |   |   |
| Death                   | 2,800,000   | 0                                       | 10,000                                  |
| Disability              | 88,013  | 1,409,898                               | 10,000                                  |
| Retirement              | 88,013  | 0                                       | 10,000                                  |
| Mr. Shammo              |   |   |   |
| Death                   | 2,450,000   | 0                                       | 10,000                                  |
| Disability              | 177,331   | 435,717                                 | 10,000                                  |
| Retirement              | 177,331   | 0                                       | 10,000                                  |
| Mr. Stratton            |   |   |   |
| Death                   | 2,364,000   | 0                                       | 10,000                                  |
| Disability              | 185,050   | 438,668                                 | 10,000                                  |
| Retirement <sup>4</sup> | 0   | 0                                       | 0                                       |
| Mr. Milch               |   |   |   |
| Death                   | 2,276,000   | 0                                       | 10,000                                  |
| Disability              | 144,002   | 1,895,509                               | 10,000                                  |
| Retirement <sup>4</sup> | 0   | 0                                       | 0                                       |

<sup>1</sup> In the event of death, the amount represents the proceeds from the life insurance policy owned by the named executive officer, payable from the third-party issuer of the policy. In the event of disability or retirement, the amount, if any, represents the total amount of annual payments to the named executive officer to pay a portion of the life insurance policy owned by him, provided that the named executive officer continues to pay the annual premiums pursuant to the terms of the executive life insurance program.

<sup>2</sup> Assumes that each named executive officer would be immediately eligible for long-term disability benefits from Verizon's qualified and nonqualified disability benefit plans. Messrs. Shammo and Stratton do not participate in the nonqualified portion of the disability benefit. The assumptions used to calculate the value of the disability benefits include a discount rate of 4.2% and mortality and recovery based on the 1987 National Association of Insurance Commissioners Group Disability Table. These rates represent the probability of death or recovery between the date of disability and the payment end date. The qualified portion of the disability benefit for Messrs. McAdam, Mead, Shammo, Stratton and Milch is estimated at \$490,688, \$460,623, \$435,717, \$438,668 and \$619,276, respectively, and the nonqualified portion of the disability benefit for Messrs. McAdam, Mead and Milch is estimated at \$1,011,234, \$949,275, and \$1,276,233, respectively. In order to receive the nonqualified portion of the disability benefit, the executive must pay the premium associated with the qualified portion of the benefit.

<sup>3</sup> Mr. McAdam did not participate in the financial planning program in 2012 and, as a result, would not have been entitled to receive financial planning services if his employment had terminated on the last business day of 2012.

<sup>4</sup> Messrs. Stratton and Milch would not have been entitled to receive executive life insurance benefits or financial planning benefits because they had not fulfilled the eligibility requirements for retirement under the terms of those programs on the last business day of 2012.

## **Table of Contents**

### **Potential Payments upon Change in Control**

Verizon does not maintain any plans or arrangements that provide for any named executive officer to receive cash severance or any other cash payments in connection with a change in control of Verizon. If the named executive officer's employment terminates in connection with or following a change in control, he would be eligible for the same benefits, if any, that would become payable to the executive upon his termination under the circumstances as described above. Under the Short-Term Plan, if a change in control occurs, all outstanding awards will vest and become payable on the regularly scheduled payment date.

### **Equity Awards**

As is the case for all participants under the terms of the Long-Term Plan and the applicable award agreements, upon an involuntary termination of employment without cause, death, disability or qualifying retirement, each named executive officer's then unvested RSUs will vest and be paid on the regularly scheduled payment date after the end of the applicable award cycle and each named executive officer's then unvested PSUs will vest and be paid on the regularly scheduled payment date after the end of the applicable award cycle, but only if and to the extent that the applicable performance criteria for the award are achieved at the end of the applicable award cycle. However, Mr. McAdam's special PSU and RSU awards granted in 2011 will be forfeited if Mr. McAdam retires prior to July 31, 2016. Under the Long-Term Plan, a qualifying retirement generally means to retire after having attained at least 15 years of vesting service (as defined under the applicable Verizon tax-qualified savings plan) and a combination of age and years of vesting service that equals or exceeds 75 points. As of December 31, 2012, Messrs. McAdam, Mead and Shammo were retirement-eligible under the Long-Term Plan.

