City of Chicago

O2015-753

Office of the City Clerk

Document Tracking Sheet

Meeting Date:	1/21/2015
Sponsor(s):	Emanuel (Mayor)
Type:	Ordinance
Title:	Approval of multi-family Loan with Hilliard Homes II Limited Partnership for replacement of deteriorated windows in Hilliard II Buildings at 2030 S State St and 30 W Cermak Rd
Committee(s) Assignment:	Committee on Finance

FIN.

OFFICE OF THE MAYOR

CITY OF CHICAGO

RAHM EMANUEL
MAYOR

January 21, 2015

TO THE HONORABLE, THE CITY COUNCIL
OF THE CITY OF CHICAGO

Ladies and Gentlemen:

At the request of the Commissioner of Planning and Development, I transmit herewith ordinances authorizing the execution of Multi-Family Loan agreements.

Your favorable consideration of these ordinances will be appreciated.

Very truly yours,

Rahm Emanuel

Mayor

ORDINANCE

WHEREAS, the City of Chicago (the "City"), a home rule unit of government under Section 6(a), Article VII of the 1970 Constitution of the State of Illinois, has heretofore found and does hereby find that there exists within the City a serious shortage of decent, safe and sanitary rental housing available to persons of low and moderate income; and

WHEREAS, the City has determined that the continuance of a shortage of affordable rental housing is harmful to the health, prosperity, economic stability and general welfare of the City, and

WHEREAS, the City has certain funds available from a variety of funding sources ("Multi-Family Program Funds") to make loans and grants for the development of multi-family residential housing to increase the number of families served with decent, safe, sanitary and affordable housing and to expand the long-term supply of affordable housing, and such Multi-Family Program Funds are administered by the City's Department of Planning and Development ("DPD"); and

WHEREAS, as of May 1, 2005, DPD made a loan (the "Loan") of Multi-Family Program Funds in the original principal amount of $3,350,000 to Hilliard Homes II Limited Partnership, an Illinois limited partnership (the "Borrower"), of which HH2 Development Corporation, an Illinois corporation (of which Peter Holsten is the sole member) is the sole managing general partner, which Loan was secured by a Junior Mortgage, Security Agreement and Financing Statement (the "Junior Mortgage") for the purpose of financing a portion of the costs of rehabilitating (the "2004-07 Rehab") two historically significant buildings which contain a total of 327 affordable dwelling units (the "Hilliard II Buildings"); and

WHEREAS, the 2004-07 Rehab utilized financing from PNC MultiFamily Finance, Inc. in the original principal amount of $3,400,000, which is secured by a Leasehold Mortgage (the "Senior Mortgage"); and

WHEREAS, the 2004-07 Rehab further utilized financing from Bank of America, N.A. in the original principal amount of $24,925,576, which is secured by a Leasehold Deed of Trust (the "Second Mortgage"); and

WHEREAS, the 2004-07 Rehab further utilized financing from the Chicago Housing Authority in the original principal amount of $24,425,000, which is secured by a Subordinate Mortgage, Security Agreement and Financing Statement (the "Third Mortgage"), and

WHEREAS, the 2004-07 Rehab included preserving all the windows on the lower floors of the Hilliard II Buildings (the "Windows") pursuant to an agreement with the Illinois State Historic Preservation Office (the "IL SHPO"); and

WHEREAS, the Windows have deteriorated since the 2004-07 Rehab; and

WHEREAS, the IL SHPO has approved the replacement of the Windows with replicas designed to imitate the look of the originals (the "Window Replacement"), and

WHEREAS, the Borrower has requested financing from the City for the cost of the Window Replacement, and

WHEREAS, DPD has preliminarily reviewed and approved the making of a subordinate loan to Borrower, in an amount not to exceed $308,765 (the "Loan"), to be funded from Multi-Family Program Funds pursuant to the terms and conditions set forth in Exhibit A attached hereto and made a part hereof, now, therefore,

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF CHICAGO:

SECTION 1. The above recitals are expressly incorporated in and made a part of this ordinance as though fully set forth herein.

SECTION 2. The Commissioner of DPD (the "Commissioner") and a designee of the Commissioner (collectively, the "Authorized Officer") are each hereby authorized, subject to approval by the Corporation Counsel, to enter into and execute such agreements and instruments, and perform any and all acts as shall be necessary or advisable in connection with the implementation of the Loan. The Authorized Officer is hereby authorized, subject to the approval of the Corporation Counsel, to negotiate any and all terms and provisions in connection with the Loan which do not substantially modify the terms described in Exhibit A hereto. Upon the execution and receipt of proper documentation, the Authorized Officer is hereby authorized to disburse the proceeds of the Loan to the Borrower.

SECTION 3. To the extent that any ordinance, resolution, rule, order or provision of the Municipal Code of Chicago, or part thereof, is in conflict with the provisions of this ordinance, the provisions of this ordinance shall control. If any section, paragraph, clause or provision of this ordinance shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the other provisions of this ordinance. Section 2-45-110 of the Municipal Code of Chicago shall not apply to the Project or the Property (as defined on Exhibit A hereto).

SECTION 4. This ordinance shall be effective as of the date of its passage and approval.

EXHIBIT A

BORROWER	Hilliard Homes II Limited Partnership, an Illinois limited partnership (the "Borrower"), of which HH2 Development Corporation, an Illinois corporation (of which Peter Holsten is the sole member) is the sole managing general partner, and of which Alliant Tax Credit 32, G P., Inc , a Florida corporation, is the sole administrative general partner, and of which certain other entities are limited partners	
PROJECT	Replacement of certain historically significant windows in the Hilliard II Buildings located at 2030 S. State Street and 30 W. Cermak Road, Chicago (the "Property")	
LOAN.	Source:	Multi-Family Program Funds
	Amount.	Not to exceed $308,765
	Term:	Not to exceed 42 years
	Interest:	Zero percent per annum
	Security:	Non-recourse loan; Mortgage on the Property subordinate to (i) the liens of the Senior, Second and Third Mortgages, and (ii) the lien of the Junior Mortgage

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT
AND AFFIDAVIT

SECTION I -- GENERAL INFORMATION

A. Legal name of the Disclosing Party submitting this EDS. Include d/b/a/ if applicable:

Hilliard Homes II Limited Partnership

Check ONE of the following three boxes:

Indicate whether the Disclosing Party submitting this EDS is:

1. [X] the Applicant
   OR
2. [ ] a legal entity holding a direct or indirect interest in the Applicant. State the legal name of the Applicant in which the Disclosing Party holds an interest: _____
   OR
3. [ ] a legal entity with a right of control (see Section II.B.1.) State the legal name of the entity in which the Disclosing Party holds a right of control: _____

B. Business address of the Disclosing Party: 1020 West Montrose Avenue
Chicago, Illinois 60613

C. Telephone: 312-274-9137 Fax: 312-337-4592 Email: josephdunne@holstenchicago.com

D. Name of contact person: Joseph Dunne

E. Federal Employer Identification No. (if you have one): _____

F. Brief description of contract, transaction or other undertaking (referred to below as the "Matter") to which this EDS pertains. (Include project number and location of property, if applicable):

Subordinate financing from the City of Chicago for replacement of existing windows.

G. Which City agency or department is requesting this EDS? Department of Planning and Development

If the Matter is a contract being handled by the City's Department of Procurement Services, please complete the following:

Specification # _____ and Contract # _____

SECTION II -- DISCLOSURE OF OWNERSHIP INTERESTS

A. NATURE OF THE DISCLOSING PARTY

1. Indicate the nature of the Disclosing Party:

[ ] Person
[ ] Publicly registered business corporation
[ ] Privately held business corporation
[ ] Sole proprietorship
[ ] General partnership
[X] Limited partnership
[ ] Trust
[ ] Limited liability company
[ ] Limited liability partnership
[ ] Joint venture
[ ] Not-for-profit corporation
(Is the not-for-profit corporation also a 501(c)(3))?
[ ] Yes [ ] No
[ ] Other (please specify)

2. For legal entities, the state (or foreign country) of incorporation or organization, if applicable:

Illinois

3. For legal entities not organized in the State of Illinois: Has the organization registered to do business in the State of Illinois as a foreign entity?

[ ] Yes [ ] No [X] N/A

B. IF THE DISCLOSING PARTY IS A LEGAL ENTITY:

1. List below the full names and titles of all executive officers and all directors of the entity. **NOTE:** For not-for-profit corporations, also list below all members, if any, which are legal entities. If there are no such members, write "no members." For trusts, estates or other similar entities, list below the legal titleholder(s).

If the entity is a general partnership, limited partnership, limited liability company, limited liability partnership or joint venture, list below the name and title of each general partner, managing member, manager or any other person or entity that controls the day-to-day management of the Disclosing Party. **NOTE**: Each legal entity listed below must submit an EDS on its own behalf.

Name	Title
HH2 Development Corporation	Managing General Partner

2. Please provide the following information concerning each person or entity having a direct or indirect beneficial interest (including ownership) in excess of 7.5% of the Disclosing Party. Examples of such an interest include shares in a corporation, partnership interest in a partnership or joint venture,

interest of a member or manager in a limited liability company, or interest of a beneficiary of a trust, estate or other similar entity. If none, state "None." **NOTE**: Pursuant to Section 2-154-030 of the Municipal Code of Chicago ("Municipal Code"), the City may require any such additional information from any applicant which is reasonably intended to achieve full disclosure.

Name	Business Address	Percentage Interest in the Disclosing Party
Alliant Tax Credit Fund 32, Ltd.	21600 Oxnard Street, Suite 1200 Woodland Hills, CA 91367-4949	99.98%

SECTION III -- BUSINESS RELATIONSHIPS WITH CITY ELECTED OFFICIALS

Has the Disclosing Party had a "business relationship," as defined in Chapter 2-156 of the Municipal Code, with any City elected official in the 12 months before the date this EDS is signed?

[ ] Yes [X] No

If yes, please identify below the name(s) of such City elected official(s) and describe such relationship(s):

SECTION IV -- DISCLOSURE OF SUBCONTRACTORS AND OTHER RETAINED PARTIES

The Disclosing Party must disclose the name and business address of each subcontractor, attorney, lobbyist, accountant, consultant and any other person or entity whom the Disclosing Party has retained or expects to retain in connection with the Matter, as well as the nature of the relationship, and the total amount of the fees paid or estimated to be paid. The Disclosing Party is not required to disclose employees who are paid solely through the Disclosing Party's regular payroll.

"Lobbyist" means any person or entity who undertakes to influence any legislative or administrative action on behalf of any person or entity other than: (1) a not-for-profit entity, on an unpaid basis, or (2) himself. "Lobbyist" also means any person or entity any part of whose duties as an employee of another includes undertaking to influence any legislative or administrative action.

If the Disclosing Party is uncertain whether a disclosure is required under this Section, the Disclosing Party must either ask the City whether disclosure is required or make the disclosure.

Name (indicate whether retained or anticipated to be retained)	Business Address	Relationship to Disclosing Party (subcontractor, attorney, lobbyist, etc.)	Fees (indicate whether paid or estimated.) **NOTE:** "hourly rate" or "t.b.d." is not an acceptable response.
Applegate & Thorne-Thomsen	626 West Jackson Blvd., Chicago	Attorney	$20,000
Developers Mortgage Corporation	221 North LaSalle Street, Suite 3333 Chicago, Illinois 60601	Mortgage Banking	$35,000

(Add sheets if necessary)

[ ] Check here if the Disclosing Party has not retained, nor expects to retain, any such persons or entities.

SECTION V -- CERTIFICATIONS

A. COURT-ORDERED CHILD SUPPORT COMPLIANCE

Under Municipal Code Section 2-92-415, substantial owners of business entities that contract with the City must remain in compliance with their child support obligations throughout the contract's term.

Has any person who directly or indirectly owns 10% or more of the Disclosing Party been declared in arrearage on any child support obligations by any Illinois court of competent jurisdiction?

[ ] Yes [ ] No [X] No person directly or indirectly owns 10% or more of the Disclosing Party.

If "Yes," has the person entered into a court-approved agreement for payment of all support owed and is the person in compliance with that agreement?

[ ] Yes [ ] No

B. FURTHER CERTIFICATIONS

1. Pursuant to Municipal Code Chapter 1-23, Article I ("Article I")(which the Applicant should consult for defined terms (e.g., "doing business") and legal requirements), if the Disclosing Party submitting this EDS is the Applicant and is doing business with the City, then the Disclosing Party certifies as follows: (i) neither the Applicant nor any controlling person is currently indicted or charged with, or has admitted guilt of, or has ever been convicted of, or placed under supervision for, any criminal offense involving actual, attempted, or conspiracy to commit bribery, theft, fraud, forgery, perjury, dishonesty or deceit against an officer or employee of the City or any sister agency; and (ii) the Applicant understands and acknowledges that compliance with Article I is a continuing requirement for doing business with the City. NOTE: If Article I applies to the Applicant, the permanent compliance timeframe in Article I supersedes some five-year compliance timeframes in certifications 2 and 3 below.

2. The Disclosing Party and, if the Disclosing Party is a legal entity, all of those persons or entities identified in Section II.B.1. of this EDS:

a. are not presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from any transactions by any federal, state or local unit of government;

b. have not, within a five-year period preceding the date of this EDS, been convicted of a criminal offense, adjudged guilty, or had a civil judgment rendered against them in connection with: obtaining, attempting to obtain, or performing a public (federal, state or local) transaction or contract under a public transaction; a violation of federal or state antitrust statutes; fraud; embezzlement; theft; forgery; bribery; falsification or destruction of records; making false statements; or receiving stolen property;

c. are not presently indicted for, or criminally or civilly charged by, a governmental entity (federal, state or local) with committing any of the offenses set forth in clause B.2.b. of this Section V;

d. have not, within a five-year period preceding the date of this EDS, had one or more public transactions (federal, state or local) terminated for cause or default; and

e. have not, within a five-year period preceding the date of this EDS, been convicted, adjudged guilty, or found liable in a civil proceeding, or in any criminal or civil action, including actions concerning environmental violations, instituted by the City or by the federal government, any state, or any other unit of local government.

3. The certifications in subparts 3, 4 and 5 concern:

• the Disclosing Party;
• any "Contractor" (meaning any contractor or subcontractor used by the Disclosing Party in connection with the Matter, including but not limited to all persons or legal entities disclosed under Section IV, "Disclosure of Subcontractors and Other Retained Parties");
• any "Affiliated Entity" (meaning a person or entity that, directly or indirectly: controls the Disclosing Party, is controlled by the Disclosing Party, or is, with the Disclosing Party, under common control of another person or entity. Indicia of control include, without limitation: interlocking management or ownership; identity of interests among family members, shared facilities and equipment; common use of employees; or organization of a business entity following the ineligibility of a business entity to do business with federal or state or local government, including the City, using substantially the same management, ownership, or principals as the ineligible entity); with respect to Contractors, the term Affiliated Entity means a person or entity that directly or indirectly controls the Contractor, is controlled by it, or, with the Contractor, is under common control of another person or entity;
• any responsible official of the Disclosing Party, any Contractor or any Affiliated Entity or any other official, agent or employee of the Disclosing Party, any Contractor or any Affiliated Entity, acting pursuant to the direction or authorization of a responsible official of the Disclosing Party, any Contractor or any Affiliated Entity (collectively "Agents").

Neither the Disclosing Party, nor any Contractor, nor any Affiliated Entity of either the Disclosing Party or any Contractor nor any Agents have, during the five years before the date this EDS is signed, or, with respect to a Contractor, an Affiliated Entity, or an Affiliated Entity of a Contractor during the five years before the date of such Contractor's or Affiliated Entity's contract or engagement in connection with the Matter:

a. bribed or attempted to bribe, or been convicted or adjudged guilty of bribery or attempting to bribe, a public officer or employee of the City, the State of Illinois, or any agency of the federal government or of any state or local government in the United States of America, in that officer's or employee's official capacity;

b. agreed or colluded with other bidders or prospective bidders, or been a party to any such agreement, or been convicted or adjudged guilty of agreement or collusion among bidders or prospective bidders, in restraint of freedom of competition by agreement to bid a fixed price or otherwise; or

c. made an admission of such conduct described in a. or b. above that is a matter of record, but have not been prosecuted for such conduct; or

d. violated the provisions of Municipal Code Section 2-92-610 (Living Wage Ordinance).

4. Neither the Disclosing Party, Affiliated Entity or Contractor, or any of their employees, officials, agents or partners, is barred from contracting with any unit of state or local government as a result of engaging in or being convicted of (1) bid-rigging in violation of 720 ILCS 5/33E-3; (2) bid-rotating in violation of 720 ILCS 5/33E-4; or (3) any similar offense of any state or of the United States of America that contains the same elements as the offense of bid-rigging or bid-rotating.

5. Neither the Disclosing Party nor any Affiliated Entity is listed on any of the following lists maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the Bureau of Industry and Security of the U.S. Department of Commerce or their successors: the Specially Designated Nationals List, the Denied Persons List, the Unverified List, the Entity List and the Debarred List.

6. The Disclosing Party understands and shall comply with the applicable requirements of Chapters 2-55 (Legislative Inspector General), 2-56 (Inspector General) and 2-156 (Governmental Ethics) of the Municipal Code.

7. If the Disclosing Party is unable to certify to any of the above statements in this Part B (Further Certifications), the Disclosing Party must explain below:

N/A

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

8. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all current employees of the Disclosing Party who were, at any time during the 12-month period preceding the execution date of this EDS, an employee, or elected or appointed official, of the City of Chicago (if none, indicate with "N/A" or "none").

None.

9. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all gifts that the Disclosing Party has given or caused to be given, at any time during the 12-month period preceding the execution date of this EDS, to an employee, or elected or appointed official, of the City of Chicago. For purposes of this statement, a "gift" does not include: (i) anything made generally available to City employees or to the general public, or (ii) food or drink provided in the course of official City business and having a retail value of less than $20 per recipient (if none, indicate with "N/A" or "none"). As to any gift listed below, please also list the name of the City recipient.

None.

C. CERTIFICATION OF STATUS AS FINANCIAL INSTITUTION

1. The Disclosing Party certifies that the Disclosing Party (check one)

[ ] is [X] is not

a "financial institution" as defined in Section 2-32-455(b) of the Municipal Code.

2. If the Disclosing Party IS a financial institution, then the Disclosing Party pledges:

"We are not and will not become a predatory lender as defined in Chapter 2-32 of the Municipal Code. We further pledge that none of our affiliates is, and none of them will become, a predatory lender as defined in Chapter 2-32 of the Municipal Code. We understand that becoming a predatory lender or becoming an affiliate of a predatory lender may result in the loss of the privilege of doing business with the City."

If the Disclosing Party is unable to make this pledge because it or any of its affiliates (as defined in Section 2-32-455(b) of the Municipal Code) is a predatory lender within the meaning of Chapter 2-32 of the Municipal Code, explain here (attach additional pages if necessary):

N/A

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

D. CERTIFICATION REGARDING INTEREST IN CITY BUSINESS

Any words or terms that are defined in Chapter 2-156 of the Municipal Code have the same meanings when used in this Part D.

1. In accordance with Section 2-156-110 of the Municipal Code: Does any official or employee of the City have a financial interest in his or her own name or in the name of any other person or entity in the Matter?

[ ] Yes [X] No

NOTE: If you checked "Yes" to Item D.1., proceed to Items D.2. and D.3. If you checked "No" to Item D.1., proceed to Part E.

2. Unless sold pursuant to a process of competitive bidding, or otherwise permitted, no City elected official or employee shall have a financial interest in his or her own name or in the name of any other person or entity in the purchase of any property that (i) belongs to the City, or (ii) is sold for taxes or assessments, or (iii) is sold by virtue of legal process at the suit of the City (collectively, "City Property Sale"). Compensation for property taken pursuant to the City's eminent domain power does not constitute a financial interest within the meaning of this Part D.

Does the Matter involve a City Property Sale?

[ ] Yes [ ] No

3. If you checked "Yes" to Item D.1., provide the names and business addresses of the City officials or employees having such interest and identify the nature of such interest:

Name	Business Address	Nature of Interest

4. The Disclosing Party further certifies that no prohibited financial interest in the Matter will be acquired by any City official or employee.

E. CERTIFICATION REGARDING SLAVERY ERA BUSINESS

Please check either 1. or 2. below. If the Disclosing Party checks 2., the Disclosing Party must disclose below or in an attachment to this EDS all information required by paragraph 2. Failure to

comply with these disclosure requirements may make any contract entered into with the City in connection with the Matter voidable by the City.

X 1. The Disclosing Party verifies that the Disclosing Party has searched any and all records of the Disclosing Party and any and all predecessor entities regarding records of investments or profits from slavery or slaveholder insurance policies during the slavery era (including insurance policies issued to slaveholders that provided coverage for damage to or injury or death of their slaves), and the Disclosing Party has found no such records.

____2. The Disclosing Party verifies that, as a result of conducting the search in step 1 above, the Disclosing Party has found records of investments or profits from slavery or slaveholder insurance policies. The Disclosing Party verifies that the following constitutes full disclosure of all such records, including the names of any and all slaves or slaveholders described in those records:

SECTION VI -- CERTIFICATIONS FOR FEDERALLY FUNDED MATTERS

NOTE: If the Matter is federally funded, complete this Section VI. **If the Matter is not federally funded**, proceed to Section VII. For purposes of this Section VI, tax credits allocated by the City and proceeds of debt obligations of the City are not federal funding.

A. CERTIFICATION REGARDING LOBBYING

1. List below the names of all persons or entities registered under the federal Lobbying Disclosure Act of 1995 who have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter: (Add sheets if necessary):

None.

(If no explanation appears or begins on the lines above, or if the letters "NA" or if the word "None" appear, it will be conclusively presumed that the Disclosing Party means that NO persons or entities registered under the Lobbying Disclosure Act of 1995 have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter.)

2. The Disclosing Party has not spent and will not expend any federally appropriated funds to pay any person or entity listed in Paragraph A.1. above for his or her lobbying activities or to pay any person or entity to influence or attempt to influence an officer or employee of any agency, as defined by applicable federal law, a member of Congress, an officer or employee of Congress, or an employee of a member of Congress, in connection with the award of any federally funded contract, making any federally funded grant or loan, entering into any cooperative agreement, or to extend, continue, renew, amend, or modify any federally funded contract, grant, loan, or cooperative agreement.

3. The Disclosing Party will submit an updated certification at the end of each calendar quarter in which there occurs any event that materially affects the accuracy of the statements and information set forth in paragraphs A.1. and A.2. above.

4. The Disclosing Party certifies that either: (i) it is not an organization described in section 501(c)(4) of the Internal Revenue Code of 1986; or (ii) it is an organization described in section 501(c)(4) of the Internal Revenue Code of 1986 but has not engaged and will not engage in "Lobbying Activities".

5. If the Disclosing Party is the Applicant, the Disclosing Party must obtain certifications equal in form and substance to paragraphs A.1. through A.4. above from all subcontractors before it awards any subcontract and the Disclosing Party must maintain all such subcontractors' certifications for the duration of the Matter and must make such certifications promptly available to the City upon request.

B. CERTIFICATION REGARDING EQUAL EMPLOYMENT OPPORTUNITY

If the Matter is federally funded, federal regulations require the Applicant and all proposed subcontractors to submit the following information with their bids or in writing at the outset of negotiations.

Is the Disclosing Party the Applicant?

[X] Yes [ ] No

If "Yes," answer the three questions below:

1. Have you developed and do you have on file affirmative action programs pursuant to applicable federal regulations? (See 41 CFR Part 60-2.)
[ ] Yes [X] No

2. Have you filed with the Joint Reporting Committee, the Director of the Office of Federal Contract Compliance Programs, or the Equal Employment Opportunity Commission all reports due under the applicable filing requirements?
[ ] Yes [X] No

3. Have you participated in any previous contracts or subcontracts subject to the equal opportunity clause?
[ ] Yes [X] No

If you checked "No" to question 1. or 2. above, please provide an explanation:
The Applicant is a limited partnership and has no employees.

SECTION VII -- ACKNOWLEDGMENTS, CONTRACT INCORPORATION, COMPLIANCE, PENALTIES, DISCLOSURE

The Disclosing Party understands and agrees that:

A. The certifications, disclosures, and acknowledgments contained in this EDS will become part of any contract or other agreement between the Applicant and the City in connection with the Matter, whether procurement, City assistance, or other City action, and are material inducements to the City's execution of any contract or taking other action with respect to the Matter. The Disclosing Party understands that it must comply with all statutes, ordinances, and regulations on which this EDS is based.

B. The City's Governmental Ethics and Campaign Financing Ordinances, Chapters 2-156 and 2-164 of the Municipal Code, impose certain duties and obligations on persons or entities seeking City contracts, work, business, or transactions. The full text of these ordinances and a training program is available on line at www.cityofchicago.org/Ethics, and may also be obtained from the City's Board of Ethics, 740 N.

Sedgwick St., Suite 500, Chicago, IL 60610, (312) 744-9660. The Disclosing Party must comply fully with the applicable ordinances.

C. If the City determines that any information provided in this EDS is false, incomplete or inaccurate, any contract or other agreement in connection with which it is submitted may be rescinded or be void or voidable, and the City may pursue any remedies under the contract or agreement (if not rescinded or void), at law, or in equity, including terminating the Disclosing Party's participation in the Matter and/or declining to allow the Disclosing Party to participate in other transactions with the City. Remedies at law for a false statement of material fact may include incarceration and an award to the City of treble damages.

D. It is the City's policy to make this document available to the public on its Internet site and/or upon request. Some or all of the information provided on this EDS and any attachments to this EDS may be made available to the public on the Internet, in response to a Freedom of Information Act request, or otherwise. By completing and signing this EDS, the Disclosing Party waives and releases any possible rights or claims which it may have against the City in connection with the public release of information contained in this EDS and also authorizes the City to verify the accuracy of any information submitted in this EDS.

E. The information provided in this EDS must be kept current. In the event of changes, the Disclosing Party must supplement this EDS up to the time the City takes action on the Matter. If the Matter is a contract being handled by the City's Department of Procurement Services, the Disclosing Party must update this EDS as the contract requires. **NOTE:** With respect to Matters subject to Article I of Chapter 1-23 of the Municipal Code (imposing **PERMANENT INELIGIBILITY** for certain specified offenses), the information provided herein regarding eligibility must be kept current for a longer period, as required by Chapter 1-23 and Section 2-154-020 of the Municipal Code.

The Disclosing Party represents and warrants that:

F.1. The Disclosing Party is not delinquent in the payment of any tax administered by the Illinois Department of Revenue, nor are the Disclosing Party or its Affiliated Entities delinquent in paying any fine, fee, tax or other charge owed to the City. This includes, but is not limited to, all water charges, sewer charges, license fees, parking tickets, property taxes or sales taxes.

F.2 If the Disclosing Party is the Applicant, the Disclosing Party and its Affiliated Entities will not use, nor permit their subcontractors to use, any facility listed by the U.S. E.P.A. on the federal Excluded Parties List System ("EPLS") maintained by the U. S. General Services Administration.

F.3 If the Disclosing Party is the Applicant, the Disclosing Party will obtain from any contractors/subcontractors hired or to be hired in connection with the Matter certifications equal in form and substance to those in F.1. and F.2. above and will not, without the prior written consent of the City, use any such contractor/subcontractor that does not provide such certifications or that the Disclosing Party has reason to believe has not provided or cannot provide truthful certifications.

NOTE: If the Disclosing Party cannot certify as to any of the items in F.1., F.2. or F.3. above, an explanatory statement must be attached to this EDS.

CERTIFICATION

Under penalty of perjury, the person signing below: (1) warrants that he/she is authorized to execute this EDS and Appendix A (if applicable) on behalf of the Disclosing Party, and (2) warrants that all certifications and statements contained in this EDS and Appendix A (if applicable) are true, accurate and complete as of the date furnished to the City.

Hilliard Homes II Limited Partnership
(Print or type name of Disclosing Party)

By: _____
(Sign here)

Peter Holsten
(Print or type name of person signing)

Member, HH2 Development Corporation
Managing General Partner
(Print or type title of person signing)

Signed and sworn to before me on (date) Dec. 3, 2014,
at Cook County, _____ (state).

_____ Notary Public.

Commission expires: 8/26/15.

"OFFICIAL SEAL"
NIKISHIANNA CLAY
Notary Public, State of Illinois
My Commission Expires 08/26/15

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT AND AFFIDAVIT
APPENDIX A

FAMILIAL RELATIONSHIPS WITH ELECTED CITY OFFICIALS AND DEPARTMENT HEADS

This Appendix is to be completed only by (a) the Applicant, and (b) any legal entity which has a direct ownership interest in the Applicant exceeding 7.5 percent. It is not to be completed by any legal entity which has only an indirect ownership interest in the Applicant.

Under Municipal Code Section 2-154-015, the Disclosing Party must disclose whether such Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently has a "familial relationship" with any elected city official or department head. A "familial relationship" exists if, as of the date this EDS is signed, the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof is related to the mayor, any alderman, the city clerk, the city treasurer or any city department head as spouse or domestic partner or as any of the following, whether by blood or adoption: parent, child, brother or sister, aunt or uncle, niece or nephew, grandparent, grandchild, father-in-law, mother-in-law, son-in-law, daughter-in-law, stepfather or stepmother, stepson or stepdaughter, stepbrother or stepsister or half-brother or half-sister.

"Applicable Party" means (1) all executive officers of the Disclosing Party listed in Section II.B.1.a., if the Disclosing Party is a corporation; all partners of the Disclosing Party, if the Disclosing Party is a general partnership; all general partners and limited partners of the Disclosing Party, if the Disclosing Party is a limited partnership; all managers, managing members and members of the Disclosing Party, if the Disclosing Party is a limited liability company; (2) all principal officers of the Disclosing Party; and (3) any person having more than a 7.5 percent ownership interest in the Disclosing Party. "Principal officers" means the president, chief operating officer, executive director, chief financial officer, treasurer or secretary of a legal entity or any person exercising similar authority.

Does the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently have a "familial relationship" with an elected city official or department head?

[ ] Yes [X] No

If yes, please identify below (1) the name and title of such person, (2) the name of the legal entity to which such person is connected; (3) the name and title of the elected city official or department head to whom such person has a familial relationship, and (4) the precise nature of such familial relationship.

_____

_____

_____

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT
AND AFFIDAVIT

SECTION I -- GENERAL INFORMATION

A. Legal name of the Disclosing Party submitting this EDS. Include d/b/a/ if applicable:

HH2 Development Corporation

Check ONE of the following three boxes:

Indicate whether the Disclosing Party submitting this EDS is:

1. [ ] the Applicant
   OR
2. [X] a legal entity holding a direct or indirect interest in the Applicant. State the legal name of the Applicant in which the Disclosing Party holds an interest: Hilliard Homes II Limited Partnership
   OR
3. [ ] a legal entity with a right of control (see Section II.B.1.) State the legal name of the entity in which the Disclosing Party holds a right of control: _____

B. Business address of the Disclosing Party: 1020 West Montrose Avenue
Chicago, Illinois 60613

C. Telephone: 312-274-9137 Fax: 312-337-4592 Email: josephdunne@holstenchicago.com

D. Name of contact person: Joseph Dunne

E. Federal Employer Identification No. (if you have one): _____

F. Brief description of contract, transaction or other undertaking (referred to below as the "Matter") to which this EDS pertains. (Include project number and location of property, if applicable):

Subordinate financing from the City of Chicago for replacement of existing windows.

G. Which City agency or department is requesting this EDS? Department of Planning and Development

If the Matter is a contract being handled by the City's Department of Procurement Services, please complete the following:

Specification # _____ and Contract # _____

SECTION II -- DISCLOSURE OF OWNERSHIP INTERESTS

A. NATURE OF THE DISCLOSING PARTY

1. Indicate the nature of the Disclosing Party:

[ ] Person
[ ] Publicly registered business corporation
[X] Privately held business corporation
[ ] Sole proprietorship
[ ] General partnership
[ ] Limited partnership
[ ] Trust
[ ] Limited liability company
[ ] Limited liability partnership
[ ] Joint venture
[ ] Not-for-profit corporation
(Is the not-for-profit corporation also a 501(c)(3))?
[ ] Yes [ ] No
[ ] Other (please specify)

2. For legal entities, the state (or foreign country) of incorporation or organization, if applicable:

Illinois

3. For legal entities not organized in the State of Illinois: Has the organization registered to do business in the State of Illinois as a foreign entity?

[ ] Yes [ ] No [X] N/A

B. IF THE DISCLOSING PARTY IS A LEGAL ENTITY:

1. List below the full names and titles of all executive officers and all directors of the entity. **NOTE:** For not-for-profit corporations, also list below all members, if any, which are legal entities. If there are no such members, write "no members." For trusts, estates or other similar entities, list below the legal titleholder(s).

If the entity is a general partnership, limited partnership, limited liability company, limited liability partnership or joint venture, list below the name and title of each general partner, managing member, manager or any other person or entity that controls the day-to-day management of the Disclosing Party. **NOTE**: Each legal entity listed below must submit an EDS on its own behalf.

Name	Title
Peter Holsten	President

2. Please provide the following information concerning each person or entity having a direct or indirect beneficial interest (including ownership) in excess of 7.5% of the Disclosing Party. Examples of such an interest include shares in a corporation, partnership interest in a partnership or joint venture,

interest of a member or manager in a limited liability company, or interest of a beneficiary of a trust, estate or other similar entity. If none, state "None." **NOTE**: Pursuant to Section 2-154-030 of the Municipal Code of Chicago ("Municipal Code"), the City may require any such additional information from any applicant which is reasonably intended to achieve full disclosure.

Name	Business Address	Percentage Interest in the Disclosing Party
Peter Holsten	1020 West Montrose Ave Chicago, Illinois 60613	100%

SECTION III -- BUSINESS RELATIONSHIPS WITH CITY ELECTED OFFICIALS

Has the Disclosing Party had a "business relationship," as defined in Chapter 2-156 of the Municipal Code, with any City elected official in the 12 months before the date this EDS is signed?

[ ] Yes [X] No

If yes, please identify below the name(s) of such City elected official(s) and describe such relationship(s):

SECTION IV -- DISCLOSURE OF SUBCONTRACTORS AND OTHER RETAINED PARTIES

The Disclosing Party must disclose the name and business address of each subcontractor, attorney, lobbyist, accountant, consultant and any other person or entity whom the Disclosing Party has retained or expects to retain in connection with the Matter, as well as the nature of the relationship, and the total amount of the fees paid or estimated to be paid. The Disclosing Party is not required to disclose employees who are paid solely through the Disclosing Party's regular payroll.

"Lobbyist" means any person or entity who undertakes to influence any legislative or administrative action on behalf of any person or entity other than: (1) a not-for-profit entity, on an unpaid basis, or (2) himself. "Lobbyist" also means any person or entity any part of whose duties as an employee of another includes undertaking to influence any legislative or administrative action.

If the Disclosing Party is uncertain whether a disclosure is required under this Section, the Disclosing Party must either ask the City whether disclosure is required or make the disclosure.

Name (indicate whether retained or anticipated to be retained)	Business Address	Relationship to Disclosing Party (subcontractor, attorney, lobbyist, etc.)	Fees (indicate whether paid or estimated.) **NOTE:** "hourly rate" or "t.b.d." is not an acceptable response.

(Add sheets if necessary)

[ ] Check here if the Disclosing Party has not retained, nor expects to retain, any such persons or entities.

SECTION V -- CERTIFICATIONS

A. COURT-ORDERED CHILD SUPPORT COMPLIANCE

Under Municipal Code Section 2-92-415, substantial owners of business entities that contract with the City must remain in compliance with their child support obligations throughout the contract's term.

Has any person who directly or indirectly owns 10% or more of the Disclosing Party been declared in arrearage on any child support obligations by any Illinois court of competent jurisdiction?

[ ] Yes [X] No [ ] No person directly or indirectly owns 10% or more of the Disclosing Party.

If "Yes," has the person entered into a court-approved agreement for payment of all support owed and is the person in compliance with that agreement?

[ ] Yes [ ] No

B. FURTHER CERTIFICATIONS

1. Pursuant to Municipal Code Chapter 1-23, Article I ("Article I")(which the Applicant should consult for defined terms (e.g., "doing business") and legal requirements), if the Disclosing Party submitting this EDS is the Applicant and is doing business with the City, then the Disclosing Party certifies as follows: (i) neither the Applicant nor any controlling person is currently indicted or charged with, or has admitted guilt of, or has ever been convicted of, or placed under supervision for, any criminal offense involving actual, attempted, or conspiracy to commit bribery, theft, fraud, forgery, perjury, dishonesty or deceit against an officer or employee of the City or any sister agency; and (ii) the Applicant understands and acknowledges that compliance with Article I is a continuing requirement for doing business with the City. NOTE: If Article I applies to the Applicant, the permanent compliance timeframe in Article I supersedes some five-year compliance timeframes in certifications 2 and 3 below.

2. The Disclosing Party and, if the Disclosing Party is a legal entity, all of those persons or entities identified in Section II.B.1. of this EDS:

a. are not presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from any transactions by any federal, state or local unit of government;

b. have not, within a five-year period preceding the date of this EDS, been convicted of a criminal offense, adjudged guilty, or had a civil judgment rendered against them in connection with: obtaining, attempting to obtain, or performing a public (federal, state or local) transaction or contract under a public transaction; a violation of federal or state antitrust statutes; fraud; embezzlement; theft; forgery; bribery; falsification or destruction of records; making false statements; or receiving stolen property;

c. are not presently indicted for, or criminally or civilly charged by, a governmental entity (federal, state or local) with committing any of the offenses set forth in clause B.2.b. of this Section V;

d. have not, within a five-year period preceding the date of this EDS, had one or more public transactions (federal, state or local) terminated for cause or default; and

e. have not, within a five-year period preceding the date of this EDS, been convicted, adjudged guilty, or found liable in a civil proceeding, or in any criminal or civil action, including actions concerning environmental violations, instituted by the City or by the federal government, any state, or any other unit of local government.

3. The certifications in subparts 3, 4 and 5 concern:

• the Disclosing Party;
• any "Contractor" (meaning any contractor or subcontractor used by the Disclosing Party in connection with the Matter, including but not limited to all persons or legal entities disclosed under Section IV, "Disclosure of Subcontractors and Other Retained Parties");
• any "Affiliated Entity" (meaning a person or entity that, directly or indirectly: controls the Disclosing Party, is controlled by the Disclosing Party, or is, with the Disclosing Party, under common control of another person or entity. Indicia of control include, without limitation: interlocking management or ownership; identity of interests among family members, shared facilities and equipment; common use of employees; or organization of a business entity following the ineligibility of a business entity to do business with federal or state or local government, including the City, using substantially the same management, ownership, or principals as the ineligible entity); with respect to Contractors, the term Affiliated Entity means a person or entity that directly or indirectly controls the Contractor, is controlled by it, or, with the Contractor, is under common control of another person or entity;
• any responsible official of the Disclosing Party, any Contractor or any Affiliated Entity or any other official, agent or employee of the Disclosing Party, any Contractor or any Affiliated Entity, acting pursuant to the direction or authorization of a responsible official of the Disclosing Party, any Contractor or any Affiliated Entity (collectively "Agents").

Neither the Disclosing Party, nor any Contractor, nor any Affiliated Entity of either the Disclosing Party or any Contractor nor any Agents have, during the five years before the date this EDS is signed, or, with respect to a Contractor, an Affiliated Entity, or an Affiliated Entity of a Contractor during the five years before the date of such Contractor's or Affiliated Entity's contract or engagement in connection with the Matter:

a. bribed or attempted to bribe, or been convicted or adjudged guilty of bribery or attempting to bribe, a public officer or employee of the City, the State of Illinois, or any agency of the federal government or of any state or local government in the United States of America, in that officer's or employee's official capacity;

b. agreed or colluded with other bidders or prospective bidders, or been a party to any such agreement, or been convicted or adjudged guilty of agreement or collusion among bidders or prospective bidders, in restraint of freedom of competition by agreement to bid a fixed price or otherwise; or

c. made an admission of such conduct described in a. or b. above that is a matter of record, but have not been prosecuted for such conduct; or

d. violated the provisions of Municipal Code Section 2-92-610 (Living Wage Ordinance).

4. Neither the Disclosing Party, Affiliated Entity or Contractor, or any of their employees, officials, agents or partners, is barred from contracting with any unit of state or local government as a result of engaging in or being convicted of (1) bid-rigging in violation of 720 ILCS 5/33E-3; (2) bid-rotating in violation of 720 ILCS 5/33E-4; or (3) any similar offense of any state or of the United States of America that contains the same elements as the offense of bid-rigging or bid-rotating.

5. Neither the Disclosing Party nor any Affiliated Entity is listed on any of the following lists maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the Bureau of Industry and Security of the U.S. Department of Commerce or their successors: the Specially Designated Nationals List, the Denied Persons List, the Unverified List, the Entity List and the Debarred List.

6. The Disclosing Party understands and shall comply with the applicable requirements of Chapters 2-55 (Legislative Inspector General), 2-56 (Inspector General) and 2-156 (Governmental Ethics) of the Municipal Code.

7. If the Disclosing Party is unable to certify to any of the above statements in this Part B (Further Certifications), the Disclosing Party must explain below:

N/A

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

8. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all current employees of the Disclosing Party who were, at any time during the 12-month period preceding the execution date of this EDS, an employee, or elected or appointed official, of the City of Chicago (if none, indicate with "N/A" or "none").

None.

9. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all gifts that the Disclosing Party has given or caused to be given, at any time during the 12-month period preceding the execution date of this EDS, to an employee, or elected or appointed official, of the City of Chicago. For purposes of this statement, a "gift" does not include: (i) anything made generally available to City employees or to the general public, or (ii) food or drink provided in the course of official City business and having a retail value of less than $20 per recipient (if none, indicate with "N/A" or "none"). As to any gift listed below, please also list the name of the City recipient.

None.

C. CERTIFICATION OF STATUS AS FINANCIAL INSTITUTION

1. The Disclosing Party certifies that the Disclosing Party (check one)

[ ] is [X] is not

a "financial institution" as defined in Section 2-32-455(b) of the Municipal Code.

2. If the Disclosing Party IS a financial institution, then the Disclosing Party pledges:

"We are not and will not become a predatory lender as defined in Chapter 2-32 of the Municipal Code. We further pledge that none of our affiliates is, and none of them will become, a predatory lender as defined in Chapter 2-32 of the Municipal Code. We understand that becoming a predatory lender or becoming an affiliate of a predatory lender may result in the loss of the privilege of doing business with the City."

If the Disclosing Party is unable to make this pledge because it or any of its affiliates (as defined in Section 2-32-455(b) of the Municipal Code) is a predatory lender within the meaning of Chapter 2-32 of the Municipal Code, explain here (attach additional pages if necessary):

N/A

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

D. CERTIFICATION REGARDING INTEREST IN CITY BUSINESS

Any words or terms that are defined in Chapter 2-156 of the Municipal Code have the same meanings when used in this Part D.

1. In accordance with Section 2-156-110 of the Municipal Code: Does any official or employee of the City have a financial interest in his or her own name or in the name of any other person or entity in the Matter?

[ ] Yes [X] No

NOTE: If you checked "Yes" to Item D.1., proceed to Items D.2. and D.3. If you checked "No" to Item D.1., proceed to Part E.

2. Unless sold pursuant to a process of competitive bidding, or otherwise permitted, no City elected official or employee shall have a financial interest in his or her own name or in the name of any other person or entity in the purchase of any property that (i) belongs to the City, or (ii) is sold for taxes or assessments, or (iii) is sold by virtue of legal process at the suit of the City (collectively, "City Property Sale"). Compensation for property taken pursuant to the City's eminent domain power does not constitute a financial interest within the meaning of this Part D.

Does the Matter involve a City Property Sale?

[ ] Yes [ ] No

3. If you checked "Yes" to Item D.1., provide the names and business addresses of the City officials or employees having such interest and identify the nature of such interest:

Name	Business Address	Nature of Interest

4. The Disclosing Party further certifies that no prohibited financial interest in the Matter will be acquired by any City official or employee.

E. CERTIFICATION REGARDING SLAVERY ERA BUSINESS

Please check either 1. or 2. below. If the Disclosing Party checks 2., the Disclosing Party must disclose below or in an attachment to this EDS all information required by paragraph 2. Failure to

comply with these disclosure requirements may make any contract entered into with the City in connection with the Matter voidable by the City.

X 1. The Disclosing Party verifies that the Disclosing Party has searched any and all records of the Disclosing Party and any and all predecessor entities regarding records of investments or profits from slavery or slaveholder insurance policies during the slavery era (including insurance policies issued to slaveholders that provided coverage for damage to or injury or death of their slaves), and the Disclosing Party has found no such records.

____2. The Disclosing Party verifies that, as a result of conducting the search in step 1 above, the Disclosing Party has found records of investments or profits from slavery or slaveholder insurance policies. The Disclosing Party verifies that the following constitutes full disclosure of all such records, including the names of any and all slaves or slaveholders described in those records:

SECTION VI -- CERTIFICATIONS FOR FEDERALLY FUNDED MATTERS

NOTE: **If the Matter is federally funded**, complete this Section VI. **If the Matter is not federally funded**, proceed to Section VII. For purposes of this Section VI, tax credits allocated by the City and proceeds of debt obligations of the City are not federal funding.

A. CERTIFICATION REGARDING LOBBYING

1. List below the names of all persons or entities registered under the federal Lobbying Disclosure Act of 1995 who have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter: (Add sheets if necessary):

None.

(If no explanation appears or begins on the lines above, or if the letters "NA" or if the word "None" appear, it will be conclusively presumed that the Disclosing Party means that NO persons or entities registered under the Lobbying Disclosure Act of 1995 have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter.)