In addition, under the terms of the Long-Term Plan and the applicable award agreements, if, in the 12 months following a change in control of Verizon, a participant's employment is involuntarily terminated without cause, all then-unvested RSUs will vest and be paid on the regularly scheduled payment date after the end of the applicable award cycle and all then-unvested PSUs will vest at target level performance and be paid on the regularly scheduled payment date after the end of the applicable award cycle.

Under the Long-Term Plan, a change in control of Verizon is generally defined as the occurrence of any of the following:

- Any person becomes a beneficial owner of shares representing twenty percent or more of Verizon's outstanding voting stock;
- Verizon consummates a merger, consolidation, reorganization or any other business combination; or
- The Board adopts resolutions authorizing the liquidation or dissolution, or sale of all or substantially all of the assets, of Verizon.

However, a change in control will not occur if:

- The amount of Verizon voting stock outstanding immediately before the transaction represents at least forty-five percent of the combined voting power of the corporation that survives the transaction;
- Verizon Directors constitute at least one-half of the board of directors of the surviving corporation;
- Verizon's CEO is the CEO of the surviving corporation; and
- The headquarters of the surviving corporation is located in New York, New York.

*Estimated Payments.* The following table shows the estimated value of the payouts that the named executive officers could have received in respect of their outstanding unvested equity awards if any of the following events occurred on the last business day of 2012: (i) a change in control of Verizon without a termination of employment; (ii) a change in control of Verizon and an involuntary termination of employment without cause; and (iii) a termination of employment as a result of an involuntary termination without cause, qualifying retirement, or death or disability. The amounts represent the estimated value of the RSU and PSU awards granted in 2011 and 2012, and in addition for Mr. McAdam, his special 2011 PSU and RSU awards, that would have been payable pursuant to the terms of the award agreements, calculated using the total number of units (including accrued dividends) on the last business day of 2012 and \$43.27, Verizon's closing stock price on that date, and for the PSUs, assuming the award would vest at target performance levels. The actual amount payable under these awards can be determined only at the time the awards would be paid.

**Table of Contents**

| Name         | Change In Control<br>Without Termination<br>(\$) | Change In Control<br>And<br>Termination<br>Without Cause<br>(\$) | Termination<br>Without Cause<br>(\$) | Retirement <sup>1</sup><br>(\$) | Death or Disability<br>(\$) |
|--------------|--|--|--------------------------------------|---------------------------------|-----------------------------|
| Mr. McAdam   | 0  | 34,323,581   | 34,323,581                           | 21,497,228                      | 34,323,581                  |
| Mr. Mead     | 0  | 9,807,362  | 9,807,362                            | 9,807,362                       | 9,807,362                   |
| Mr. Shammo   | 0  | 8,858,365  | 8,858,365                            | 8,858,365                       | 8,858,365                   |
| Mr. Stratton | 0  | 8,000,407  | 8,000,407                            | 0                               | 8,000,407                   |
| Mr. Milch    | 0  | 7,822,394  | 7,822,394                            | 0                               | 7,822,394                   |

<sup>1</sup> Messrs. Stratton and Milch would not have been entitled to receive any amount in respect of their outstanding unvested equity awards upon retirement because they had not met the eligibility requirements for retirement under the terms of the Long-Term Plan on the last business day of 2012.

**Non-Employee Director Compensation**

In 2012, each non-employee Director of Verizon received an annual cash retainer of \$100,000, and the Chairperson of the Corporate Governance and Policy Committee received an additional annual cash retainer of \$15,000, and the Audit and Human Resources Committee Chairpersons received an additional \$25,000 annual cash retainer. The Presiding Director also received an additional annual cash retainer of \$10,000. Each Director also received an annual grant of Verizon share equivalents valued at \$150,000 on the grant date. No meeting fees were paid if a Director attended a Board or Committee meeting on the day before or the day of a regularly scheduled Board meeting. Each Director who attended such a meeting held on any other date received a meeting fee of \$2,000.