2. The Disclosing Party has not spent and will not expend any federally appropriated funds to pay any person or entity listed in Paragraph A.1. above for his or her lobbying activities or to pay any person or entity to influence or attempt to influence an officer or employee of any agency, as defined by applicable federal law, a member of Congress, an officer or employee of Congress, or an employee of a member of Congress, in connection with the award of any federally funded contract, making any federally funded grant or loan, entering into any cooperative agreement, or to extend, continue, renew, amend, or modify any federally funded contract, grant, loan, or cooperative agreement.

3. The Disclosing Party will submit an updated certification at the end of each calendar quarter in which there occurs any event that materially affects the accuracy of the statements and information set forth in paragraphs A.1. and A.2. above.

4. The Disclosing Party certifies that either: (i) it is not an organization described in section 501(c)(4) of the Internal Revenue Code of 1986; or (ii) it is an organization described in section 501(c)(4) of the Internal Revenue Code of 1986 but has not engaged and will not engage in "Lobbying Activities".

5. If the Disclosing Party is the Applicant, the Disclosing Party must obtain certifications equal in form and substance to paragraphs A.1. through A.4. above from all subcontractors before it awards any subcontract and the Disclosing Party must maintain all such subcontractors' certifications for the duration of the Matter and must make such certifications promptly available to the City upon request.

B. CERTIFICATION REGARDING EQUAL EMPLOYMENT OPPORTUNITY

If the Matter is federally funded, federal regulations require the Applicant and all proposed subcontractors to submit the following information with their bids or in writing at the outset of negotiations.

Is the Disclosing Party the Applicant?

[ ] Yes [X] No

If "Yes," answer the three questions below:

1. Have you developed and do you have on file affirmative action programs pursuant to applicable federal regulations? (See 41 CFR Part 60-2.)
[ ] Yes [ ] No

2. Have you filed with the Joint Reporting Committee, the Director of the Office of Federal Contract Compliance Programs, or the Equal Employment Opportunity Commission all reports due under the applicable filing requirements?
[ ] Yes [ ] No

3. Have you participated in any previous contracts or subcontracts subject to the equal opportunity clause?
[ ] Yes [ ] No

If you checked "No" to question 1. or 2. above, please provide an explanation:

_____

_____

SECTION VII -- ACKNOWLEDGMENTS, CONTRACT INCORPORATION, COMPLIANCE, PENALTIES, DISCLOSURE

The Disclosing Party understands and agrees that:

A. The certifications, disclosures, and acknowledgments contained in this EDS will become part of any contract or other agreement between the Applicant and the City in connection with the Matter, whether procurement, City assistance, or other City action, and are material inducements to the City's execution of any contract or taking other action with respect to the Matter. The Disclosing Party understands that it must comply with all statutes, ordinances, and regulations on which this EDS is based.

B. The City's Governmental Ethics and Campaign Financing Ordinances, Chapters 2-156 and 2-164 of the Municipal Code, impose certain duties and obligations on persons or entities seeking City contracts, work, business, or transactions. The full text of these ordinances and a training program is available on line at www.cityofchicago.org/Ethics, and may also be obtained from the City's Board of Ethics, 740 N.

Sedgwick St., Suite 500, Chicago, IL 60610, (312) 744-9660. The Disclosing Party must comply fully with the applicable ordinances.

C. If the City determines that any information provided in this EDS is false, incomplete or inaccurate, any contract or other agreement in connection with which it is submitted may be rescinded or be void or voidable, and the City may pursue any remedies under the contract or agreement (if not rescinded or void), at law, or in equity, including terminating the Disclosing Party's participation in the Matter and/or declining to allow the Disclosing Party to participate in other transactions with the City. Remedies at law for a false statement of material fact may include incarceration and an award to the City of treble damages.

D. It is the City's policy to make this document available to the public on its Internet site and/or upon request. Some or all of the information provided on this EDS and any attachments to this EDS may be made available to the public on the Internet, in response to a Freedom of Information Act request, or otherwise. By completing and signing this EDS, the Disclosing Party waives and releases any possible rights or claims which it may have against the City in connection with the public release of information contained in this EDS and also authorizes the City to verify the accuracy of any information submitted in this EDS.

E. The information provided in this EDS must be kept current. In the event of changes, the Disclosing Party must supplement this EDS up to the time the City takes action on the Matter. If the Matter is a contract being handled by the City's Department of Procurement Services, the Disclosing Party must update this EDS as the contract requires. **NOTE:** With respect to Matters subject to Article I of Chapter 1-23 of the Municipal Code (imposing **PERMANENT INELIGIBILITY** for certain specified offenses), the information provided herein regarding eligibility must be kept current for a longer period, as required by Chapter 1-23 and Section 2-154-020 of the Municipal Code.

The Disclosing Party represents and warrants that:

F.1. The Disclosing Party is not delinquent in the payment of any tax administered by the Illinois Department of Revenue, nor are the Disclosing Party or its Affiliated Entities delinquent in paying any fine, fee, tax or other charge owed to the City. This includes, but is not limited to, all water charges, sewer charges, license fees, parking tickets, property taxes or sales taxes.

F.2 If the Disclosing Party is the Applicant, the Disclosing Party and its Affiliated Entities will not use, nor permit their subcontractors to use, any facility listed by the U.S. E.P.A. on the federal Excluded Parties List System ("EPLS") maintained by the U. S. General Services Administration.

F.3 If the Disclosing Party is the Applicant, the Disclosing Party will obtain from any contractors/subcontractors hired or to be hired in connection with the Matter certifications equal in form and substance to those in F.1. and F.2. above and will not, without the prior written consent of the City, use any such contractor/subcontractor that does not provide such certifications or that the Disclosing Party has reason to believe has not provided or cannot provide truthful certifications.

NOTE: If the Disclosing Party cannot certify as to any of the items in F.1., F.2. or F.3. above, an explanatory statement must be attached to this EDS.

CERTIFICATION

Under penalty of perjury, the person signing below: (1) warrants that he/she is authorized to execute this EDS and Appendix A (if applicable) on behalf of the Disclosing Party, and (2) warrants that all certifications and statements contained in this EDS and Appendix A (if applicable) are true, accurate and complete as of the date furnished to the City.

HH2 Development Corporation
(Print or type name of Disclosing Party)

By: _____
(Sign here)

Peter Holsten
(Print or type name of person signing)

President
(Print or type title of person signing)

Signed and sworn to before me on (date) Dec 3, 2014,
at Cook County, _____ (state).

_____ Notary Public.

Commission expires: 8/26/15.

"OFFICIAL SEAL"
NIKISHIANNA CLAY
Notary Public, State of Illinois
My Commission Expires 08/26/15

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT AND AFFIDAVIT
APPENDIX A

FAMILIAL RELATIONSHIPS WITH ELECTED CITY OFFICIALS AND DEPARTMENT HEADS

This Appendix is to be completed only by (a) the Applicant, and (b) any legal entity which has a direct ownership interest in the Applicant exceeding 7.5 percent. It is not to be completed by any legal entity which has only an indirect ownership interest in the Applicant.

Under Municipal Code Section 2-154-015, the Disclosing Party must disclose whether such Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently has a "familial relationship" with any elected city official or department head. A "familial relationship" exists if, as of the date this EDS is signed, the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof is related to the mayor, any alderman, the city clerk, the city treasurer or any city department head as spouse or domestic partner or as any of the following, whether by blood or adoption: parent, child, brother or sister, aunt or uncle, niece or nephew, grandparent, grandchild, father-in-law, mother-in-law, son-in-law, daughter-in-law, stepfather or stepmother, stepson or stepdaughter, stepbrother or stepsister or half-brother or half-sister.

"Applicable Party" means (1) all executive officers of the Disclosing Party listed in Section II.B.1.a., if the Disclosing Party is a corporation; all partners of the Disclosing Party, if the Disclosing Party is a general partnership; all general partners and limited partners of the Disclosing Party, if the Disclosing Party is a limited partnership; all managers, managing members and members of the Disclosing Party, if the Disclosing Party is a limited liability company; (2) all principal officers of the Disclosing Party; and (3) any person having more than a 7.5 percent ownership interest in the Disclosing Party. "Principal officers" means the president, chief operating officer, executive director, chief financial officer, treasurer or secretary of a legal entity or any person exercising similar authority.

Does the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently have a "familial relationship" with an elected city official or department head?

[ ] Yes [X] No

If yes, please identify below (1) the name and title of such person, (2) the name of the legal entity to which such person is connected; (3) the name and title of the elected city official or department head to whom such person has a familial relationship, and (4) the precise nature of such familial relationship.

_____

_____

_____

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT
AND AFFIDAVIT

SECTION I -- GENERAL INFORMATION

A. Legal name of the Disclosing Party submitting this EDS. Include d/b/a/ if applicable:

Alliant Tax Credit Fund 32, Ltd.

Check ONE of the following three boxes:

Indicate whether the Disclosing Party submitting this EDS is:

1. [ ] the Applicant
   OR
2. [X] a legal entity holding a direct or indirect interest in the Applicant. State the legal name of the Applicant in which the Disclosing Party holds an interest: Hilliard Homes II Limited Partnership
   OR
3. [ ] a legal entity with a right of control (see Section II.B.1.) State the legal name of the entity in which the Disclosing Party holds a right of control: _____

B. Business address of the Disclosing Party: 340 Royal Poinciana Way, Suite 305
Palm Beach, FL 33480

C. Telephone: 818-668-6800 Fax: 818-668-2828 Email: brian.goldberg@alliantcapital.com

D. Name of contact person: Brian Goldberg

E. Federal Employer Identification No. (if you have one): _____

F. Brief description of contract, transaction or other undertaking (referred to below as the "Matter") to which this EDS pertains. (Include project number and location of property, if applicable):

Subordinate financing from the City of Chicago for replacement of existing windows.

G. Which City agency or department is requesting this EDS? Department of Planning and Development

If the Matter is a contract being handled by the City's Department of Procurement Services, please complete the following:

Specification # N/A and Contract # N/A

SECTION II -- DISCLOSURE OF OWNERSHIP INTERESTS

A. NATURE OF THE DISCLOSING PARTY

1. Indicate the nature of the Disclosing Party:

[ ] Person
[ ] Publicly registered business corporation
[ ] Privately held business corporation
[ ] Sole proprietorship
[ ] General partnership
[X] Limited partnership
[ ] Trust
[ ] Limited liability company
[ ] Limited liability partnership
[ ] Joint venture
[ ] Not-for-profit corporation
(Is the not-for-profit corporation also a 501(c)(3))?
[ ] Yes [ ] No
[ ] Other (please specify)

2. For legal entities, the state (or foreign country) of incorporation or organization, if applicable:

Florida

3. For legal entities not organized in the State of Illinois: Has the organization registered to do business in the State of Illinois as a foreign entity?

[ ] Yes [X] No [ ] N/A

B. IF THE DISCLOSING PARTY IS A LEGAL ENTITY:

1. List below the full names and titles of all executive officers and all directors of the entity. **NOTE:** For not-for-profit corporations, also list below all members, if any, which are legal entities. If there are no such members, write "no members." For trusts, estates or other similar entities, list below the legal titleholder(s).

If the entity is a general partnership, limited partnership, limited liability company, limited liability partnership or joint venture, list below the name and title of each general partner, managing member, manager or any other person or entity that controls the day-to-day management of the Disclosing Party. **NOTE**: Each legal entity listed below must submit an EDS on its own behalf.

Name	Title
Alliant Capital, Ltd.	General Partner

2. Please provide the following information concerning each person or entity having a direct or indirect beneficial interest (including ownership) in excess of 7.5% of the Disclosing Party. Examples of such an interest include shares in a corporation, partnership interest in a partnership or joint venture,

interest of a member or manager in a limited liability company, or interest of a beneficiary of a trust, estate or other similar entity. If none, state "None." **NOTE**: Pursuant to Section 2-154-030 of the Municipal Code of Chicago ("Municipal Code"), the City may require any such additional information from any applicant which is reasonably intended to achieve full disclosure.

Name	Business Address	Percentage Interest in the Disclosing Party
Alliant Capital, Ltd.	340 Royal Poinciana Way, suite 305, Palm Beach, FL 33480	0.01% (GP)
Verizon Credit, Inc.	340 Royal Poinciana Way, suite 305, Palm Beach, FL 33480	99.99% (LP)

SECTION III -- BUSINESS RELATIONSHIPS WITH CITY ELECTED OFFICIALS

Has the Disclosing Party had a "business relationship," as defined in Chapter 2-156 of the Municipal Code, with any City elected official in the 12 months before the date this EDS is signed?

[ ] Yes [X] No

If yes, please identify below the name(s) of such City elected official(s) and describe such relationship(s):

N/A

SECTION IV -- DISCLOSURE OF SUBCONTRACTORS AND OTHER RETAINED PARTIES

The Disclosing Party must disclose the name and business address of each subcontractor, attorney, lobbyist, accountant, consultant and any other person or entity whom the Disclosing Party has retained or expects to retain in connection with the Matter, as well as the nature of the relationship, and the total amount of the fees paid or estimated to be paid. The Disclosing Party is not required to disclose employees who are paid solely through the Disclosing Party's regular payroll.

"Lobbyist" means any person or entity who undertakes to influence any legislative or administrative action on behalf of any person or entity other than: (1) a not-for-profit entity, on an unpaid basis, or (2) himself. "Lobbyist" also means any person or entity any part of whose duties as an employee of another includes undertaking to influence any legislative or administrative action.

If the Disclosing Party is uncertain whether a disclosure is required under this Section, the Disclosing Party must either ask the City whether disclosure is required or make the disclosure.

Name (indicate whether retained or anticipated to be retained)	Business Address	Relationship to Disclosing Party (subcontractor, attorney, lobbyist, etc.)	Fees (indicate whether paid or estimated.) **NOTE:** "hourly rate" or "t.b.d." is not an acceptable response.
N/A			

(Add sheets if necessary)

[X] Check here if the Disclosing Party has not retained, nor expects to retain, any such persons or entities.

SECTION V -- CERTIFICATIONS

A. COURT-ORDERED CHILD SUPPORT COMPLIANCE

Under Municipal Code Section 2-92-415, substantial owners of business entities that contract with the City must remain in compliance with their child support obligations throughout the contract's term.

Has any person who directly or indirectly owns 10% or more of the Disclosing Party been declared in arrearage on any child support obligations by any Illinois court of competent jurisdiction?

[ ] Yes [X] No [ ] No person directly or indirectly owns 10% or more of the Disclosing Party.

If "Yes," has the person entered into a court-approved agreement for payment of all support owed and is the person in compliance with that agreement?

[ ] Yes [ ] No

B. FURTHER CERTIFICATIONS

1. Pursuant to Municipal Code Chapter 1-23, Article I ("Article I")(which the Applicant should consult for defined terms (e.g., "doing business") and legal requirements), if the Disclosing Party submitting this EDS is the Applicant and is doing business with the City, then the Disclosing Party certifies as follows: (i) neither the Applicant nor any controlling person is currently indicted or charged with, or has admitted guilt of, or has ever been convicted of, or placed under supervision for, any criminal offense involving actual, attempted, or conspiracy to commit bribery, theft, fraud, forgery, perjury, dishonesty or deceit against an officer or employee of the City or any sister agency; and (ii) the Applicant understands and acknowledges that compliance with Article I is a continuing requirement for doing business with the City. NOTE: If Article I applies to the Applicant, the permanent compliance timeframe in Article I supersedes some five-year compliance timeframes in certifications 2 and 3 below.

2. The Disclosing Party and, if the Disclosing Party is a legal entity, all of those persons or entities identified in Section II.B.1. of this EDS:

a. are not presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from any transactions by any federal, state or local unit of government;

b. have not, within a five-year period preceding the date of this EDS, been convicted of a criminal offense, adjudged guilty, or had a civil judgment rendered against them in connection with: obtaining, attempting to obtain, or performing a public (federal, state or local) transaction or contract under a public transaction; a violation of federal or state antitrust statutes; fraud; embezzlement; theft; forgery; bribery; falsification or destruction of records; making false statements; or receiving stolen property;

c. are not presently indicted for, or criminally or civilly charged by, a governmental entity (federal, state or local) with committing any of the offenses set forth in clause B.2.b. of this Section V;

d. have not, within a five-year period preceding the date of this EDS, had one or more public transactions (federal, state or local) terminated for cause or default; and

e. have not, within a five-year period preceding the date of this EDS, been convicted, adjudged guilty, or found liable in a civil proceeding, or in any criminal or civil action, including actions concerning environmental violations, instituted by the City or by the federal government, any state, or any other unit of local government.

3. The certifications in subparts 3, 4 and 5 concern:

• the Disclosing Party;
• any "Contractor" (meaning any contractor or subcontractor used by the Disclosing Party in connection with the Matter, including but not limited to all persons or legal entities disclosed under Section IV, "Disclosure of Subcontractors and Other Retained Parties");
• any "Affiliated Entity" (meaning a person or entity that, directly or indirectly: controls the Disclosing Party, is controlled by the Disclosing Party, or is, with the Disclosing Party, under common control of another person or entity. Indicia of control include, without limitation: interlocking management or ownership; identity of interests among family members, shared facilities and equipment; common use of employees; or organization of a business entity following the ineligibility of a business entity to do business with federal or state or local government, including the City, using substantially the same management, ownership, or principals as the ineligible entity); with respect to Contractors, the term Affiliated Entity means a person or entity that directly or indirectly controls the Contractor, is controlled by it, or, with the Contractor, is under common control of another person or entity;
• any responsible official of the Disclosing Party, any Contractor or any Affiliated Entity or any other official, agent or employee of the Disclosing Party, any Contractor or any Affiliated Entity, acting pursuant to the direction or authorization of a responsible official of the Disclosing Party, any Contractor or any Affiliated Entity (collectively "Agents").

Neither the Disclosing Party, nor any Contractor, nor any Affiliated Entity of either the Disclosing Party or any Contractor nor any Agents have, during the five years before the date this EDS is signed, or, with respect to a Contractor, an Affiliated Entity, or an Affiliated Entity of a Contractor during the five years before the date of such Contractor's or Affiliated Entity's contract or engagement in connection with the Matter:

a. bribed or attempted to bribe, or been convicted or adjudged guilty of bribery or attempting to bribe, a public officer or employee of the City, the State of Illinois, or any agency of the federal government or of any state or local government in the United States of America, in that officer's or employee's official capacity;

b. agreed or colluded with other bidders or prospective bidders, or been a party to any such agreement, or been convicted or adjudged guilty of agreement or collusion among bidders or prospective bidders, in restraint of freedom of competition by agreement to bid a fixed price or otherwise; or

c. made an admission of such conduct described in a. or b. above that is a matter of record, but have not been prosecuted for such conduct; or

d. violated the provisions of Municipal Code Section 2-92-610 (Living Wage Ordinance).

4. Neither the Disclosing Party, Affiliated Entity or Contractor, or any of their employees, officials, agents or partners, is barred from contracting with any unit of state or local government as a result of engaging in or being convicted of (1) bid-rigging in violation of 720 ILCS 5/33E-3; (2) bid-rotating in violation of 720 ILCS 5/33E-4; or (3) any similar offense of any state or of the United States of America that contains the same elements as the offense of bid-rigging or bid-rotating.

5. Neither the Disclosing Party nor any Affiliated Entity is listed on any of the following lists maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the Bureau of Industry and Security of the U.S. Department of Commerce or their successors: the Specially Designated Nationals List, the Denied Persons List, the Unverified List, the Entity List and the Debarred List.

6. The Disclosing Party understands and shall comply with the applicable requirements of Chapters 2-55 (Legislative Inspector General), 2-56 (Inspector General) and 2-156 (Governmental Ethics) of the Municipal Code.

7. If the Disclosing Party is unable to certify to any of the above statements in this Part B (Further Certifications), the Disclosing Party must explain below:

N/A

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

8. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all current employees of the Disclosing Party who were, at any time during the 12-month period preceding the execution date of this EDS, an employee, or elected or appointed official, of the City of Chicago (if none, indicate with "N/A" or "none").

N/A

9. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all gifts that the Disclosing Party has given or caused to be given, at any time during the 12-month period preceding the execution date of this EDS, to an employee, or elected or appointed official, of the City of Chicago. For purposes of this statement, a "gift" does not include: (i) anything made generally available to City employees or to the general public, or (ii) food or drink provided in the course of official City business and having a retail value of less than $20 per recipient (if none, indicate with "N/A" or "none"). As to any gift listed below, please also list the name of the City recipient.

N/A

C. CERTIFICATION OF STATUS AS FINANCIAL INSTITUTION

1. The Disclosing Party certifies that the Disclosing Party (check one)

[ ] is [X] is not

a "financial institution" as defined in Section 2-32-455(b) of the Municipal Code.

2. If the Disclosing Party IS a financial institution, then the Disclosing Party pledges:

"We are not and will not become a predatory lender as defined in Chapter 2-32 of the Municipal Code. We further pledge that none of our affiliates is, and none of them will become, a predatory lender as defined in Chapter 2-32 of the Municipal Code. We understand that becoming a predatory lender or becoming an affiliate of a predatory lender may result in the loss of the privilege of doing business with the City."

If the Disclosing Party is unable to make this pledge because it or any of its affiliates (as defined in Section 2-32-455(b) of the Municipal Code) is a predatory lender within the meaning of Chapter 2-32 of the Municipal Code, explain here (attach additional pages if necessary):

N/A

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

D. CERTIFICATION REGARDING INTEREST IN CITY BUSINESS

Any words or terms that are defined in Chapter 2-156 of the Municipal Code have the same meanings when used in this Part D.

1. In accordance with Section 2-156-110 of the Municipal Code: Does any official or employee of the City have a financial interest in his or her own name or in the name of any other person or entity in the Matter?

[ ] Yes [X] No

NOTE: If you checked "Yes" to Item D.1., proceed to Items D.2. and D.3. If you checked "No" to Item D.1., proceed to Part E.

2. Unless sold pursuant to a process of competitive bidding, or otherwise permitted, no City elected official or employee shall have a financial interest in his or her own name or in the name of any other person or entity in the purchase of any property that (i) belongs to the City, or (ii) is sold for taxes or assessments, or (iii) is sold by virtue of legal process at the suit of the City (collectively, "City Property Sale"). Compensation for property taken pursuant to the City's eminent domain power does not constitute a financial interest within the meaning of this Part D.

Does the Matter involve a City Property Sale?

[ ] Yes [X] No

3. If you checked "Yes" to Item D.1., provide the names and business addresses of the City officials or employees having such interest and identify the nature of such interest:

Name	Business Address	Nature of Interest

4. The Disclosing Party further certifies that no prohibited financial interest in the Matter will be acquired by any City official or employee.

E. CERTIFICATION REGARDING SLAVERY ERA BUSINESS

Please check either 1. or 2. below. If the Disclosing Party checks 2., the Disclosing Party must disclose below or in an attachment to this EDS all information required by paragraph 2. Failure to

comply with these disclosure requirements may make any contract entered into with the City in connection with the Matter voidable by the City.

_X_ 1. The Disclosing Party verifies that the Disclosing Party has searched any and all records of the Disclosing Party and any and all predecessor entities regarding records of investments or profits from slavery or slaveholder insurance policies during the slavery era (including insurance policies issued to slaveholders that provided coverage for damage to or injury or death of their slaves), and the Disclosing Party has found no such records.

____ 2. The Disclosing Party verifies that, as a result of conducting the search in step 1 above, the Disclosing Party has found records of investments or profits from slavery or slaveholder insurance policies. The Disclosing Party verifies that the following constitutes full disclosure of all such records, including the names of any and all slaves or slaveholders described in those records:

SECTION VI -- CERTIFICATIONS FOR FEDERALLY FUNDED MATTERS

NOTE: If the Matter is federally funded, complete this Section VI. **If the Matter is not federally funded**, proceed to Section VII. For purposes of this Section VI, tax credits allocated by the City and proceeds of debt obligations of the City are not federal funding.

A. CERTIFICATION REGARDING LOBBYING

1. List below the names of all persons or entities registered under the federal Lobbying Disclosure Act of 1995 who have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter: (Add sheets if necessary):

None

(If no explanation appears or begins on the lines above, or if the letters "NA" or if the word "None" appear, it will be conclusively presumed that the Disclosing Party means that NO persons or entities registered under the Lobbying Disclosure Act of 1995 have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter.)

2. The Disclosing Party has not spent and will not expend any federally appropriated funds to pay any person or entity listed in Paragraph A.1. above for his or her lobbying activities or to pay any person or entity to influence or attempt to influence an officer or employee of any agency, as defined by applicable federal law, a member of Congress, an officer or employee of Congress, or an employee of a member of Congress, in connection with the award of any federally funded contract, making any federally funded grant or loan, entering into any cooperative agreement, or to extend, continue, renew, amend, or modify any federally funded contract, grant, loan, or cooperative agreement.

3. The Disclosing Party will submit an updated certification at the end of each calendar quarter in which there occurs any event that materially affects the accuracy of the statements and information set forth in paragraphs A.1. and A.2. above.

4. The Disclosing Party certifies that either: (i) it is not an organization described in section 501(c)(4) of the Internal Revenue Code of 1986; or (ii) it is an organization described in section 501(c)(4) of the Internal Revenue Code of 1986 but has not engaged and will not engage in "Lobbying Activities".

5. If the Disclosing Party is the Applicant, the Disclosing Party must obtain certifications equal in form and substance to paragraphs A.1. through A.4. above from all subcontractors before it awards any subcontract and the Disclosing Party must maintain all such subcontractors' certifications for the duration of the Matter and must make such certifications promptly available to the City upon request.

B. CERTIFICATION REGARDING EQUAL EMPLOYMENT OPPORTUNITY

If the Matter is federally funded, federal regulations require the Applicant and all proposed subcontractors to submit the following information with their bids or in writing at the outset of negotiations.

Is the Disclosing Party the Applicant?

[ ] Yes [X] No

If "Yes," answer the three questions below:

1. Have you developed and do you have on file affirmative action programs pursuant to applicable federal regulations? (See 41 CFR Part 60-2.)
[ ] Yes [ ] No

2. Have you filed with the Joint Reporting Committee, the Director of the Office of Federal Contract Compliance Programs, or the Equal Employment Opportunity Commission all reports due under the applicable filing requirements?
[ ] Yes [ ] No

3. Have you participated in any previous contracts or subcontracts subject to the equal opportunity clause?
[ ] Yes [ ] No

If you checked "No" to question 1. or 2. above, please provide an explanation:

_____

_____

SECTION VII -- ACKNOWLEDGMENTS, CONTRACT INCORPORATION, COMPLIANCE, PENALTIES, DISCLOSURE

The Disclosing Party understands and agrees that:

A. The certifications, disclosures, and acknowledgments contained in this EDS will become part of any contract or other agreement between the Applicant and the City in connection with the Matter, whether procurement, City assistance, or other City action, and are material inducements to the City's execution of any contract or taking other action with respect to the Matter. The Disclosing Party understands that it must comply with all statutes, ordinances, and regulations on which this EDS is based.

B. The City's Governmental Ethics and Campaign Financing Ordinances, Chapters 2-156 and 2-164 of the Municipal Code, impose certain duties and obligations on persons or entities seeking City contracts, work, business, or transactions. The full text of these ordinances and a training program is available on line at www.cityofchicago.org/Ethics, and may also be obtained from the City's Board of Ethics, 740 N.

Sedgwick St., Suite 500, Chicago, IL 60610, (312) 744-9660. The Disclosing Party must comply fully with the applicable ordinances.

C. If the City determines that any information provided in this EDS is false, incomplete or inaccurate, any contract or other agreement in connection with which it is submitted may be rescinded or be void or voidable, and the City may pursue any remedies under the contract or agreement (if not rescinded or void), at law, or in equity, including terminating the Disclosing Party's participation in the Matter and/or declining to allow the Disclosing Party to participate in other transactions with the City. Remedies at law for a false statement of material fact may include incarceration and an award to the City of treble damages.

D. It is the City's policy to make this document available to the public on its Internet site and/or upon request. Some or all of the information provided on this EDS and any attachments to this EDS may be made available to the public on the Internet, in response to a Freedom of Information Act request, or otherwise. By completing and signing this EDS, the Disclosing Party waives and releases any possible rights or claims which it may have against the City in connection with the public release of information contained in this EDS and also authorizes the City to verify the accuracy of any information submitted in this EDS.

E. The information provided in this EDS must be kept current. In the event of changes, the Disclosing Party must supplement this EDS up to the time the City takes action on the Matter. If the Matter is a contract being handled by the City's Department of Procurement Services, the Disclosing Party must update this EDS as the contract requires. **NOTE:** With respect to Matters subject to Article I of Chapter 1-23 of the Municipal Code (imposing **PERMANENT INELIGIBILITY** for certain specified offenses), the information provided herein regarding eligibility must be kept current for a longer period, as required by Chapter 1-23 and Section 2-154-020 of the Municipal Code.

The Disclosing Party represents and warrants that:

F.1. The Disclosing Party is not delinquent in the payment of any tax administered by the Illinois Department of Revenue, nor are the Disclosing Party or its Affiliated Entities delinquent in paying any fine, fee, tax or other charge owed to the City. This includes, but is not limited to, all water charges, sewer charges, license fees, parking tickets, property taxes or sales taxes.

F.2 If the Disclosing Party is the Applicant, the Disclosing Party and its Affiliated Entities will not use, nor permit their subcontractors to use, any facility listed by the U.S. E.P.A. on the federal Excluded Parties List System ("EPLS") maintained by the U. S. General Services Administration.

F.3 If the Disclosing Party is the Applicant, the Disclosing Party will obtain from any contractors/subcontractors hired or to be hired in connection with the Matter certifications equal in form and substance to those in F.1. and F.2. above and will not, without the prior written consent of the City, use any such contractor/subcontractor that does not provide such certifications or that the Disclosing Party has reason to believe has not provided or cannot provide truthful certifications.

NOTE: If the Disclosing Party cannot certify as to any of the items in F.1., F.2. or F.3. above, an explanatory statement must be attached to this EDS.

CERTIFICATION

Under penalty of perjury, the person signing below: (1) warrants that he/she is authorized to execute this EDS and Appendix A (if applicable) on behalf of the Disclosing Party, and (2) warrants that all certifications and statements contained in this EDS and Appendix A (if applicable) are true, accurate and complete as of the date furnished to the City.

Alliant Tax Credit Fund 32, Ltd.
(Print or type name of Disclosing Party)

By: _____
(Sign here) By: Alliant Capital, Ltd., its general partner
By: Alliant, Inc., its general partner
By: Brian Goldberg, President

Brian Goldberg
(Print or type name of person signing)

President
(Print or type title of person signing)

Signed and sworn to before me on (date) 12/4/2014,
at Los Angeles County, CA (state).

Anush Sinanian Notary Public.

Commission expires: 9/24/2017.

ANUSH SINANIAN
Commission # 2042671
Notary Public - California
Los Angeles County
My Comm. Expires Sep 24, 2017

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT AND AFFIDAVIT
APPENDIX A

FAMILIAL RELATIONSHIPS WITH ELECTED CITY OFFICIALS AND DEPARTMENT HEADS

This Appendix is to be completed only by (a) the Applicant, and (b) any legal entity which has a direct ownership interest in the Applicant exceeding 7.5 percent. It is not to be completed by any legal entity which has only an indirect ownership interest in the Applicant.

Under Municipal Code Section 2-154-015, the Disclosing Party must disclose whether such Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently has a "familial relationship" with any elected city official or department head. A "familial relationship" exists if, as of the date this EDS is signed, the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof is related to the mayor, any alderman, the city clerk, the city treasurer or any city department head as spouse or domestic partner or as any of the following, whether by blood or adoption: parent, child, brother or sister, aunt or uncle, niece or nephew, grandparent, grandchild, father-in-law, mother-in-law, son-in-law, daughter-in-law, stepfather or stepmother, stepson or stepdaughter, stepbrother or stepsister or half-brother or half-sister.

"Applicable Party" means (1) all executive officers of the Disclosing Party listed in Section II.B.1.a., if the Disclosing Party is a corporation; all partners of the Disclosing Party, if the Disclosing Party is a general partnership; all general partners and limited partners of the Disclosing Party, if the Disclosing Party is a limited partnership; all managers, managing members and members of the Disclosing Party, if the Disclosing Party is a limited liability company; (2) all principal officers of the Disclosing Party; and (3) any person having more than a 7.5 percent ownership interest in the Disclosing Party. "Principal officers" means the president, chief operating officer, executive director, chief financial officer, treasurer or secretary of a legal entity or any person exercising similar authority.

Does the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently have a "familial relationship" with an elected city official or department head?

[ ] Yes [X] No

If yes, please identify below (1) the name and title of such person, (2) the name of the legal entity to which such person is connected; (3) the name and title of the elected city official or department head to whom such person has a familial relationship, and (4) the precise nature of such familial relationship.

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT
AND AFFIDAVIT

SECTION I -- GENERAL INFORMATION

A. Legal name of the Disclosing Party submitting this EDS. Include d/b/a/ if applicable:

Alliant Capital, Ltd.

Check ONE of the following three boxes:

Indicate whether the Disclosing Party submitting this EDS is:

1. [ ] the Applicant
   OR
2. [X] a legal entity holding a direct or indirect interest in the Applicant. State the legal name of the Applicant in which the Disclosing Party holds an interest: Hilliard Homes II Limited Partnership
   OR
3. [ ] a legal entity with a right of control (see Section II.B.1.) State the legal name of the entity in which the Disclosing Party holds a right of control: _____

B. Business address of the Disclosing Party: 340 Royal Poinciana Way, Suite 305
Palm Beach, FL 33480

C. Telephone: 818-668-6800 Fax: 818-668-2828 Email: brian.goldberg@alliantcapital.com

D. Name of contact person: Brian Goldberg

E. Federal Employer Identification No. (if you have one): _____

F. Brief description of contract, transaction or other undertaking (referred to below as the "Matter") to which this EDS pertains. (Include project number and location of property, if applicable):

Subordinate financing from the City of Chicago for replacement of existing windows.

G. Which City agency or department is requesting this EDS? Department of Planning and Development

If the Matter is a contract being handled by the City's Department of Procurement Services, please complete the following:

Specification # N/A and Contract # N/A

SECTION II -- DISCLOSURE OF OWNERSHIP INTERESTS

A. NATURE OF THE DISCLOSING PARTY

1. Indicate the nature of the Disclosing Party:

[ ] Person
[ ] Publicly registered business corporation
[ ] Privately held business corporation
[ ] Sole proprietorship
[ ] General partnership
[X] Limited partnership
[ ] Trust
[ ] Limited liability company
[ ] Limited liability partnership
[ ] Joint venture
[ ] Not-for-profit corporation
(Is the not-for-profit corporation also a 501(c)(3))?
[ ] Yes [ ] No
[ ] Other (please specify)

2. For legal entities, the state (or foreign country) of incorporation or organization, if applicable:

Florida

3. For legal entities not organized in the State of Illinois: Has the organization registered to do business in the State of Illinois as a foreign entity?

[ ] Yes [X] No [ ] N/A

B. IF THE DISCLOSING PARTY IS A LEGAL ENTITY:

1. List below the full names and titles of all executive officers and all directors of the entity. **NOTE:** For not-for-profit corporations, also list below all members, if any, which are legal entities. If there are no such members, write "no members." For trusts, estates or other similar entities, list below the legal titleholder(s).

If the entity is a general partnership, limited partnership, limited liability company, limited liability partnership or joint venture, list below the name and title of each general partner, managing member, manager or any other person or entity that controls the day-to-day management of the Disclosing Party. **NOTE**: Each legal entity listed below must submit an EDS on its own behalf.

Name	Title
Alliant, Inc.	General Partner

2. Please provide the following information concerning each person or entity having a direct or indirect beneficial interest (including ownership) in excess of 7.5% of the Disclosing Party. Examples of such an interest include shares in a corporation, partnership interest in a partnership or joint venture,

interest of a member or manager in a limited liability company, or interest of a beneficiary of a trust, estate or other similar entity. If none, state "None." **NOTE**: Pursuant to Section 2-154-030 of the Municipal Code of Chicago ("Municipal Code"), the City may require any such additional information from any applicant which is reasonably intended to achieve full disclosure.

Name	Business Address	Percentage Interest in the Disclosing Party
Alliant, Inc.	340 Royal Poinciana Way, suite 305, Palm Beach, FL 33480	1% (GP)
The Alliant Company, LLC	340 Royal Poinciana Way, suite 305, Palm Beach, FL 33480	99% (LP)

SECTION III -- BUSINESS RELATIONSHIPS WITH CITY ELECTED OFFICIALS

Has the Disclosing Party had a "business relationship," as defined in Chapter 2-156 of the Municipal Code, with any City elected official in the 12 months before the date this EDS is signed?

[ ] Yes [X] No

If yes, please identify below the name(s) of such City elected official(s) and describe such relationship(s):

N/A

SECTION IV -- DISCLOSURE OF SUBCONTRACTORS AND OTHER RETAINED PARTIES

The Disclosing Party must disclose the name and business address of each subcontractor, attorney, lobbyist, accountant, consultant and any other person or entity whom the Disclosing Party has retained or expects to retain in connection with the Matter, as well as the nature of the relationship, and the total amount of the fees paid or estimated to be paid. The Disclosing Party is not required to disclose employees who are paid solely through the Disclosing Party's regular payroll.

"Lobbyist" means any person or entity who undertakes to influence any legislative or administrative action on behalf of any person or entity other than: (1) a not-for-profit entity, on an unpaid basis, or (2) himself. "Lobbyist" also means any person or entity any part of whose duties as an employee of another includes undertaking to influence any legislative or administrative action.

If the Disclosing Party is uncertain whether a disclosure is required under this Section, the Disclosing Party must either ask the City whether disclosure is required or make the disclosure.

Name (indicate whether retained or anticipated to be retained)	Business Address	Relationship to Disclosing Party (subcontractor, attorney, lobbyist, etc.)	Fees (indicate whether paid or estimated.) **NOTE:** "hourly rate" or "t.b.d." is not an acceptable response.
N/A			

(Add sheets if necessary)

[X] Check here if the Disclosing Party has not retained, nor expects to retain, any such persons or entities.

SECTION V -- CERTIFICATIONS

A. COURT-ORDERED CHILD SUPPORT COMPLIANCE

Under Municipal Code Section 2-92-415, substantial owners of business entities that contract with the City must remain in compliance with their child support obligations throughout the contract's term.

Has any person who directly or indirectly owns 10% or more of the Disclosing Party been declared in arrearage on any child support obligations by any Illinois court of competent jurisdiction?

[ ] Yes [X] No [ ] No person directly or indirectly owns 10% or more of the Disclosing Party.

If "Yes," has the person entered into a court-approved agreement for payment of all support owed and is the person in compliance with that agreement?

[ ] Yes [ ] No

B. FURTHER CERTIFICATIONS

1. Pursuant to Municipal Code Chapter 1-23, Article I ("Article I")(which the Applicant should consult for defined terms (e.g., "doing business") and legal requirements), if the Disclosing Party submitting this EDS is the Applicant and is doing business with the City, then the Disclosing Party certifies as follows: (i) neither the Applicant nor any controlling person is currently indicted or charged with, or has admitted guilt of, or has ever been convicted of, or placed under supervision for, any criminal offense involving actual, attempted, or conspiracy to commit bribery, theft, fraud, forgery, perjury, dishonesty or deceit against an officer or employee of the City or any sister agency; and (ii) the Applicant understands and acknowledges that compliance with Article I is a continuing requirement for doing business with the City. NOTE: If Article I applies to the Applicant, the permanent compliance timeframe in Article I supersedes some five-year compliance timeframes in certifications 2 and 3 below.

2. The Disclosing Party and, if the Disclosing Party is a legal entity, all of those persons or entities identified in Section II.B.1. of this EDS:

a. are not presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from any transactions by any federal, state or local unit of government;

b. have not, within a five-year period preceding the date of this EDS, been convicted of a criminal offense, adjudged guilty, or had a civil judgment rendered against them in connection with: obtaining, attempting to obtain, or performing a public (federal, state or local) transaction or contract under a public transaction; a violation of federal or state antitrust statutes; fraud; embezzlement; theft; forgery; bribery; falsification or destruction of records; making false statements; or receiving stolen property;

c. are not presently indicted for, or criminally or civilly charged by, a governmental entity (federal, state or local) with committing any of the offenses set forth in clause B.2.b. of this Section V;

d. have not, within a five-year period preceding the date of this EDS, had one or more public transactions (federal, state or local) terminated for cause or default; and

e. have not, within a five-year period preceding the date of this EDS, been convicted, adjudged guilty, or found liable in a civil proceeding, or in any criminal or civil action, including actions concerning environmental violations, instituted by the City or by the federal government, any state, or any other unit of local government.

3. The certifications in subparts 3, 4 and 5 concern:

• the Disclosing Party;
• any "Contractor" (meaning any contractor or subcontractor used by the Disclosing Party in connection with the Matter, including but not limited to all persons or legal entities disclosed under Section IV, "Disclosure of Subcontractors and Other Retained Parties");
• any "Affiliated Entity" (meaning a person or entity that, directly or indirectly: controls the Disclosing Party, is controlled by the Disclosing Party, or is, with the Disclosing Party, under common control of another person or entity. Indicia of control include, without limitation: interlocking management or ownership; identity of interests among family members, shared facilities and equipment; common use of employees; or organization of a business entity following the ineligibility of a business entity to do business with federal or state or local government, including the City, using substantially the same management, ownership, or principals as the ineligible entity); with respect to Contractors, the term Affiliated Entity means a person or entity that directly or indirectly controls the Contractor, is controlled by it, or, with the Contractor, is under common control of another person or entity;
• any responsible official of the Disclosing Party, any Contractor or any Affiliated Entity or any other official, agent or employee of the Disclosing Party, any Contractor or any Affiliated Entity, acting pursuant to the direction or authorization of a responsible official of the Disclosing Party, any Contractor or any Affiliated Entity (collectively "Agents").

Neither the Disclosing Party, nor any Contractor, nor any Affiliated Entity of either the Disclosing Party or any Contractor nor any Agents have, during the five years before the date this EDS is signed, or, with respect to a Contractor, an Affiliated Entity, or an Affiliated Entity of a Contractor during the five years before the date of such Contractor's or Affiliated Entity's contract or engagement in connection with the Matter:

a. bribed or attempted to bribe, or been convicted or adjudged guilty of bribery or attempting to bribe, a public officer or employee of the City, the State of Illinois, or any agency of the federal government or of any state or local government in the United States of America, in that officer's or employee's official capacity;

b. agreed or colluded with other bidders or prospective bidders, or been a party to any such agreement, or been convicted or adjudged guilty of agreement or collusion among bidders or prospective bidders, in restraint of freedom of competition by agreement to bid a fixed price or otherwise; or

c. made an admission of such conduct described in a. or b. above that is a matter of record, but have not been prosecuted for such conduct; or

d. violated the provisions of Municipal Code Section 2-92-610 (Living Wage Ordinance).

4. Neither the Disclosing Party, Affiliated Entity or Contractor, or any of their employees, officials, agents or partners, is barred from contracting with any unit of state or local government as a result of engaging in or being convicted of (1) bid-rigging in violation of 720 ILCS 5/33E-3; (2) bid-rotating in violation of 720 ILCS 5/33E-4; or (3) any similar offense of any state or of the United States of America that contains the same elements as the offense of bid-rigging or bid-rotating.

5. Neither the Disclosing Party nor any Affiliated Entity is listed on any of the following lists maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the Bureau of Industry and Security of the U.S. Department of Commerce or their successors: the Specially Designated Nationals List, the Denied Persons List, the Unverified List, the Entity List and the Debarred List.

6. The Disclosing Party understands and shall comply with the applicable requirements of Chapters 2-55 (Legislative Inspector General), 2-56 (Inspector General) and 2-156 (Governmental Ethics) of the Municipal Code.

7. If the Disclosing Party is unable to certify to any of the above statements in this Part B (Further Certifications), the Disclosing Party must explain below:

N/A

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

8. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all current employees of the Disclosing Party who were, at any time during the 12-month period preceding the execution date of this EDS, an employee, or elected or appointed official, of the City of Chicago (if none, indicate with "N/A" or "none").

N/A

9. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all gifts that the Disclosing Party has given or caused to be given, at any time during the 12-month period preceding the execution date of this EDS, to an employee, or elected or appointed official, of the City of Chicago. For purposes of this statement, a "gift" does not include: (i) anything made generally available to City employees or to the general public, or (ii) food or drink provided in the course of official City business and having a retail value of less than $20 per recipient (if none, indicate with "N/A" or "none"). As to any gift listed below, please also list the name of the City recipient.

N/A

C. CERTIFICATION OF STATUS AS FINANCIAL INSTITUTION

1. The Disclosing Party certifies that the Disclosing Party (check one)

[ ] is [X] is not

a "financial institution" as defined in Section 2-32-455(b) of the Municipal Code.

2. If the Disclosing Party IS a financial institution, then the Disclosing Party pledges:

"We are not and will not become a predatory lender as defined in Chapter 2-32 of the Municipal Code. We further pledge that none of our affiliates is, and none of them will become, a predatory lender as defined in Chapter 2-32 of the Municipal Code. We understand that becoming a predatory lender or becoming an affiliate of a predatory lender may result in the loss of the privilege of doing business with the City."

If the Disclosing Party is unable to make this pledge because it or any of its affiliates (as defined in Section 2-32-455(b) of the Municipal Code) is a predatory lender within the meaning of Chapter 2-32 of the Municipal Code, explain here (attach additional pages if necessary):

N/A

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

D. CERTIFICATION REGARDING INTEREST IN CITY BUSINESS

Any words or terms that are defined in Chapter 2-156 of the Municipal Code have the same meanings when used in this Part D.