In addition, in 2012, the Board established a committee composed of Ms. Keeth (Chairperson), Dr. Moose and Mr. Price to assist the Board in responding to a shareholder demand. The Chairperson received a cash retainer of \$5,000, and each Committee member received a meeting fee of \$2,000 for each of the five meetings held by the Committee during 2012.

A new Director who joins the Board receives a one-time grant of 3,000 Verizon share equivalents valued at the closing price on the date that the Director joins the Board.

All share equivalents are automatically credited to the Director's deferred compensation account under the Verizon Executive Deferral Plan and invested in a hypothetical Verizon stock fund. Amounts in the deferred compensation account are paid in a lump sum in the year following the year that the Director leaves the Board.

Under the Verizon Executive Deferral Plan, Directors may defer all or part of their annual cash retainer and meeting fees. A Director may elect to invest these amounts in a hypothetical cash account that earns a return rate equal to the long-term, high-grade corporate bond yield average as published by Moody's Investor Services or in the other hypothetical investment options available to participants in Verizon's Management Savings Plan.

Directors who served as directors of NYNEX Corporation participate in a charitable giving program. Under this program, when a participant retires from the Board or attains age 65 (whichever occurs later) or dies, one or more charitable contributions in the aggregate amount of

\$1,000,000 are made, payable in ten annual installments. Directors who served as directors of GTE Corporation participate in a similar program for which the aggregate contribution is \$1,000,000, payable in five annual installments commencing upon the Director's death. The GTE and NYNEX programs are financed through the purchase of insurance on the life of each participant. The charitable giving programs are closed to future participants. In 2012, the aggregate cost of maintaining and administering the legacy charitable giving programs for all participants was \$62,185.

**Table of Contents****Director Compensation**

| Name                  | Fees Earned or Paid in Cash <sup>1</sup> | Stock Awards <sup>2</sup> | Option Awards | Non-Equity Incentive Plan Compensation | Change in Pension Value and Nonqualified Deferred Compensation Earnings <sup>3</sup> | All Other Compensation | Total   |
|-----------------------|--|---------------------------|---------------|--|--|------------------------|---------|
| (a)                   | (b)                                      | (c)                       | (d)           | (e)                                    | (f)  | (g)                    | (h)     |
| Richard L. Carrión    | 104,000                                  | 150,000                   | 0             | 0                                      | 10,584   | 0                      | 264,584 |
| Melanie L. Healey     | 106,000                                  | 150,000                   | 0             | 0                                      | 0  | 0                      | 256,000 |
| M. Frances Keeth*     | 127,000                                  | 150,000                   | 0             | 0                                      | 0  | 0                      | 277,000 |
| Robert W. Lane        | 110,000                                  | 150,000                   | 0             | 0                                      | 4,214  | 0                      | 264,214 |
| Sandra O. Moose*      | 147,000                                  | 150,000                   | 0             | 0                                      | 7,343  | 0                      | 304,343 |
| Joseph Neubauer*      | 131,000                                  | 150,000                   | 0             | 0                                      | 0  | 0                      | 281,000 |
| Donald T. Nicolaisen* | 137,000                                  | 150,000                   | 0             | 0                                      | 0  | 0                      | 287,000 |
| Clarence Otis, Jr.    | 106,000                                  | 150,000                   | 0             | 0                                      | 8,766  | 0                      | 264,766 |
| Hugh B. Price         | 114,000                                  | 150,000                   | 0             | 0                                      | 1,381  | 0                      | 265,381 |
| Rodney E. Slater      | 104,000                                  | 150,000                   | 0             | 0                                      | 0  | 0                      | 254,000 |
| John W. Snow**        | 52,000                                   | 150,000                   | 0             | 0                                      | 0  | 0                      | 202,000 |
| Kathryn A. Tesija     | 8,333                                    | 145,850                   | 0             | 0                                      | 0  | 0                      | 154,183 |

\* Denotes a Chairperson of a standing or special committee.