1. In accordance with Section 2-156-110 of the Municipal Code: Does any official or employee of the City have a financial interest in his or her own name or in the name of any other person or entity in the Matter?

[ ] Yes [X] No

NOTE: If you checked "Yes" to Item D.1., proceed to Items D.2. and D.3. If you checked "No" to Item D.1., proceed to Part E.

2. Unless sold pursuant to a process of competitive bidding, or otherwise permitted, no City elected official or employee shall have a financial interest in his or her own name or in the name of any other person or entity in the purchase of any property that (i) belongs to the City, or (ii) is sold for taxes or assessments, or (iii) is sold by virtue of legal process at the suit of the City (collectively, "City Property Sale"). Compensation for property taken pursuant to the City's eminent domain power does not constitute a financial interest within the meaning of this Part D.

Does the Matter involve a City Property Sale?

[ ] Yes [X] No

3. If you checked "Yes" to Item D.1., provide the names and business addresses of the City officials or employees having such interest and identify the nature of such interest:

Name	Business Address	Nature of Interest

4. The Disclosing Party further certifies that no prohibited financial interest in the Matter will be acquired by any City official or employee.

E. CERTIFICATION REGARDING SLAVERY ERA BUSINESS

Please check either 1. or 2. below. If the Disclosing Party checks 2., the Disclosing Party must disclose below or in an attachment to this EDS all information required by paragraph 2. Failure to

comply with these disclosure requirements may make any contract entered into with the City in connection with the Matter voidable by the City.

_X_ 1. The Disclosing Party verifies that the Disclosing Party has searched any and all records of the Disclosing Party and any and all predecessor entities regarding records of investments or profits from slavery or slaveholder insurance policies during the slavery era (including insurance policies issued to slaveholders that provided coverage for damage to or injury or death of their slaves), and the Disclosing Party has found no such records.

____ 2. The Disclosing Party verifies that, as a result of conducting the search in step 1 above, the Disclosing Party has found records of investments or profits from slavery or slaveholder insurance policies. The Disclosing Party verifies that the following constitutes full disclosure of all such records, including the names of any and all slaves or slaveholders described in those records:

_____

_____

_____

_____

SECTION VI -- CERTIFICATIONS FOR FEDERALLY FUNDED MATTERS

NOTE: If the Matter is federally funded, complete this Section VI. **If the Matter is not federally funded**, proceed to Section VII. For purposes of this Section VI, tax credits allocated by the City and proceeds of debt obligations of the City are not federal funding.

A. CERTIFICATION REGARDING LOBBYING

1. List below the names of all persons or entities registered under the federal Lobbying Disclosure Act of 1995 who have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter: (Add sheets if necessary):

None

_____

_____

(If no explanation appears or begins on the lines above, or if the letters "NA" or if the word "None" appear, it will be conclusively presumed that the Disclosing Party means that NO persons or entities registered under the Lobbying Disclosure Act of 1995 have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter.)

2. The Disclosing Party has not spent and will not expend any federally appropriated funds to pay any person or entity listed in Paragraph A.1. above for his or her lobbying activities or to pay any person or entity to influence or attempt to influence an officer or employee of any agency, as defined by applicable federal law, a member of Congress, an officer or employee of Congress, or an employee of a member of Congress, in connection with the award of any federally funded contract, making any federally funded grant or loan, entering into any cooperative agreement, or to extend, continue, renew, amend, or modify any federally funded contract, grant, loan, or cooperative agreement.

3. The Disclosing Party will submit an updated certification at the end of each calendar quarter in which there occurs any event that materially affects the accuracy of the statements and information set forth in paragraphs A.1. and A.2. above.

4. The Disclosing Party certifies that either: (i) it is not an organization described in section 501(c)(4) of the Internal Revenue Code of 1986; or (ii) it is an organization described in section 501(c)(4) of the Internal Revenue Code of 1986 but has not engaged and will not engage in "Lobbying Activities".

5. If the Disclosing Party is the Applicant, the Disclosing Party must obtain certifications equal in form and substance to paragraphs A.1. through A.4. above from all subcontractors before it awards any subcontract and the Disclosing Party must maintain all such subcontractors' certifications for the duration of the Matter and must make such certifications promptly available to the City upon request.

B. CERTIFICATION REGARDING EQUAL EMPLOYMENT OPPORTUNITY

If the Matter is federally funded, federal regulations require the Applicant and all proposed subcontractors to submit the following information with their bids or in writing at the outset of negotiations.

Is the Disclosing Party the Applicant?

[ ] Yes [X] No

If "Yes," answer the three questions below:

1. Have you developed and do you have on file affirmative action programs pursuant to applicable federal regulations? (See 41 CFR Part 60-2.)
[ ] Yes [ ] No

2. Have you filed with the Joint Reporting Committee, the Director of the Office of Federal Contract Compliance Programs, or the Equal Employment Opportunity Commission all reports due under the applicable filing requirements?
[ ] Yes [ ] No

3. Have you participated in any previous contracts or subcontracts subject to the equal opportunity clause?
[ ] Yes [ ] No

If you checked "No" to question 1. or 2. above, please provide an explanation:

_____

_____

SECTION VII -- ACKNOWLEDGMENTS, CONTRACT INCORPORATION, COMPLIANCE, PENALTIES, DISCLOSURE

The Disclosing Party understands and agrees that:

A. The certifications, disclosures, and acknowledgments contained in this EDS will become part of any contract or other agreement between the Applicant and the City in connection with the Matter, whether procurement, City assistance, or other City action, and are material inducements to the City's execution of any contract or taking other action with respect to the Matter. The Disclosing Party understands that it must comply with all statutes, ordinances, and regulations on which this EDS is based.

B. The City's Governmental Ethics and Campaign Financing Ordinances, Chapters 2-156 and 2-164 of the Municipal Code, impose certain duties and obligations on persons or entities seeking City contracts, work, business, or transactions. The full text of these ordinances and a training program is available on line at www.cityofchicago.org/Ethics, and may also be obtained from the City's Board of Ethics, 740 N.

Sedgwick St., Suite 500, Chicago, IL 60610, (312) 744-9660. The Disclosing Party must comply fully with the applicable ordinances.

C. If the City determines that any information provided in this EDS is false, incomplete or inaccurate, any contract or other agreement in connection with which it is submitted may be rescinded or be void or voidable, and the City may pursue any remedies under the contract or agreement (if not rescinded or void), at law, or in equity, including terminating the Disclosing Party's participation in the Matter and/or declining to allow the Disclosing Party to participate in other transactions with the City. Remedies at law for a false statement of material fact may include incarceration and an award to the City of treble damages.

D. It is the City's policy to make this document available to the public on its Internet site and/or upon request. Some or all of the information provided on this EDS and any attachments to this EDS may be made available to the public on the Internet, in response to a Freedom of Information Act request, or otherwise. By completing and signing this EDS, the Disclosing Party waives and releases any possible rights or claims which it may have against the City in connection with the public release of information contained in this EDS and also authorizes the City to verify the accuracy of any information submitted in this EDS.

E. The information provided in this EDS must be kept current. In the event of changes, the Disclosing Party must supplement this EDS up to the time the City takes action on the Matter. If the Matter is a contract being handled by the City's Department of Procurement Services, the Disclosing Party must update this EDS as the contract requires. **NOTE:** With respect to Matters subject to Article I of Chapter 1-23 of the Municipal Code (imposing **PERMANENT INELIGIBILITY** for certain specified offenses), the information provided herein regarding eligibility must be kept current for a longer period, as required by Chapter 1-23 and Section 2-154-020 of the Municipal Code.

The Disclosing Party represents and warrants that:

F.1. The Disclosing Party is not delinquent in the payment of any tax administered by the Illinois Department of Revenue, nor are the Disclosing Party or its Affiliated Entities delinquent in paying any fine, fee, tax or other charge owed to the City. This includes, but is not limited to, all water charges, sewer charges, license fees, parking tickets, property taxes or sales taxes.

F.2 If the Disclosing Party is the Applicant, the Disclosing Party and its Affiliated Entities will not use, nor permit their subcontractors to use, any facility listed by the U.S. E.P.A. on the federal Excluded Parties List System ("EPLS") maintained by the U. S. General Services Administration.

F.3 If the Disclosing Party is the Applicant, the Disclosing Party will obtain from any contractors/subcontractors hired or to be hired in connection with the Matter certifications equal in form and substance to those in F.1. and F.2. above and will not, without the prior written consent of the City, use any such contractor/subcontractor that does not provide such certifications or that the Disclosing Party has reason to believe has not provided or cannot provide truthful certifications.

NOTE: If the Disclosing Party cannot certify as to any of the items in F.1., F.2. or F.3. above, an explanatory statement must be attached to this EDS.

CERTIFICATION

Under penalty of perjury, the person signing below: (1) warrants that he/she is authorized to execute this EDS and Appendix A (if applicable) on behalf of the Disclosing Party, and (2) warrants that all certifications and statements contained in this EDS and Appendix A (if applicable) are true, accurate and complete as of the date furnished to the City.

Alliant Capital, Ltd.
(Print or type name of Disclosing Party)

By: _____
(Sign here) By: Alliant, Inc , its general partner
By: Brian Goldberg, President

Brian Goldberg
(Print or type name of person signing)

President
(Print or type title of person signing)

Signed and sworn to before me on (date) 12/4/2014,
at Los Angeles County, CA (state).

Anush Sinanian Notary Public.

Commission expires: 9/24/2017.

ANUSH SINANIAN
Commission # 2042671
Notary Public - California
Los Angeles County
My Comm. Expires Sep 24, 2017

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT AND AFFIDAVIT
APPENDIX A

FAMILIAL RELATIONSHIPS WITH ELECTED CITY OFFICIALS AND DEPARTMENT HEADS

This Appendix is to be completed only by (a) the Applicant, and (b) any legal entity which has a direct ownership interest in the Applicant exceeding 7.5 percent. It is not to be completed by any legal entity which has only an indirect ownership interest in the Applicant.

Under Municipal Code Section 2-154-015, the Disclosing Party must disclose whether such Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently has a "familial relationship" with any elected city official or department head. A "familial relationship" exists if, as of the date this EDS is signed, the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof is related to the mayor, any alderman, the city clerk, the city treasurer or any city department head as spouse or domestic partner or as any of the following, whether by blood or adoption: parent, child, brother or sister, aunt or uncle, niece or nephew, grandparent, grandchild, father-in-law, mother-in-law, son-in-law, daughter-in-law, stepfather or stepmother, stepson or stepdaughter, stepbrother or stepsister or half-brother or half-sister.

"Applicable Party" means (1) all executive officers of the Disclosing Party listed in Section II.B.1.a., if the Disclosing Party is a corporation; all partners of the Disclosing Party, if the Disclosing Party is a general partnership; all general partners and limited partners of the Disclosing Party, if the Disclosing Party is a limited partnership; all managers, managing members and members of the Disclosing Party, if the Disclosing Party is a limited liability company; (2) all principal officers of the Disclosing Party; and (3) any person having more than a 7.5 percent ownership interest in the Disclosing Party. "Principal officers" means the president, chief operating officer, executive director, chief financial officer, treasurer or secretary of a legal entity or any person exercising similar authority.

Does the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently have a "familial relationship" with an elected city official or department head?

[ ] Yes [X] No

If yes, please identify below (1) the name and title of such person, (2) the name of the legal entity to which such person is connected; (3) the name and title of the elected city official or department head to whom such person has a familial relationship, and (4) the precise nature of such familial relationship.

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT
AND AFFIDAVIT

SECTION I -- GENERAL INFORMATION

A. Legal name of the Disclosing Party submitting this EDS. Include d/b/a/ if applicable:

The Alliant Company, LLC

Check ONE of the following three boxes:

Indicate whether the Disclosing Party submitting this EDS is:

1. [ ] the Applicant
   OR
2. [X] a legal entity holding a direct or indirect interest in the Applicant. State the legal name of the Applicant in which the Disclosing Party holds an interest: Hilliard Homes II Limited Partnership
   OR
3. [ ] a legal entity with a right of control (see Section II.B.1.) State the legal name of the entity in which the Disclosing Party holds a right of control: _____

B. Business address of the Disclosing Party: 340 Royal Poinciana Way, Suite 305
Palm Beach, FL 33480

C. Telephone: 818-668-6800 Fax: 818-668-2828 Email: Shawn.Horwitz@alliantcapital.com

D. Name of contact person: Shawn Horwitz

E. Federal Employer Identification No. (if you have one): _____

F. Brief description of contract, transaction or other undertaking (referred to below as the "Matter") to which this EDS pertains. (Include project number and location of property, if applicable):

Subordinate financing from the City of Chicago for replacement of existing windows.

G. Which City agency or department is requesting this EDS? Department of Planning and Development

If the Matter is a contract being handled by the City's Department of Procurement Services, please complete the following:

Specification # N/A and Contract # N/A

SECTION II -- DISCLOSURE OF OWNERSHIP INTERESTS

A. NATURE OF THE DISCLOSING PARTY

1. Indicate the nature of the Disclosing Party:

[ ] Person
[ ] Publicly registered business corporation
[ ] Privately held business corporation
[ ] Sole proprietorship
[ ] General partnership
[ ] Limited partnership
[ ] Trust
[X] Limited liability company
[ ] Limited liability partnership
[ ] Joint venture
[ ] Not-for-profit corporation
(Is the not-for-profit corporation also a 501(c)(3))?
[ ] Yes [ ] No
[ ] Other (please specify)

2. For legal entities, the state (or foreign country) of incorporation or organization, if applicable:

Florida

3. For legal entities not organized in the State of Illinois: Has the organization registered to do business in the State of Illinois as a foreign entity?

[ ] Yes [X] No [ ] N/A

B. IF THE DISCLOSING PARTY IS A LEGAL ENTITY:

1. List below the full names and titles of all executive officers and all directors of the entity. **NOTE:** For not-for-profit corporations, also list below all members, if any, which are legal entities. If there are no such members, write "no members." For trusts, estates or other similar entities, list below the legal titleholder(s).

If the entity is a general partnership, limited partnership, limited liability company, limited liability partnership or joint venture, list below the name and title of each general partner, managing member, manager or any other person or entity that controls the day-to-day management of the Disclosing Party. **NOTE**: Each legal entity listed below must submit an EDS on its own behalf.

Name	Title
Alliant, Inc.	Managing Member

2. Please provide the following information concerning each person or entity having a direct or indirect beneficial interest (including ownership) in excess of 7.5% of the Disclosing Party. Examples of such an interest include shares in a corporation, partnership interest in a partnership or joint venture,

interest of a member or manager in a limited liability company, or interest of a beneficiary of a trust, estate or other similar entity. If none, state "None." **NOTE**: Pursuant to Section 2-154-030 of the Municipal Code of Chicago ("Municipal Code"), the City may require any such additional information from any applicant which is reasonably intended to achieve full disclosure.

Name	Business Address	Percentage Interest in the Disclosing Party
Alliant, Inc.	340 Royal Poinciana Way, suite 305, Palm Beach, FL 33480	1% (Managing Member)
Palm Drive Associates, LLC	340 Royal Poinciana Way, suite 305, Palm Beach, FL 33480	24.75% (Non-Managing Member)
344 Columbia Associates, Ltd.	340 Royal Poinciana Way, suite 305, Palm Beach, FL 33480	24.75% (Non-Managing Member)
SAK Housing, LLC	340 Royal Poinciana Way, suite 305, Palm Beach, FL 33480	49.5% (Non-Managing Member)

SECTION III -- BUSINESS RELATIONSHIPS WITH CITY ELECTED OFFICIALS

Has the Disclosing Party had a "business relationship," as defined in Chapter 2-156 of the Municipal Code, with any City elected official in the 12 months before the date this EDS is signed?

[ ] Yes [X] No

If yes, please identify below the name(s) of such City elected official(s) and describe such relationship(s):

N/A

SECTION IV -- DISCLOSURE OF SUBCONTRACTORS AND OTHER RETAINED PARTIES

The Disclosing Party must disclose the name and business address of each subcontractor, attorney, lobbyist, accountant, consultant and any other person or entity whom the Disclosing Party has retained or expects to retain in connection with the Matter, as well as the nature of the relationship, and the total amount of the fees paid or estimated to be paid. The Disclosing Party is not required to disclose employees who are paid solely through the Disclosing Party's regular payroll.

"Lobbyist" means any person or entity who undertakes to influence any legislative or administrative action on behalf of any person or entity other than: (1) a not-for-profit entity, on an unpaid basis, or (2) himself. "Lobbyist" also means any person or entity any part of whose duties as an employee of another includes undertaking to influence any legislative or administrative action.

If the Disclosing Party is uncertain whether a disclosure is required under this Section, the Disclosing Party must either ask the City whether disclosure is required or make the disclosure.

Name (indicate whether retained or anticipated to be retained)	Business Address	Relationship to Disclosing Party (subcontractor, attorney, lobbyist, etc.)	Fees (indicate whether paid or estimated.) **NOTE:** "hourly rate" or "t.b.d." is not an acceptable response.
N/A			

(Add sheets if necessary)

[X] Check here if the Disclosing Party has not retained, nor expects to retain, any such persons or entities.

SECTION V -- CERTIFICATIONS

A. COURT-ORDERED CHILD SUPPORT COMPLIANCE

Under Municipal Code Section 2-92-415, substantial owners of business entities that contract with the City must remain in compliance with their child support obligations throughout the contract's term.

Has any person who directly or indirectly owns 10% or more of the Disclosing Party been declared in arrearage on any child support obligations by any Illinois court of competent jurisdiction?

[ ] Yes [X] No [ ] No person directly or indirectly owns 10% or more of the Disclosing Party.

If "Yes," has the person entered into a court-approved agreement for payment of all support owed and is the person in compliance with that agreement?

[ ] Yes [ ] No

B. FURTHER CERTIFICATIONS

1. Pursuant to Municipal Code Chapter 1-23, Article I ("Article I")(which the Applicant should consult for defined terms (e.g., "doing business") and legal requirements), if the Disclosing Party submitting this EDS is the Applicant and is doing business with the City, then the Disclosing Party certifies as follows: (i) neither the Applicant nor any controlling person is currently indicted or charged with, or has admitted guilt of, or has ever been convicted of, or placed under supervision for, any criminal offense involving actual, attempted, or conspiracy to commit bribery, theft, fraud, forgery, perjury, dishonesty or deceit against an officer or employee of the City or any sister agency; and (ii) the Applicant understands and acknowledges that compliance with Article I is a continuing requirement for doing business with the City. NOTE: If Article I applies to the Applicant, the permanent compliance timeframe in Article I supersedes some five-year compliance timeframes in certifications 2 and 3 below.

2. The Disclosing Party and, if the Disclosing Party is a legal entity, all of those persons or entities identified in Section II.B.1. of this EDS:

a. are not presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from any transactions by any federal, state or local unit of government;

b. have not, within a five-year period preceding the date of this EDS, been convicted of a criminal offense, adjudged guilty, or had a civil judgment rendered against them in connection with: obtaining, attempting to obtain, or performing a public (federal, state or local) transaction or contract under a public transaction; a violation of federal or state antitrust statutes; fraud; embezzlement; theft; forgery; bribery; falsification or destruction of records; making false statements; or receiving stolen property;

c. are not presently indicted for, or criminally or civilly charged by, a governmental entity (federal, state or local) with committing any of the offenses set forth in clause B.2.b. of this Section V;

d. have not, within a five-year period preceding the date of this EDS, had one or more public transactions (federal, state or local) terminated for cause or default; and

e. have not, within a five-year period preceding the date of this EDS, been convicted, adjudged guilty, or found liable in a civil proceeding, or in any criminal or civil action, including actions concerning environmental violations, instituted by the City or by the federal government, any state, or any other unit of local government.

3. The certifications in subparts 3, 4 and 5 concern:

• the Disclosing Party;
• any "Contractor" (meaning any contractor or subcontractor used by the Disclosing Party in connection with the Matter, including but not limited to all persons or legal entities disclosed under Section IV, "Disclosure of Subcontractors and Other Retained Parties");
• any "Affiliated Entity" (meaning a person or entity that, directly or indirectly: controls the Disclosing Party, is controlled by the Disclosing Party, or is, with the Disclosing Party, under common control of another person or entity. Indicia of control include, without limitation: interlocking management or ownership; identity of interests among family members, shared facilities and equipment; common use of employees; or organization of a business entity following the ineligibility of a business entity to do business with federal or state or local government, including the City, using substantially the same management, ownership, or principals as the ineligible entity); with respect to Contractors, the term Affiliated Entity means a person or entity that directly or indirectly controls the Contractor, is controlled by it, or, with the Contractor, is under common control of another person or entity;
• any responsible official of the Disclosing Party, any Contractor or any Affiliated Entity or any other official, agent or employee of the Disclosing Party, any Contractor or any Affiliated Entity, acting pursuant to the direction or authorization of a responsible official of the Disclosing Party, any Contractor or any Affiliated Entity (collectively "Agents").

Neither the Disclosing Party, nor any Contractor, nor any Affiliated Entity of either the Disclosing Party or any Contractor nor any Agents have, during the five years before the date this EDS is signed, or, with respect to a Contractor, an Affiliated Entity, or an Affiliated Entity of a Contractor during the five years before the date of such Contractor's or Affiliated Entity's contract or engagement in connection with the Matter:

a. bribed or attempted to bribe, or been convicted or adjudged guilty of bribery or attempting to bribe, a public officer or employee of the City, the State of Illinois, or any agency of the federal government or of any state or local government in the United States of America, in that officer's or employee's official capacity;

b. agreed or colluded with other bidders or prospective bidders, or been a party to any such agreement, or been convicted or adjudged guilty of agreement or collusion among bidders or prospective bidders, in restraint of freedom of competition by agreement to bid a fixed price or otherwise; or

c. made an admission of such conduct described in a. or b. above that is a matter of record, but have not been prosecuted for such conduct; or

d. violated the provisions of Municipal Code Section 2-92-610 (Living Wage Ordinance).

4. Neither the Disclosing Party, Affiliated Entity or Contractor, or any of their employees, officials, agents or partners, is barred from contracting with any unit of state or local government as a result of engaging in or being convicted of (1) bid-rigging in violation of 720 ILCS 5/33E-3; (2) bid-rotating in violation of 720 ILCS 5/33E-4; or (3) any similar offense of any state or of the United States of America that contains the same elements as the offense of bid-rigging or bid-rotating.

5. Neither the Disclosing Party nor any Affiliated Entity is listed on any of the following lists maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the Bureau of Industry and Security of the U.S. Department of Commerce or their successors: the Specially Designated Nationals List, the Denied Persons List, the Unverified List, the Entity List and the Debarred List.

6. The Disclosing Party understands and shall comply with the applicable requirements of Chapters 2-55 (Legislative Inspector General), 2-56 (Inspector General) and 2-156 (Governmental Ethics) of the Municipal Code.

7. If the Disclosing Party is unable to certify to any of the above statements in this Part B (Further Certifications), the Disclosing Party must explain below:

N/A

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

8. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all current employees of the Disclosing Party who were, at any time during the 12-month period preceding the execution date of this EDS, an employee, or elected or appointed official, of the City of Chicago (if none, indicate with "N/A" or "none").

N/A

9. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all gifts that the Disclosing Party has given or caused to be given, at any time during the 12-month period preceding the execution date of this EDS, to an employee, or elected or appointed official, of the City of Chicago. For purposes of this statement, a "gift" does not include: (i) anything made generally available to City employees or to the general public, or (ii) food or drink provided in the course of official City business and having a retail value of less than $20 per recipient (if none, indicate with "N/A" or "none"). As to any gift listed below, please also list the name of the City recipient.

N/A

C. CERTIFICATION OF STATUS AS FINANCIAL INSTITUTION

1. The Disclosing Party certifies that the Disclosing Party (check one)

[ ] is [X] is not

a "financial institution" as defined in Section 2-32-455(b) of the Municipal Code.

2. If the Disclosing Party IS a financial institution, then the Disclosing Party pledges:

"We are not and will not become a predatory lender as defined in Chapter 2-32 of the Municipal Code. We further pledge that none of our affiliates is, and none of them will become, a predatory lender as defined in Chapter 2-32 of the Municipal Code. We understand that becoming a predatory lender or becoming an affiliate of a predatory lender may result in the loss of the privilege of doing business with the City."

If the Disclosing Party is unable to make this pledge because it or any of its affiliates (as defined in Section 2-32-455(b) of the Municipal Code) is a predatory lender within the meaning of Chapter 2-32 of the Municipal Code, explain here (attach additional pages if necessary):

N/A

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

D. CERTIFICATION REGARDING INTEREST IN CITY BUSINESS

Any words or terms that are defined in Chapter 2-156 of the Municipal Code have the same meanings when used in this Part D.

1. In accordance with Section 2-156-110 of the Municipal Code: Does any official or employee of the City have a financial interest in his or her own name or in the name of any other person or entity in the Matter?

[ ] Yes [X] No

NOTE: If you checked "Yes" to Item D.1., proceed to Items D.2. and D.3. If you checked "No" to Item D.1., proceed to Part E.

2. Unless sold pursuant to a process of competitive bidding, or otherwise permitted, no City elected official or employee shall have a financial interest in his or her own name or in the name of any other person or entity in the purchase of any property that (i) belongs to the City, or (ii) is sold for taxes or assessments, or (iii) is sold by virtue of legal process at the suit of the City (collectively, "City Property Sale"). Compensation for property taken pursuant to the City's eminent domain power does not constitute a financial interest within the meaning of this Part D.

Does the Matter involve a City Property Sale?

[ ] Yes [X] No

3. If you checked "Yes" to Item D.1., provide the names and business addresses of the City officials or employees having such interest and identify the nature of such interest:

Name	Business Address	Nature of Interest

4. The Disclosing Party further certifies that no prohibited financial interest in the Matter will be acquired by any City official or employee.

E. CERTIFICATION REGARDING SLAVERY ERA BUSINESS

Please check either 1. or 2. below. If the Disclosing Party checks 2., the Disclosing Party must disclose below or in an attachment to this EDS all information required by paragraph 2. Failure to

comply with these disclosure requirements may make any contract entered into with the City in connection with the Matter voidable by the City.

_X_ 1. The Disclosing Party verifies that the Disclosing Party has searched any and all records of the Disclosing Party and any and all predecessor entities regarding records of investments or profits from slavery or slaveholder insurance policies during the slavery era (including insurance policies issued to slaveholders that provided coverage for damage to or injury or death of their slaves), and the Disclosing Party has found no such records.

____ 2. The Disclosing Party verifies that, as a result of conducting the search in step 1 above, the Disclosing Party has found records of investments or profits from slavery or slaveholder insurance policies. The Disclosing Party verifies that the following constitutes full disclosure of all such records, including the names of any and all slaves or slaveholders described in those records:

SECTION VI -- CERTIFICATIONS FOR FEDERALLY FUNDED MATTERS

NOTE: If the Matter is federally funded, complete this Section VI. **If the Matter is not federally funded,** proceed to Section VII. For purposes of this Section VI, tax credits allocated by the City and proceeds of debt obligations of the City are not federal funding.

A. CERTIFICATION REGARDING LOBBYING

1. List below the names of all persons or entities registered under the federal Lobbying Disclosure Act of 1995 who have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter: (Add sheets if necessary):

None

(If no explanation appears or begins on the lines above, or if the letters "NA" or if the word "None" appear, it will be conclusively presumed that the Disclosing Party means that NO persons or entities registered under the Lobbying Disclosure Act of 1995 have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter.)

2. The Disclosing Party has not spent and will not expend any federally appropriated funds to pay any person or entity listed in Paragraph A.1. above for his or her lobbying activities or to pay any person or entity to influence or attempt to influence an officer or employee of any agency, as defined by applicable federal law, a member of Congress, an officer or employee of Congress, or an employee of a member of Congress, in connection with the award of any federally funded contract, making any federally funded grant or loan, entering into any cooperative agreement, or to extend, continue, renew, amend, or modify any federally funded contract, grant, loan, or cooperative agreement.

3. The Disclosing Party will submit an updated certification at the end of each calendar quarter in which there occurs any event that materially affects the accuracy of the statements and information set forth in paragraphs A.1. and A.2. above.

4. The Disclosing Party certifies that either: (i) it is not an organization described in section 501(c)(4) of the Internal Revenue Code of 1986; or (ii) it is an organization described in section 501(c)(4) of the Internal Revenue Code of 1986 but has not engaged and will not engage in "Lobbying Activities".

5. If the Disclosing Party is the Applicant, the Disclosing Party must obtain certifications equal in form and substance to paragraphs A.1. through A.4. above from all subcontractors before it awards any subcontract and the Disclosing Party must maintain all such subcontractors' certifications for the duration of the Matter and must make such certifications promptly available to the City upon request.

B. CERTIFICATION REGARDING EQUAL EMPLOYMENT OPPORTUNITY

If the Matter is federally funded, federal regulations require the Applicant and all proposed subcontractors to submit the following information with their bids or in writing at the outset of negotiations.

Is the Disclosing Party the Applicant?

[ ] Yes [X] No

If "Yes," answer the three questions below:

1. Have you developed and do you have on file affirmative action programs pursuant to applicable federal regulations? (See 41 CFR Part 60-2.)
[ ] Yes [ ] No

2. Have you filed with the Joint Reporting Committee, the Director of the Office of Federal Contract Compliance Programs, or the Equal Employment Opportunity Commission all reports due under the applicable filing requirements?
[ ] Yes [ ] No

3. Have you participated in any previous contracts or subcontracts subject to the equal opportunity clause?
[ ] Yes [ ] No

If you checked "No" to question 1. or 2. above, please provide an explanation:

_____

_____

SECTION VII -- ACKNOWLEDGMENTS, CONTRACT INCORPORATION, COMPLIANCE, PENALTIES, DISCLOSURE

The Disclosing Party understands and agrees that:

A. The certifications, disclosures, and acknowledgments contained in this EDS will become part of any contract or other agreement between the Applicant and the City in connection with the Matter, whether procurement, City assistance, or other City action, and are material inducements to the City's execution of any contract or taking other action with respect to the Matter. The Disclosing Party understands that it must comply with all statutes, ordinances, and regulations on which this EDS is based.

B. The City's Governmental Ethics and Campaign Financing Ordinances, Chapters 2-156 and 2-164 of the Municipal Code, impose certain duties and obligations on persons or entities seeking City contracts, work, business, or transactions. The full text of these ordinances and a training program is available on line at www.cityofchicago.org/Ethics, and may also be obtained from the City's Board of Ethics, 740 N.

Sedgwick St., Suite 500, Chicago, IL 60610, (312) 744-9660. The Disclosing Party must comply fully with the applicable ordinances.

C. If the City determines that any information provided in this EDS is false, incomplete or inaccurate, any contract or other agreement in connection with which it is submitted may be rescinded or be void or voidable, and the City may pursue any remedies under the contract or agreement (if not rescinded or void), at law, or in equity, including terminating the Disclosing Party's participation in the Matter and/or declining to allow the Disclosing Party to participate in other transactions with the City. Remedies at law for a false statement of material fact may include incarceration and an award to the City of treble damages.

D. It is the City's policy to make this document available to the public on its Internet site and/or upon request. Some or all of the information provided on this EDS and any attachments to this EDS may be made available to the public on the Internet, in response to a Freedom of Information Act request, or otherwise. By completing and signing this EDS, the Disclosing Party waives and releases any possible rights or claims which it may have against the City in connection with the public release of information contained in this EDS and also authorizes the City to verify the accuracy of any information submitted in this EDS.

E. The information provided in this EDS must be kept current. In the event of changes, the Disclosing Party must supplement this EDS up to the time the City takes action on the Matter. If the Matter is a contract being handled by the City's Department of Procurement Services, the Disclosing Party must update this EDS as the contract requires. **NOTE:** With respect to Matters subject to Article I of Chapter 1-23 of the Municipal Code (imposing **PERMANENT INELIGIBILITY** for certain specified offenses), the information provided herein regarding eligibility must be kept current for a longer period, as required by Chapter 1-23 and Section 2-154-020 of the Municipal Code.

The Disclosing Party represents and warrants that:

F.1. The Disclosing Party is not delinquent in the payment of any tax administered by the Illinois Department of Revenue, nor are the Disclosing Party or its Affiliated Entities delinquent in paying any fine, fee, tax or other charge owed to the City. This includes, but is not limited to, all water charges, sewer charges, license fees, parking tickets, property taxes or sales taxes.

F.2 If the Disclosing Party is the Applicant, the Disclosing Party and its Affiliated Entities will not use, nor permit their subcontractors to use, any facility listed by the U.S. E.P.A. on the federal Excluded Parties List System ("EPLS") maintained by the U. S. General Services Administration.

F.3 If the Disclosing Party is the Applicant, the Disclosing Party will obtain from any contractors/subcontractors hired or to be hired in connection with the Matter certifications equal in form and substance to those in F.1. and F.2. above and will not, without the prior written consent of the City, use any such contractor/subcontractor that does not provide such certifications or that the Disclosing Party has reason to believe has not provided or cannot provide truthful certifications.

NOTE: If the Disclosing Party cannot certify as to any of the items in F.1., F.2. or F.3. above, an explanatory statement must be attached to this EDS.

CERTIFICATION

Under penalty of perjury, the person signing below: (1) warrants that he/she is authorized to execute this EDS and Appendix A (if applicable) on behalf of the Disclosing Party, and (2) warrants that all certifications and statements contained in this EDS and Appendix A (if applicable) are true, accurate and complete as of the date furnished to the City.

The Alliant Company, LLC
(Print or type name of Disclosing Party)

By: _____
(Sign here) By: Alliant, Inc., its managing member
By: Shawn Horwitz, CEO

Shawn Horwitz
(Print or type name of person signing)

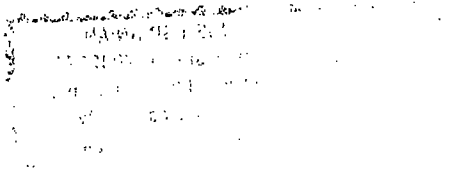
Chief Executive Officer
(Print or type title of person signing)

Signed and sworn to before me on (date) 12/4/2014,
at Los Angeles County, CA (state).

Anush Sinanian Notary Public.

Commission expires: 09/24/2017.

ANUSH SINANIAN
Commission # 2042671
Notary Public - California
Los Angeles County
My Comm. Expires Sep 24, 2017



CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT AND AFFIDAVIT
APPENDIX A

FAMILIAL RELATIONSHIPS WITH ELECTED CITY OFFICIALS AND DEPARTMENT HEADS

This Appendix is to be completed only by (a) the Applicant, and (b) any legal entity which has a direct ownership interest in the Applicant exceeding 7.5 percent. It is not to be completed by any legal entity which has only an indirect ownership interest in the Applicant.

Under Municipal Code Section 2-154-015, the Disclosing Party must disclose whether such Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently has a "familial relationship" with any elected city official or department head. A "familial relationship" exists if, as of the date this EDS is signed, the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof is related to the mayor, any alderman, the city clerk, the city treasurer or any city department head as spouse or domestic partner or as any of the following, whether by blood or adoption: parent, child, brother or sister, aunt or uncle, niece or nephew, grandparent, grandchild, father-in-law, mother-in-law, son-in-law, daughter-in-law, stepfather or stepmother, stepson or stepdaughter, stepbrother or stepsister or half-brother or half-sister.

"Applicable Party" means (1) all executive officers of the Disclosing Party listed in Section II.B.1.a., if the Disclosing Party is a corporation; all partners of the Disclosing Party, if the Disclosing Party is a general partnership; all general partners and limited partners of the Disclosing Party, if the Disclosing Party is a limited partnership; all managers, managing members and members of the Disclosing Party, if the Disclosing Party is a limited liability company; (2) all principal officers of the Disclosing Party; and (3) any person having more than a 7.5 percent ownership interest in the Disclosing Party. "Principal officers" means the president, chief operating officer, executive director, chief financial officer, treasurer or secretary of a legal entity or any person exercising similar authority.

Does the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently have a "familial relationship" with an elected city official or department head?

[ ] Yes [X] No

If yes, please identify below (1) the name and title of such person, (2) the name of the legal entity to which such person is connected; (3) the name and title of the elected city official or department head to whom such person has a familial relationship, and (4) the precise nature of such familial relationship.

_____

_____

_____

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT
AND AFFIDAVIT

SECTION I -- GENERAL INFORMATION

A. Legal name of the Disclosing Party submitting this EDS. Include d/b/a/ if applicable:

Alliant, Inc.

Check ONE of the following three boxes:

Indicate whether the Disclosing Party submitting this EDS is:

1. [ ] the Applicant
   OR
2. [X] a legal entity holding a direct or indirect interest in the Applicant. State the legal name of the Applicant in which the Disclosing Party holds an interest: Hilliard Homes II Limited Partnership
   OR
3. [ ] a legal entity with a right of control (see Section II.B.1.) State the legal name of the entity in which the Disclosing Party holds a right of control: _____

B. Business address of the Disclosing Party: 340 Royal Poinciana Way, Suite 305
Palm Beach, FL 33480

C. Telephone: 818-668-6800 Fax: 818-668-2828 Email: brian.goldberg@alliantcapital.com

D. Name of contact person: Brian Goldberg

E. Federal Employer Identification No. (if you have one): _____

F. Brief description of contract, transaction or other undertaking (referred to below as the "Matter") to which this EDS pertains. (Include project number and location of property, if applicable):

Subordinate financing from the City of Chicago for replacement of existing windows.

G. Which City agency or department is requesting this EDS? Department of Planning and Development

If the Matter is a contract being handled by the City's Department of Procurement Services, please complete the following:

Specification # N/A and Contract # N/A

SECTION II -- DISCLOSURE OF OWNERSHIP INTERESTS

A. NATURE OF THE DISCLOSING PARTY

1. Indicate the nature of the Disclosing Party:

[ ] Person
[ ] Publicly registered business corporation
[X] Privately held business corporation
[ ] Sole proprietorship
[ ] General partnership
[ ] Limited partnership
[ ] Trust
[ ] Limited liability company
[ ] Limited liability partnership
[ ] Joint venture
[ ] Not-for-profit corporation
(Is the not-for-profit corporation also a 501(c)(3))?
[ ] Yes [ ] No
[ ] Other (please specify)

2. For legal entities, the state (or foreign country) of incorporation or organization, if applicable:

Florida

3. For legal entities not organized in the State of Illinois: Has the organization registered to do business in the State of Illinois as a foreign entity?

[ ] Yes [X] No [ ] N/A

B. IF THE DISCLOSING PARTY IS A LEGAL ENTITY:

1. List below the full names and titles of all executive officers and all directors of the entity. **NOTE:** For not-for-profit corporations, also list below all members, if any, which are legal entities. If there are no such members, write "no members." For trusts, estates or other similar entities, list below the legal titleholder(s).

If the entity is a general partnership, limited partnership, limited liability company, limited liability partnership or joint venture, list below the name and title of each general partner, managing member, manager or any other person or entity that controls the day-to-day management of the Disclosing Party. **NOTE**: Each legal entity listed below must submit an EDS on its own behalf.

Name	Title
Sidney Kohl	Director/Chairman of the Board
Shawn Horwitz	Director/Chief Executive Office
Scott Kotick	Director/Executive Vice President
Brian Goldberg	President
James Jenkins	Director/Vice President/Treasurer/Secretary

2. Please provide the following information concerning each person or entity having a direct or indirect beneficial interest (including ownership) in excess of 7.5% of the Disclosing Party. Examples of such an interest include shares in a corporation, partnership interest in a partnership or joint venture,

interest of a member or manager in a limited liability company, or interest of a beneficiary of a trust, estate or other similar entity. If none, state "None." **NOTE**: Pursuant to Section 2-154-030 of the Municipal Code of Chicago ("Municipal Code"), the City may require any such additional information from any applicant which is reasonably intended to achieve full disclosure.

Name	Business Address	Percentage Interest in the Disclosing Party
Sidney Kohl	340 Royal Poinciana Way, suite 305, Palm Beach, FL 33480	50% Shareholder
Shawn Horwitz	340 Royal Poinciana Way, suite 305, Palm Beach, FL 33480	25% Shareholder
Scott Kotick	340 Royal Poinciana Way, suite 305, Palm Beach, FL 33480	25% Shareholder

SECTION III -- BUSINESS RELATIONSHIPS WITH CITY ELECTED OFFICIALS

Has the Disclosing Party had a "business relationship," as defined in Chapter 2-156 of the Municipal Code, with any City elected official in the 12 months before the date this EDS is signed?

[ ] Yes [X] No

If yes, please identify below the name(s) of such City elected official(s) and describe such relationship(s):

N/A

SECTION IV -- DISCLOSURE OF SUBCONTRACTORS AND OTHER RETAINED PARTIES

The Disclosing Party must disclose the name and business address of each subcontractor, attorney, lobbyist, accountant, consultant and any other person or entity whom the Disclosing Party has retained or expects to retain in connection with the Matter, as well as the nature of the relationship, and the total amount of the fees paid or estimated to be paid. The Disclosing Party is not required to disclose employees who are paid solely through the Disclosing Party's regular payroll.

"Lobbyist" means any person or entity who undertakes to influence any legislative or administrative action on behalf of any person or entity other than: (1) a not-for-profit entity, on an unpaid basis, or (2) himself. "Lobbyist" also means any person or entity any part of whose duties as an employee of another includes undertaking to influence any legislative or administrative action.

If the Disclosing Party is uncertain whether a disclosure is required under this Section, the Disclosing Party must either ask the City whether disclosure is required or make the disclosure.

Name (indicate whether retained or anticipated to be retained)	Business Address	Relationship to Disclosing Party (subcontractor, attorney, lobbyist, etc.)	Fees (indicate whether paid or estimated.) **NOTE:** "hourly rate" or "t.b.d." is not an acceptable response.
N/A			

(Add sheets if necessary)

[X] Check here if the Disclosing Party has not retained, nor expects to retain, any such persons or entities.

SECTION V -- CERTIFICATIONS

A. COURT-ORDERED CHILD SUPPORT COMPLIANCE

Under Municipal Code Section 2-92-415, substantial owners of business entities that contract with the City must remain in compliance with their child support obligations throughout the contract's term.

Has any person who directly or indirectly owns 10% or more of the Disclosing Party been declared in arrearage on any child support obligations by any Illinois court of competent jurisdiction?

[ ] Yes [X] No [ ] No person directly or indirectly owns 10% or more of the Disclosing Party.

If "Yes," has the person entered into a court-approved agreement for payment of all support owed and is the person in compliance with that agreement?

[ ] Yes [ ] No

B. FURTHER CERTIFICATIONS

1. Pursuant to Municipal Code Chapter 1-23, Article I ("Article I")(which the Applicant should consult for defined terms (e.g., "doing business") and legal requirements), if the Disclosing Party submitting this EDS is the Applicant and is doing business with the City, then the Disclosing Party certifies as follows: (i) neither the Applicant nor any controlling person is currently indicted or charged with, or has admitted guilt of, or has ever been convicted of, or placed under supervision for, any criminal offense involving actual, attempted, or conspiracy to commit bribery, theft, fraud, forgery, perjury, dishonesty or deceit against an officer or employee of the City or any sister agency; and (ii) the Applicant understands and acknowledges that compliance with Article I is a continuing requirement for doing business with the City. NOTE: If Article I applies to the Applicant, the permanent compliance timeframe in Article I supersedes some five-year compliance timeframes in certifications 2 and 3 below.

2. The Disclosing Party and, if the Disclosing Party is a legal entity, all of those persons or entities identified in Section II.B.1. of this EDS:

a. are not presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from any transactions by any federal, state or local unit of government;

b. have not, within a five-year period preceding the date of this EDS, been convicted of a criminal offense, adjudged guilty, or had a civil judgment rendered against them in connection with: obtaining, attempting to obtain, or performing a public (federal, state or local) transaction or contract under a public transaction; a violation of federal or state antitrust statutes; fraud; embezzlement; theft; forgery; bribery; falsification or destruction of records; making false statements; or receiving stolen property;

c. are not presently indicted for, or criminally or civilly charged by, a governmental entity (federal, state or local) with committing any of the offenses set forth in clause B.2.b. of this Section V;

d. have not, within a five-year period preceding the date of this EDS, had one or more public transactions (federal, state or local) terminated for cause or default; and

e. have not, within a five-year period preceding the date of this EDS, been convicted, adjudged guilty, or found liable in a civil proceeding, or in any criminal or civil action, including actions concerning environmental violations, instituted by the City or by the federal government, any state, or any other unit of local government.

3. The certifications in subparts 3, 4 and 5 concern:

• the Disclosing Party;
• any "Contractor" (meaning any contractor or subcontractor used by the Disclosing Party in connection with the Matter, including but not limited to all persons or legal entities disclosed under Section IV, "Disclosure of Subcontractors and Other Retained Parties");
• any "Affiliated Entity" (meaning a person or entity that, directly or indirectly: controls the Disclosing Party, is controlled by the Disclosing Party, or is, with the Disclosing Party, under common control of another person or entity. Indicia of control include, without limitation: interlocking management or ownership; identity of interests among family members, shared facilities and equipment; common use of employees; or organization of a business entity following the ineligibility of a business entity to do business with federal or state or local government, including the City, using substantially the same management, ownership, or principals as the ineligible entity); with respect to Contractors, the term Affiliated Entity means a person or entity that directly or indirectly controls the Contractor, is controlled by it, or, with the Contractor, is under common control of another person or entity;
• any responsible official of the Disclosing Party, any Contractor or any Affiliated Entity or any other official, agent or employee of the Disclosing Party, any Contractor or any Affiliated Entity, acting pursuant to the direction or authorization of a responsible official of the Disclosing Party, any Contractor or any Affiliated Entity (collectively "Agents").