\*\* Dr. Snow retired from the Board in May 2012 pursuant to the Board's retirement policy.

<sup>1</sup> This column includes all fees earned or paid in 2012, whether the fee was paid in 2012 or deferred.

<sup>2</sup> For each Director this column reflects the grant date fair value of the Director's 2012 annual stock award computed in accordance with FASB ASC Topic 718. For Ms. Tesija, this column reflects the grant date fair value of her annual share equivalents award valued at \$12,500, which was prorated to reflect the portion of the year that she served on the Board, and includes the one-time grant of 3,000 Verizon share equivalents with the grant date fair value of \$133,350 that she received upon her appointment to the Board on December 6, 2012, in each case based on the closing price of Verizon's common stock on the grant date. The following reflects the aggregate number of share equivalent awards and the aggregate number of option awards outstanding as of December 31, 2012 for each person who served as a non-employee Director during 2012: Richard L. Carrión, 83,562 and 21,065; Melanie L. Healey, 7,463 and 0; M. Frances Keeth, 33,729 and 0; Robert W. Lane, 43,877 and 0; Sandra O. Moose, 73,702 and 0; Joseph Neubauer, 91,759 and 7,798; Donald T. Nicolaisen, 40,649 and 0; Clarence Otis, Jr., 40,053 and 0; Hugh B. Price, 64,186 and 7,798; Rodney E. Slater, 16,212 and 0; John W. Snow, 33,229 and 0; and Kathryn A. Tesija, 3,281 and 0.

<sup>3</sup> This column reflects above-market earnings on nonqualified deferred compensation plans. Non-employee Directors do not participate in any defined benefit pension plan.

**Security Ownership of Certain Beneficial Owners and Management****Principal Shareholders**

On January 31, 2013, there were approximately 2.9 billion shares of Verizon common stock outstanding. The following table sets forth information about persons we know to beneficially own more than five percent of the shares of Verizon common stock, based on our records and information reported in filings with the SEC.



Edgar Filing: VERIZON COMMUNICATIONS INC - Form DEF 14A

| Name and Address of                | Amount and Nature of<br>Beneficial Ownership | Percent of Class |
|------------------------------------|--|------------------|
| Beneficial Owner<br>BlackRock Inc. | 173,030,572                                  | 6.07             |
| 40 East 52 <sup>nd</sup> Street    |  |                  |
| New York, New York 10022           |  |                  |

\*This information is based on a Schedule 13G filed with the SEC on February 5, 2013 by BlackRock Inc., setting forth information as of December 31, 2012. The Schedule 13G states that BlackRock Inc. has sole voting power and sole dispositive power with respect to the 173,030,572 shares.

**Table of Contents****Directors and Executive Officers**

In the following table, you can find information showing the number of shares of Verizon common stock beneficially owned by each of the named executive officers, each Director and all executive officers and Directors as a group as of January 31, 2013. This information includes shares held in Verizon's employee savings plans and shares that may be acquired within 60 days pursuant to the exercise of stock options and/or the conversion of certain stock units under deferred compensation plans. The aggregate number of shares owned by executive officers and Directors represents less than one percent of the total number of outstanding shares of Verizon common stock. Unless we have indicated otherwise, each individual and/or his or her family member(s) has or have sole or shared voting and/or investment power with respect to the securities. Executive officers and Directors also have interests in other stock-based units under Verizon deferred compensation plans and stock-based long-term incentive awards. We have included these interests in the "Total" column in the table below to show the total economic interest that the executive officers and Directors have in Verizon common stock.

| <b>Name</b>                      | <b>Stock<sup>1</sup></b> | <b>Total<sup>2</sup></b> |
|----------------------------------|--------------------------|--------------------------|
| <b>Named Executive Officers:</b> |                          |                          |
| Lowell C. McAdam*                | 135,068                  | 1,149,143                |
| Daniel S. Mead                   | 31,913                   | 327,676                  |
| Francis J. Shammo                | 52,774                   | 332,991                  |
| John G. Stratton                 | 39,178                   |                          |