Neither the Disclosing Party, nor any Contractor, nor any Affiliated Entity of either the Disclosing Party or any Contractor nor any Agents have, during the five years before the date this EDS is signed, or, with respect to a Contractor, an Affiliated Entity, or an Affiliated Entity of a Contractor during the five years before the date of such Contractor's or Affiliated Entity's contract or engagement in connection with the Matter:

a. bribed or attempted to bribe, or been convicted or adjudged guilty of bribery or attempting to bribe, a public officer or employee of the City, the State of Illinois, or any agency of the federal government or of any state or local government in the United States of America, in that officer's or employee's official capacity;

b. agreed or colluded with other bidders or prospective bidders, or been a party to any such agreement, or been convicted or adjudged guilty of agreement or collusion among bidders or prospective bidders, in restraint of freedom of competition by agreement to bid a fixed price or otherwise; or

c. made an admission of such conduct described in a. or b. above that is a matter of record, but have not been prosecuted for such conduct; or

d. violated the provisions of Municipal Code Section 2-92-610 (Living Wage Ordinance).

4. Neither the Disclosing Party, Affiliated Entity or Contractor, or any of their employees, officials, agents or partners, is barred from contracting with any unit of state or local government as a result of engaging in or being convicted of (1) bid-rigging in violation of 720 ILCS 5/33E-3; (2) bid-rotating in violation of 720 ILCS 5/33E-4; or (3) any similar offense of any state or of the United States of America that contains the same elements as the offense of bid-rigging or bid-rotating.

5. Neither the Disclosing Party nor any Affiliated Entity is listed on any of the following lists maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the Bureau of Industry and Security of the U.S. Department of Commerce or their successors: the Specially Designated Nationals List, the Denied Persons List, the Unverified List, the Entity List and the Debarred List.

6. The Disclosing Party understands and shall comply with the applicable requirements of Chapters 2-55 (Legislative Inspector General), 2-56 (Inspector General) and 2-156 (Governmental Ethics) of the Municipal Code.

7. If the Disclosing Party is unable to certify to any of the above statements in this Part B (Further Certifications), the Disclosing Party must explain below:

N/A

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

8. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all current employees of the Disclosing Party who were, at any time during the 12-month period preceding the execution date of this EDS, an employee, or elected or appointed official, of the City of Chicago (if none, indicate with "N/A" or "none").

N/A

9. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all gifts that the Disclosing Party has given or caused to be given, at any time during the 12-month period preceding the execution date of this EDS, to an employee, or elected or appointed official, of the City of Chicago. For purposes of this statement, a "gift" does not include: (i) anything made generally available to City employees or to the general public, or (ii) food or drink provided in the course of official City business and having a retail value of less than $20 per recipient (if none, indicate with "N/A" or "none"). As to any gift listed below, please also list the name of the City recipient.

N/A

C. CERTIFICATION OF STATUS AS FINANCIAL INSTITUTION

1. The Disclosing Party certifies that the Disclosing Party (check one)

[ ] is [X] is not

a "financial institution" as defined in Section 2-32-455(b) of the Municipal Code.

2. If the Disclosing Party IS a financial institution, then the Disclosing Party pledges:

"We are not and will not become a predatory lender as defined in Chapter 2-32 of the Municipal Code. We further pledge that none of our affiliates is, and none of them will become, a predatory lender as defined in Chapter 2-32 of the Municipal Code. We understand that becoming a predatory lender or becoming an affiliate of a predatory lender may result in the loss of the privilege of doing business with the City."

If the Disclosing Party is unable to make this pledge because it or any of its affiliates (as defined in Section 2-32-455(b) of the Municipal Code) is a predatory lender within the meaning of Chapter 2-32 of the Municipal Code, explain here (attach additional pages if necessary):

N/A

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

D. CERTIFICATION REGARDING INTEREST IN CITY BUSINESS

Any words or terms that are defined in Chapter 2-156 of the Municipal Code have the same meanings when used in this Part D.

1. In accordance with Section 2-156-110 of the Municipal Code: Does any official or employee of the City have a financial interest in his or her own name or in the name of any other person or entity in the Matter?

[ ] Yes [X] No

NOTE: If you checked "Yes" to Item D.1., proceed to Items D.2. and D.3. If you checked "No" to Item D.1., proceed to Part E.

2. Unless sold pursuant to a process of competitive bidding, or otherwise permitted, no City elected official or employee shall have a financial interest in his or her own name or in the name of any other person or entity in the purchase of any property that (i) belongs to the City, or (ii) is sold for taxes or assessments, or (iii) is sold by virtue of legal process at the suit of the City (collectively, "City Property Sale"). Compensation for property taken pursuant to the City's eminent domain power does not constitute a financial interest within the meaning of this Part D.

Does the Matter involve a City Property Sale?

[ ] Yes [X] No

3. If you checked "Yes" to Item D.1., provide the names and business addresses of the City officials or employees having such interest and identify the nature of such interest:

Name	Business Address	Nature of Interest

4. The Disclosing Party further certifies that no prohibited financial interest in the Matter will be acquired by any City official or employee.

E. CERTIFICATION REGARDING SLAVERY ERA BUSINESS

Please check either 1. or 2. below. If the Disclosing Party checks 2., the Disclosing Party must disclose below or in an attachment to this EDS all information required by paragraph 2. Failure to

comply with these disclosure requirements may make any contract entered into with the City in connection with the Matter voidable by the City.

_X_ 1. The Disclosing Party verifies that the Disclosing Party has searched any and all records of the Disclosing Party and any and all predecessor entities regarding records of investments or profits from slavery or slaveholder insurance policies during the slavery era (including insurance policies issued to slaveholders that provided coverage for damage to or injury or death of their slaves), and the Disclosing Party has found no such records.

____2. The Disclosing Party verifies that, as a result of conducting the search in step 1 above, the Disclosing Party has found records of investments or profits from slavery or slaveholder insurance policies. The Disclosing Party verifies that the following constitutes full disclosure of all such records, including the names of any and all slaves or slaveholders described in those records:

_____

_____

_____

_____

SECTION VI -- CERTIFICATIONS FOR FEDERALLY FUNDED MATTERS

NOTE: If the Matter is federally funded, complete this Section VI. **If the Matter is not federally funded**, proceed to Section VII. For purposes of this Section VI, tax credits allocated by the City and proceeds of debt obligations of the City are not federal funding.

A. CERTIFICATION REGARDING LOBBYING

1. List below the names of all persons or entities registered under the federal Lobbying Disclosure Act of 1995 who have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter: (Add sheets if necessary):

None

_____

_____

(If no explanation appears or begins on the lines above, or if the letters "NA" or if the word "None" appear, it will be conclusively presumed that the Disclosing Party means that NO persons or entities registered under the Lobbying Disclosure Act of 1995 have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter.)

2. The Disclosing Party has not spent and will not expend any federally appropriated funds to pay any person or entity listed in Paragraph A.1. above for his or her lobbying activities or to pay any person or entity to influence or attempt to influence an officer or employee of any agency, as defined by applicable federal law, a member of Congress, an officer or employee of Congress, or an employee of a member of Congress, in connection with the award of any federally funded contract, making any federally funded grant or loan, entering into any cooperative agreement, or to extend, continue, renew, amend, or modify any federally funded contract, grant, loan, or cooperative agreement.

3. The Disclosing Party will submit an updated certification at the end of each calendar quarter in which there occurs any event that materially affects the accuracy of the statements and information set forth in paragraphs A.1. and A.2. above.

4. The Disclosing Party certifies that either: (i) it is not an organization described in section 501(c)(4) of the Internal Revenue Code of 1986; or (ii) it is an organization described in section 501(c)(4) of the Internal Revenue Code of 1986 but has not engaged and will not engage in "Lobbying Activities".

5. If the Disclosing Party is the Applicant, the Disclosing Party must obtain certifications equal in form and substance to paragraphs A.1. through A.4. above from all subcontractors before it awards any subcontract and the Disclosing Party must maintain all such subcontractors' certifications for the duration of the Matter and must make such certifications promptly available to the City upon request.

B. CERTIFICATION REGARDING EQUAL EMPLOYMENT OPPORTUNITY

If the Matter is federally funded, federal regulations require the Applicant and all proposed subcontractors to submit the following information with their bids or in writing at the outset of negotiations.

Is the Disclosing Party the Applicant?

[ ] Yes [X] No

If "Yes," answer the three questions below:

1. Have you developed and do you have on file affirmative action programs pursuant to applicable federal regulations? (See 41 CFR Part 60-2.)
[ ] Yes [ ] No

2. Have you filed with the Joint Reporting Committee, the Director of the Office of Federal Contract Compliance Programs, or the Equal Employment Opportunity Commission all reports due under the applicable filing requirements?
[ ] Yes [ ] No

3. Have you participated in any previous contracts or subcontracts subject to the equal opportunity clause?
[ ] Yes [ ] No

If you checked "No" to question 1. or 2. above, please provide an explanation:

_____

_____

SECTION VII -- ACKNOWLEDGMENTS, CONTRACT INCORPORATION, COMPLIANCE, PENALTIES, DISCLOSURE

The Disclosing Party understands and agrees that:

A. The certifications, disclosures, and acknowledgments contained in this EDS will become part of any contract or other agreement between the Applicant and the City in connection with the Matter, whether procurement, City assistance, or other City action, and are material inducements to the City's execution of any contract or taking other action with respect to the Matter. The Disclosing Party understands that it must comply with all statutes, ordinances, and regulations on which this EDS is based.

B. The City's Governmental Ethics and Campaign Financing Ordinances, Chapters 2-156 and 2-164 of the Municipal Code, impose certain duties and obligations on persons or entities seeking City contracts, work, business, or transactions. The full text of these ordinances and a training program is available on line at www.cityofchicago.org/Ethics, and may also be obtained from the City's Board of Ethics, 740 N.

Sedgwick St., Suite 500, Chicago, IL 60610, (312) 744-9660. The Disclosing Party must comply fully with the applicable ordinances.

C. If the City determines that any information provided in this EDS is false, incomplete or inaccurate, any contract or other agreement in connection with which it is submitted may be rescinded or be void or voidable, and the City may pursue any remedies under the contract or agreement (if not rescinded or void), at law, or in equity, including terminating the Disclosing Party's participation in the Matter and/or declining to allow the Disclosing Party to participate in other transactions with the City. Remedies at law for a false statement of material fact may include incarceration and an award to the City of treble damages.

D. It is the City's policy to make this document available to the public on its Internet site and/or upon request. Some or all of the information provided on this EDS and any attachments to this EDS may be made available to the public on the Internet, in response to a Freedom of Information Act request, or otherwise. By completing and signing this EDS, the Disclosing Party waives and releases any possible rights or claims which it may have against the City in connection with the public release of information contained in this EDS and also authorizes the City to verify the accuracy of any information submitted in this EDS.

E. The information provided in this EDS must be kept current. In the event of changes, the Disclosing Party must supplement this EDS up to the time the City takes action on the Matter. If the Matter is a contract being handled by the City's Department of Procurement Services, the Disclosing Party must update this EDS as the contract requires. **NOTE:** With respect to Matters subject to Article I of Chapter 1-23 of the Municipal Code (imposing **PERMANENT INELIGIBILITY** for certain specified offenses), the information provided herein regarding eligibility must be kept current for a longer period, as required by Chapter 1-23 and Section 2-154-020 of the Municipal Code.

The Disclosing Party represents and warrants that:

F.1. The Disclosing Party is not delinquent in the payment of any tax administered by the Illinois Department of Revenue, nor are the Disclosing Party or its Affiliated Entities delinquent in paying any fine, fee, tax or other charge owed to the City. This includes, but is not limited to, all water charges, sewer charges, license fees, parking tickets, property taxes or sales taxes.

F.2 If the Disclosing Party is the Applicant, the Disclosing Party and its Affiliated Entities will not use, nor permit their subcontractors to use, any facility listed by the U.S. E.P.A. on the federal Excluded Parties List System ("EPLS") maintained by the U. S. General Services Administration.

F.3 If the Disclosing Party is the Applicant, the Disclosing Party will obtain from any contractors/subcontractors hired or to be hired in connection with the Matter certifications equal in form and substance to those in F.1. and F.2. above and will not, without the prior written consent of the City, use any such contractor/subcontractor that does not provide such certifications or that the Disclosing Party has reason to believe has not provided or cannot provide truthful certifications.

NOTE: If the Disclosing Party cannot certify as to any of the items in F.1., F.2. or F.3. above, an explanatory statement must be attached to this EDS.

CERTIFICATION

Under penalty of perjury, the person signing below: (1) warrants that he/she is authorized to execute this EDS and Appendix A (if applicable) on behalf of the Disclosing Party, and (2) warrants that all certifications and statements contained in this EDS and Appendix A (if applicable) are true, accurate and complete as of the date furnished to the City.

Alliant, Inc.
(Print or type name of Disclosing Party)

By: _____
(Sign here)

Brian Goldberg
(Print or type name of person signing)

President
(Print or type title of person signing)

Signed and sworn to before me on (date) 12/4/2014,
at LosAngeles County, CA (state).

Anush Sinanian Notary Public.

Commission expires: 9/24/2017

ANUSH SINANIAN
Commission # 2042671
Notary Public - California
Los Angeles County
My Comm. Expires Sep 24, 2017

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT AND AFFIDAVIT
APPENDIX A

FAMILIAL RELATIONSHIPS WITH ELECTED CITY OFFICIALS AND DEPARTMENT HEADS

This Appendix is to be completed only by (a) the Applicant, and (b) any legal entity which has a direct ownership interest in the Applicant exceeding 7.5 percent. It is not to be completed by any legal entity which has only an indirect ownership interest in the Applicant.

Under Municipal Code Section 2-154-015, the Disclosing Party must disclose whether such Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently has a "familial relationship" with any elected city official or department head. A "familial relationship" exists if, as of the date this EDS is signed, the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof is related to the mayor, any alderman, the city clerk, the city treasurer or any city department head as spouse or domestic partner or as any of the following, whether by blood or adoption: parent, child, brother or sister, aunt or uncle, niece or nephew, grandparent, grandchild, father-in-law, mother-in-law, son-in-law, daughter-in-law, stepfather or stepmother, stepson or stepdaughter, stepbrother or stepsister or half-brother or half-sister.

"Applicable Party" means (1) all executive officers of the Disclosing Party listed in Section II.B.1.a., if the Disclosing Party is a corporation; all partners of the Disclosing Party, if the Disclosing Party is a general partnership; all general partners and limited partners of the Disclosing Party, if the Disclosing Party is a limited partnership; all managers, managing members and members of the Disclosing Party, if the Disclosing Party is a limited liability company; (2) all principal officers of the Disclosing Party; and (3) any person having more than a 7.5 percent ownership interest in the Disclosing Party. "Principal officers" means the president, chief operating officer, executive director, chief financial officer, treasurer or secretary of a legal entity or any person exercising similar authority.

Does the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently have a "familial relationship" with an elected city official or department head?

[ ] Yes [X] No

If yes, please identify below (1) the name and title of such person, (2) the name of the legal entity to which such person is connected; (3) the name and title of the elected city official or department head to whom such person has a familial relationship, and (4) the precise nature of such familial relationship.

_____

_____

_____

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT
AND AFFIDAVIT

SECTION I -- GENERAL INFORMATION

A. Legal name of the Disclosing Party submitting this EDS. Include d/b/a/ if applicable:

SAK Housing, LLC

Check ONE of the following three boxes:

Indicate whether the Disclosing Party submitting this EDS is:

1. [ ] the Applicant
   OR
2. [X] a legal entity holding a direct or indirect interest in the Applicant. State the legal name of the Applicant in which the Disclosing Party holds an interest: Hilliard Homes II Limited Partnership
   OR
3. [ ] a legal entity with a right of control (see Section II.B.1.) State the legal name of the entity in which the Disclosing Party holds a right of control: _____

B. Business address of the Disclosing Party: 340 Royal Poinciana Way, Suite 305
Palm Beach, FL 33480

C. Telephone: 561-833-5795 Fax: 561-833-3684 Email: jjenkins@eskopb.com

D. Name of contact person: James Jenkins

E. Federal Employer Identification No. (if you have one): _____

F. Brief description of contract, transaction or other undertaking (referred to below as the "Matter") to which this EDS pertains. (Include project number and location of property, if applicable):

Subordinate financing from the City of Chicago for replacement of existing windows.

G. Which City agency or department is requesting this EDS? Department of Planning and Development

If the Matter is a contract being handled by the City's Department of Procurement Services, please complete the following:

Specification # N/A and Contract # N/A

SECTION II -- DISCLOSURE OF OWNERSHIP INTERESTS

A. NATURE OF THE DISCLOSING PARTY

1. Indicate the nature of the Disclosing Party:

[ ] Person
[ ] Publicly registered business corporation
[ ] Privately held business corporation
[ ] Sole proprietorship
[ ] General partnership
[ ] Limited partnership
[ ] Trust
[X] Limited liability company
[ ] Limited liability partnership
[ ] Joint venture
[ ] Not-for-profit corporation
(Is the not-for-profit corporation also a 501(c)(3))?
[ ] Yes [ ] No
[ ] Other (please specify)

2. For legal entities, the state (or foreign country) of incorporation or organization, if applicable:

Florida

3. For legal entities not organized in the State of Illinois: Has the organization registered to do business in the State of Illinois as a foreign entity?

[ ] Yes [X] No [ ] N/A

B. IF THE DISCLOSING PARTY IS A LEGAL ENTITY:

1. List below the full names and titles of all executive officers and all directors of the entity. **NOTE:** For not-for-profit corporations, also list below all members, if any, which are legal entities. If there are no such members, write "no members." For trusts, estates or other similar entities, list below the legal titleholder(s).

If the entity is a general partnership, limited partnership, limited liability company, limited liability partnership or joint venture, list below the name and title of each general partner, managing member, manager or any other person or entity that controls the day-to-day management of the Disclosing Party. **NOTE**: Each legal entity listed below must submit an EDS on its own behalf.

Name	Title
Robert Kohl	Managing Member

2. Please provide the following information concerning each person or entity having a direct or indirect beneficial interest (including ownership) in excess of 7.5% of the Disclosing Party. Examples of such an interest include shares in a corporation, partnership interest in a partnership or joint venture,

interest of a member or manager in a limited liability company, or interest of a beneficiary of a trust, estate or other similar entity. If none, state "None." **NOTE**: Pursuant to Section 2-154-030 of the Municipal Code of Chicago ("Municipal Code"), the City may require any such additional information from any applicant which is reasonably intended to achieve full disclosure.

Name	Business Address	Percentage Interest in the Disclosing Party
Kohl New Generations Trust	340 Royal Poinciana Way, suite 305, Palm Beach, FL 33480	11.25%
SAK Housing, Inc.	340 Royal Poinciana Way, suite 305, Palm Beach, FL 33480	45%
Sidney A Kohl 2012 Irrevocable Family Trust	340 Royal Poinciana Way, suite 305, Palm Beach, FL 33480	24%
The Lawrence Kohl 2013 Family Trust	340 Royal Poinciana Way, suite 305, Palm Beach, FL 33480	15%

SECTION III -- BUSINESS RELATIONSHIPS WITH CITY ELECTED OFFICIALS

Has the Disclosing Party had a "business relationship," as defined in Chapter 2-156 of the Municipal Code, with any City elected official in the 12 months before the date this EDS is signed?

[ ] Yes [X] No

If yes, please identify below the name(s) of such City elected official(s) and describe such relationship(s):

N/A

SECTION IV -- DISCLOSURE OF SUBCONTRACTORS AND OTHER RETAINED PARTIES

The Disclosing Party must disclose the name and business address of each subcontractor, attorney, lobbyist, accountant, consultant and any other person or entity whom the Disclosing Party has retained or expects to retain in connection with the Matter, as well as the nature of the relationship, and the total amount of the fees paid or estimated to be paid. The Disclosing Party is not required to disclose employees who are paid solely through the Disclosing Party's regular payroll.

"Lobbyist" means any person or entity who undertakes to influence any legislative or administrative action on behalf of any person or entity other than: (1) a not-for-profit entity, on an unpaid basis, or (2) himself. "Lobbyist" also means any person or entity any part of whose duties as an employee of another includes undertaking to influence any legislative or administrative action.

If the Disclosing Party is uncertain whether a disclosure is required under this Section, the Disclosing Party must either ask the City whether disclosure is required or make the disclosure.

Name (indicate whether retained or anticipated to be retained)	Business Address	Relationship to Disclosing Party (subcontractor, attorney, lobbyist, etc.)	Fees (indicate whether paid or estimated.) **NOTE:** "hourly rate" or "t.b.d." is not an acceptable response.
N/A			

(Add sheets if necessary)

[X] Check here if the Disclosing Party has not retained, nor expects to retain, any such persons or entities.

SECTION V -- CERTIFICATIONS

A. COURT-ORDERED CHILD SUPPORT COMPLIANCE

Under Municipal Code Section 2-92-415, substantial owners of business entities that contract with the City must remain in compliance with their child support obligations throughout the contract's term.

Has any person who directly or indirectly owns 10% or more of the Disclosing Party been declared in arrearage on any child support obligations by any Illinois court of competent jurisdiction?

[ ] Yes [X] No [ ] No person directly or indirectly owns 10% or more of the Disclosing Party.

If "Yes," has the person entered into a court-approved agreement for payment of all support owed and is the person in compliance with that agreement?

[ ] Yes [ ] No

B. FURTHER CERTIFICATIONS

1. Pursuant to Municipal Code Chapter 1-23, Article I ("Article I")(which the Applicant should consult for defined terms (e.g., "doing business") and legal requirements), if the Disclosing Party submitting this EDS is the Applicant and is doing business with the City, then the Disclosing Party certifies as follows: (i) neither the Applicant nor any controlling person is currently indicted or charged with, or has admitted guilt of, or has ever been convicted of, or placed under supervision for, any criminal offense involving actual, attempted, or conspiracy to commit bribery, theft, fraud, forgery, perjury, dishonesty or deceit against an officer or employee of the City or any sister agency; and (ii) the Applicant understands and acknowledges that compliance with Article I is a continuing requirement for doing business with the City. NOTE: If Article I applies to the Applicant, the permanent compliance timeframe in Article I supersedes some five-year compliance timeframes in certifications 2 and 3 below.

2. The Disclosing Party and, if the Disclosing Party is a legal entity, all of those persons or entities identified in Section II.B.1. of this EDS:

a. are not presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from any transactions by any federal, state or local unit of government;

b. have not, within a five-year period preceding the date of this EDS, been convicted of a criminal offense, adjudged guilty, or had a civil judgment rendered against them in connection with: obtaining, attempting to obtain, or performing a public (federal, state or local) transaction or contract under a public transaction; a violation of federal or state antitrust statutes; fraud; embezzlement; theft; forgery; bribery; falsification or destruction of records; making false statements; or receiving stolen property;

c. are not presently indicted for, or criminally or civilly charged by, a governmental entity (federal, state or local) with committing any of the offenses set forth in clause B.2.b. of this Section V;

d. have not, within a five-year period preceding the date of this EDS, had one or more public transactions (federal, state or local) terminated for cause or default; and

e. have not, within a five-year period preceding the date of this EDS, been convicted, adjudged guilty, or found liable in a civil proceeding, or in any criminal or civil action, including actions concerning environmental violations, instituted by the City or by the federal government, any state, or any other unit of local government.

3. The certifications in subparts 3, 4 and 5 concern:

• the Disclosing Party;
• any "Contractor" (meaning any contractor or subcontractor used by the Disclosing Party in connection with the Matter, including but not limited to all persons or legal entities disclosed under Section IV, "Disclosure of Subcontractors and Other Retained Parties");
• any "Affiliated Entity" (meaning a person or entity that, directly or indirectly: controls the Disclosing Party, is controlled by the Disclosing Party, or is, with the Disclosing Party, under common control of another person or entity. Indicia of control include, without limitation: interlocking management or ownership; identity of interests among family members, shared facilities and equipment; common use of employees; or organization of a business entity following the ineligibility of a business entity to do business with federal or state or local government, including the City, using substantially the same management, ownership, or principals as the ineligible entity); with respect to Contractors, the term Affiliated Entity means a person or entity that directly or indirectly controls the Contractor, is controlled by it, or, with the Contractor, is under common control of another person or entity;
• any responsible official of the Disclosing Party, any Contractor or any Affiliated Entity or any other official, agent or employee of the Disclosing Party, any Contractor or any Affiliated Entity, acting pursuant to the direction or authorization of a responsible official of the Disclosing Party, any Contractor or any Affiliated Entity (collectively "Agents").

Neither the Disclosing Party, nor any Contractor, nor any Affiliated Entity of either the Disclosing Party or any Contractor nor any Agents have, during the five years before the date this EDS is signed, or, with respect to a Contractor, an Affiliated Entity, or an Affiliated Entity of a Contractor during the five years before the date of such Contractor's or Affiliated Entity's contract or engagement in connection with the Matter:

a. bribed or attempted to bribe, or been convicted or adjudged guilty of bribery or attempting to bribe, a public officer or employee of the City, the State of Illinois, or any agency of the federal government or of any state or local government in the United States of America, in that officer's or employee's official capacity;

b. agreed or colluded with other bidders or prospective bidders, or been a party to any such agreement, or been convicted or adjudged guilty of agreement or collusion among bidders or prospective bidders, in restraint of freedom of competition by agreement to bid a fixed price or otherwise; or

c. made an admission of such conduct described in a. or b. above that is a matter of record, but have not been prosecuted for such conduct; or

d. violated the provisions of Municipal Code Section 2-92-610 (Living Wage Ordinance).

4. Neither the Disclosing Party, Affiliated Entity or Contractor, or any of their employees, officials, agents or partners, is barred from contracting with any unit of state or local government as a result of engaging in or being convicted of (1) bid-rigging in violation of 720 ILCS 5/33E-3; (2) bid-rotating in violation of 720 ILCS 5/33E-4; or (3) any similar offense of any state or of the United States of America that contains the same elements as the offense of bid-rigging or bid-rotating.

5. Neither the Disclosing Party nor any Affiliated Entity is listed on any of the following lists maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the Bureau of Industry and Security of the U.S. Department of Commerce or their successors: the Specially Designated Nationals List, the Denied Persons List, the Unverified List, the Entity List and the Debarred List.

6. The Disclosing Party understands and shall comply with the applicable requirements of Chapters 2-55 (Legislative Inspector General), 2-56 (Inspector General) and 2-156 (Governmental Ethics) of the Municipal Code.

7. If the Disclosing Party is unable to certify to any of the above statements in this Part B (Further Certifications), the Disclosing Party must explain below:

N/A

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

8. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all current employees of the Disclosing Party who were, at any time during the 12-month period preceding the execution date of this EDS, an employee, or elected or appointed official, of the City of Chicago (if none, indicate with "N/A" or "none").

N/A

9. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all gifts that the Disclosing Party has given or caused to be given, at any time during the 12-month period preceding the execution date of this EDS, to an employee, or elected or appointed official, of the City of Chicago. For purposes of this statement, a "gift" does not include: (i) anything made generally available to City employees or to the general public, or (ii) food or drink provided in the course of official City business and having a retail value of less than $20 per recipient (if none, indicate with "N/A" or "none"). As to any gift listed below, please also list the name of the City recipient.

N/A

C. CERTIFICATION OF STATUS AS FINANCIAL INSTITUTION

1. The Disclosing Party certifies that the Disclosing Party (check one)

[ ] is [X] is not

a "financial institution" as defined in Section 2-32-455(b) of the Municipal Code.

2. If the Disclosing Party IS a financial institution, then the Disclosing Party pledges:

"We are not and will not become a predatory lender as defined in Chapter 2-32 of the Municipal Code. We further pledge that none of our affiliates is, and none of them will become, a predatory lender as defined in Chapter 2-32 of the Municipal Code. We understand that becoming a predatory lender or becoming an affiliate of a predatory lender may result in the loss of the privilege of doing business with the City."

If the Disclosing Party is unable to make this pledge because it or any of its affiliates (as defined in Section 2-32-455(b) of the Municipal Code) is a predatory lender within the meaning of Chapter 2-32 of the Municipal Code, explain here (attach additional pages if necessary):

N/A

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

D. CERTIFICATION REGARDING INTEREST IN CITY BUSINESS

Any words or terms that are defined in Chapter 2-156 of the Municipal Code have the same meanings when used in this Part D.

1. In accordance with Section 2-156-110 of the Municipal Code: Does any official or employee of the City have a financial interest in his or her own name or in the name of any other person or entity in the Matter?

[ ] Yes [X] No

NOTE: If you checked "Yes" to Item D.1., proceed to Items D.2. and D.3. If you checked "No" to Item D.1., proceed to Part E.

2. Unless sold pursuant to a process of competitive bidding, or otherwise permitted, no City elected official or employee shall have a financial interest in his or her own name or in the name of any other person or entity in the purchase of any property that (i) belongs to the City, or (ii) is sold for taxes or assessments, or (iii) is sold by virtue of legal process at the suit of the City (collectively, "City Property Sale"). Compensation for property taken pursuant to the City's eminent domain power does not constitute a financial interest within the meaning of this Part D.

Does the Matter involve a City Property Sale?

[ ] Yes [X] No

3. If you checked "Yes" to Item D.1., provide the names and business addresses of the City officials or employees having such interest and identify the nature of such interest:

Name	Business Address	Nature of Interest

4. The Disclosing Party further certifies that no prohibited financial interest in the Matter will be acquired by any City official or employee.

E. CERTIFICATION REGARDING SLAVERY ERA BUSINESS

Please check either 1. or 2. below. If the Disclosing Party checks 2., the Disclosing Party must disclose below or in an attachment to this EDS all information required by paragraph 2. Failure to

comply with these disclosure requirements may make any contract entered into with the City in connection with the Matter voidable by the City.

_X_ 1. The Disclosing Party verifies that the Disclosing Party has searched any and all records of the Disclosing Party and any and all predecessor entities regarding records of investments or profits from slavery or slaveholder insurance policies during the slavery era (including insurance policies issued to slaveholders that provided coverage for damage to or injury or death of their slaves), and the Disclosing Party has found no such records.

____ 2. The Disclosing Party verifies that, as a result of conducting the search in step 1 above, the Disclosing Party has found records of investments or profits from slavery or slaveholder insurance policies. The Disclosing Party verifies that the following constitutes full disclosure of all such records, including the names of any and all slaves or slaveholders described in those records:

_____

_____

_____

_____

SECTION VI -- CERTIFICATIONS FOR FEDERALLY FUNDED MATTERS

NOTE: If the Matter is federally funded, complete this Section VI. **If the Matter is not federally funded**, proceed to Section VII. For purposes of this Section VI, tax credits allocated by the City and proceeds of debt obligations of the City are not federal funding.

A. CERTIFICATION REGARDING LOBBYING

1. List below the names of all persons or entities registered under the federal Lobbying Disclosure Act of 1995 who have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter: (Add sheets if necessary):

None

_____

_____

(If no explanation appears or begins on the lines above, or if the letters "NA" or if the word "None" appear, it will be conclusively presumed that the Disclosing Party means that NO persons or entities registered under the Lobbying Disclosure Act of 1995 have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter.)

2. The Disclosing Party has not spent and will not expend any federally appropriated funds to pay any person or entity listed in Paragraph A.1. above for his or her lobbying activities or to pay any person or entity to influence or attempt to influence an officer or employee of any agency, as defined by applicable federal law, a member of Congress, an officer or employee of Congress, or an employee of a member of Congress, in connection with the award of any federally funded contract, making any federally funded grant or loan, entering into any cooperative agreement, or to extend, continue, renew, amend, or modify any federally funded contract, grant, loan, or cooperative agreement.

3. The Disclosing Party will submit an updated certification at the end of each calendar quarter in which there occurs any event that materially affects the accuracy of the statements and information set forth in paragraphs A.1. and A.2. above.

4. The Disclosing Party certifies that either: (i) it is not an organization described in section 501(c)(4) of the Internal Revenue Code of 1986; or (ii) it is an organization described in section 501(c)(4) of the Internal Revenue Code of 1986 but has not engaged and will not engage in "Lobbying Activities".

5. If the Disclosing Party is the Applicant, the Disclosing Party must obtain certifications equal in form and substance to paragraphs A.1. through A.4. above from all subcontractors before it awards any subcontract and the Disclosing Party must maintain all such subcontractors' certifications for the duration of the Matter and must make such certifications promptly available to the City upon request.

B. CERTIFICATION REGARDING EQUAL EMPLOYMENT OPPORTUNITY

If the Matter is federally funded, federal regulations require the Applicant and all proposed subcontractors to submit the following information with their bids or in writing at the outset of negotiations.

Is the Disclosing Party the Applicant?

[ ] Yes [X] No

If "Yes," answer the three questions below:

1. Have you developed and do you have on file affirmative action programs pursuant to applicable federal regulations? (See 41 CFR Part 60-2.)
[ ] Yes [ ] No

2. Have you filed with the Joint Reporting Committee, the Director of the Office of Federal Contract Compliance Programs, or the Equal Employment Opportunity Commission all reports due under the applicable filing requirements?
[ ] Yes [ ] No

3. Have you participated in any previous contracts or subcontracts subject to the equal opportunity clause?
[ ] Yes [ ] No

If you checked "No" to question 1. or 2. above, please provide an explanation:

_____

_____

SECTION VII -- ACKNOWLEDGMENTS, CONTRACT INCORPORATION, COMPLIANCE, PENALTIES, DISCLOSURE

The Disclosing Party understands and agrees that:

A. The certifications, disclosures, and acknowledgments contained in this EDS will become part of any contract or other agreement between the Applicant and the City in connection with the Matter, whether procurement, City assistance, or other City action, and are material inducements to the City's execution of any contract or taking other action with respect to the Matter. The Disclosing Party understands that it must comply with all statutes, ordinances, and regulations on which this EDS is based.

B. The City's Governmental Ethics and Campaign Financing Ordinances, Chapters 2-156 and 2-164 of the Municipal Code, impose certain duties and obligations on persons or entities seeking City contracts, work, business, or transactions. The full text of these ordinances and a training program is available on line at www.cityofchicago.org/Ethics, and may also be obtained from the City's Board of Ethics, 740 N.

Sedgwick St., Suite 500, Chicago, IL 60610, (312) 744-9660. The Disclosing Party must comply fully with the applicable ordinances.

C. If the City determines that any information provided in this EDS is false, incomplete or inaccurate, any contract or other agreement in connection with which it is submitted may be rescinded or be void or voidable, and the City may pursue any remedies under the contract or agreement (if not rescinded or void), at law, or in equity, including terminating the Disclosing Party's participation in the Matter and/or declining to allow the Disclosing Party to participate in other transactions with the City. Remedies at law for a false statement of material fact may include incarceration and an award to the City of treble damages.

D. It is the City's policy to make this document available to the public on its Internet site and/or upon request. Some or all of the information provided on this EDS and any attachments to this EDS may be made available to the public on the Internet, in response to a Freedom of Information Act request, or otherwise. By completing and signing this EDS, the Disclosing Party waives and releases any possible rights or claims which it may have against the City in connection with the public release of information contained in this EDS and also authorizes the City to verify the accuracy of any information submitted in this EDS.

E. The information provided in this EDS must be kept current. In the event of changes, the Disclosing Party must supplement this EDS up to the time the City takes action on the Matter. If the Matter is a contract being handled by the City's Department of Procurement Services, the Disclosing Party must update this EDS as the contract requires. **NOTE:** With respect to Matters subject to Article I of Chapter 1-23 of the Municipal Code (imposing **PERMANENT INELIGIBILITY** for certain specified offenses), the information provided herein regarding eligibility must be kept current for a longer period, as required by Chapter 1-23 and Section 2-154-020 of the Municipal Code.

The Disclosing Party represents and warrants that:

F.1. The Disclosing Party is not delinquent in the payment of any tax administered by the Illinois Department of Revenue, nor are the Disclosing Party or its Affiliated Entities delinquent in paying any fine, fee, tax or other charge owed to the City. This includes, but is not limited to, all water charges, sewer charges, license fees, parking tickets, property taxes or sales taxes.

F.2 If the Disclosing Party is the Applicant, the Disclosing Party and its Affiliated Entities will not use, nor permit their subcontractors to use, any facility listed by the U.S. E.P.A. on the federal Excluded Parties List System ("EPLS") maintained by the U. S. General Services Administration.

F.3 If the Disclosing Party is the Applicant, the Disclosing Party will obtain from any contractors/subcontractors hired or to be hired in connection with the Matter certifications equal in form and substance to those in F.1. and F.2. above and will not, without the prior written consent of the City, use any such contractor/subcontractor that does not provide such certifications or that the Disclosing Party has reason to believe has not provided or cannot provide truthful certifications.

NOTE: If the Disclosing Party cannot certify as to any of the items in F.1., F.2. or F.3. above, an explanatory statement must be attached to this EDS.

CERTIFICATION

Under penalty of perjury, the person signing below: (1) warrants that he/she is authorized to execute this EDS and Appendix A (if applicable) on behalf of the Disclosing Party, and (2) warrants that all certifications and statements contained in this EDS and Appendix A (if applicable) are true, accurate and complete as of the date furnished to the City.

SAK Housing, LLC
(Print or type name of Disclosing Party)

By: _____
(Sign here)

Robert Kohl
(Print or type name of person signing)

Managing Member
(Print or type title of person signing)

Signed and sworn to before me on (date) Nov 25, 2014,
at Palm Beach County, Florida (state).

Moira Malloy-Bertrand
Notary Public

MOIRA MALLOY-BERTRAND
MY COMMISSION # FF 073457
EXPIRES: March 24, 2018
Bonded Thru Notary Public Underwriters

Expires: 3-24-2018

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT AND AFFIDAVIT
APPENDIX A

FAMILIAL RELATIONSHIPS WITH ELECTED CITY OFFICIALS AND DEPARTMENT HEADS

This Appendix is to be completed only by (a) the Applicant, and (b) any legal entity which has a direct ownership interest in the Applicant exceeding 7.5 percent. It is not to be completed by any legal entity which has only an indirect ownership interest in the Applicant.

Under Municipal Code Section 2-154-015, the Disclosing Party must disclose whether such Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently has a "familial relationship" with any elected city official or department head. A "familial relationship" exists if, as of the date this EDS is signed, the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof is related to the mayor, any alderman, the city clerk, the city treasurer or any city department head as spouse or domestic partner or as any of the following, whether by blood or adoption: parent, child, brother or sister, aunt or uncle, niece or nephew, grandparent, grandchild, father-in-law, mother-in-law, son-in-law, daughter-in-law, stepfather or stepmother, stepson or stepdaughter, stepbrother or stepsister or half-brother or half-sister.

"Applicable Party" means (1) all executive officers of the Disclosing Party listed in Section II.B.1.a., if the Disclosing Party is a corporation; all partners of the Disclosing Party, if the Disclosing Party is a general partnership; all general partners and limited partners of the Disclosing Party, if the Disclosing Party is a limited partnership; all managers, managing members and members of the Disclosing Party, if the Disclosing Party is a limited liability company; (2) all principal officers of the Disclosing Party; and (3) any person having more than a 7.5 percent ownership interest in the Disclosing Party. "Principal officers" means the president, chief operating officer, executive director, chief financial officer, treasurer or secretary of a legal entity or any person exercising similar authority.

Does the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently have a "familial relationship" with an elected city official or department head?

[ ] Yes [X] No

If yes, please identify below (1) the name and title of such person, (2) the name of the legal entity to which such person is connected; (3) the name and title of the elected city official or department head to whom such person has a familial relationship, and (4) the precise nature of such familial relationship.

_____

_____

_____

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT
AND AFFIDAVIT

SECTION I -- GENERAL INFORMATION

A. Legal name of the Disclosing Party submitting this EDS. Include d/b/a/ if applicable:

Kohl New Generations Trust

Check ONE of the following three boxes:

Indicate whether the Disclosing Party submitting this EDS is:

1. [ ] the Applicant
   OR
2. [X] a legal entity holding a direct or indirect interest in the Applicant. State the legal name of the Applicant in which the Disclosing Party holds an interest: Hilliard Homes II Limited Partnership
   OR
3. [ ] a legal entity with a right of control (see Section II.B.1.) State the legal name of the entity in which the Disclosing Party holds a right of control: _____

B. Business address of the Disclosing Party: 340 Royal Poinciana Way, Suite 305
Palm Beach, FL 33480

C. Telephone: 561-833-5795 Fax: 561-833-3684 Email: jjenkins@eskopb.com

D. Name of contact person: James Jenkins

E. Federal Employer Identification No. (if you have one): _____

F. Brief description of contract, transaction or other undertaking (referred to below as the "Matter") to which this EDS pertains. (Include project number and location of property, if applicable):

Subordinate financing from the City of Chicago for replacement of existing windows.

G. Which City agency or department is requesting this EDS? Department of Planning and Development

If the Matter is a contract being handled by the City's Department of Procurement Services, please complete the following:

Specification # N/A and Contract # N/A

SECTION II -- DISCLOSURE OF OWNERSHIP INTERESTS

A. NATURE OF THE DISCLOSING PARTY

1. Indicate the nature of the Disclosing Party:

[ ] Person
[ ] Publicly registered business corporation
[ ] Privately held business corporation
[ ] Sole proprietorship
[ ] General partnership
[ ] Limited partnership
[X] Trust
[ ] Limited liability company
[ ] Limited liability partnership
[ ] Joint venture
[ ] Not-for-profit corporation
(Is the not-for-profit corporation also a 501(c)(3))?
[ ] Yes [ ] No
[ ] Other (please specify)

2. For legal entities, the state (or foreign country) of incorporation or organization, if applicable:

Florida

3. For legal entities not organized in the State of Illinois: Has the organization registered to do business in the State of Illinois as a foreign entity?

[ ] Yes [X] No [ ] N/A

B. IF THE DISCLOSING PARTY IS A LEGAL ENTITY:

1. List below the full names and titles of all executive officers and all directors of the entity. **NOTE:** For not-for-profit corporations, also list below all members, if any, which are legal entities. If there are no such members, write "no members." For trusts, estates or other similar entities, list below the legal titleholder(s).

If the entity is a general partnership, limited partnership, limited liability company, limited liability partnership or joint venture, list below the name and title of each general partner, managing member, manager or any other person or entity that controls the day-to-day management of the Disclosing Party. **NOTE**: *Each legal entity listed below must submit an EDS on its own behalf.*

Name	Title
Pentacorp, Inc., Patricia Fadness, President	Trustee

2. Please provide the following information concerning each person or entity having a direct or indirect beneficial interest (including ownership) in excess of 7.5% of the Disclosing Party. Examples of such an interest include shares in a corporation, partnership interest in a partnership or joint venture,

interest of a member or manager in a limited liability company, or interest of a beneficiary of a trust, estate or other similar entity. If none, state "None." **NOTE**: Pursuant to Section 2-154-030 of the Municipal Code of Chicago ("Municipal Code"), the City may require any such additional information from any applicant which is reasonably intended to achieve full disclosure.

Name	Business Address	Percentage Interest in the Disclosing Party
SK Grandchildren	340 Royal Poinciana Way, suite 305, Palm Beach, FL 33480	Sole Beneficiary

SECTION III -- BUSINESS RELATIONSHIPS WITH CITY ELECTED OFFICIALS

Has the Disclosing Party had a "business relationship," as defined in Chapter 2-156 of the Municipal Code, with any City elected official in the 12 months before the date this EDS is signed?

[ ] Yes [X] No

If yes, please identify below the name(s) of such City elected official(s) and describe such relationship(s):

N/A

SECTION IV -- DISCLOSURE OF SUBCONTRACTORS AND OTHER RETAINED PARTIES

The Disclosing Party must disclose the name and business address of each subcontractor, attorney, lobbyist, accountant, consultant and any other person or entity whom the Disclosing Party has retained or expects to retain in connection with the Matter, as well as the nature of the relationship, and the total amount of the fees paid or estimated to be paid. The Disclosing Party is not required to disclose employees who are paid solely through the Disclosing Party's regular payroll.

"Lobbyist" means any person or entity who undertakes to influence any legislative or administrative action on behalf of any person or entity other than: (1) a not-for-profit entity, on an unpaid basis, or (2) himself. "Lobbyist" also means any person or entity any part of whose duties as an employee of another includes undertaking to influence any legislative or administrative action.

If the Disclosing Party is uncertain whether a disclosure is required under this Section, the Disclosing Party must either ask the City whether disclosure is required or make the disclosure.

Name (indicate whether retained or anticipated to be retained)	Business Address	Relationship to Disclosing Party (subcontractor, attorney, lobbyist, etc.)	Fees (indicate whether paid or estimated.) **NOTE:** "hourly rate" or "t.b.d." is not an acceptable response.
N/A			

(Add sheets if necessary)

[X] Check here if the Disclosing Party has not retained, nor expects to retain, any such persons or entities.

SECTION V -- CERTIFICATIONS

A. COURT-ORDERED CHILD SUPPORT COMPLIANCE

Under Municipal Code Section 2-92-415, substantial owners of business entities that contract with the City must remain in compliance with their child support obligations throughout the contract's term.

Has any person who directly or indirectly owns 10% or more of the Disclosing Party been declared in arrearage on any child support obligations by any Illinois court of competent jurisdiction?

[ ] Yes [X] No [ ] No person directly or indirectly owns 10% or more of the Disclosing Party.

If "Yes," has the person entered into a court-approved agreement for payment of all support owed and is the person in compliance with that agreement?

[ ] Yes [ ] No

B. FURTHER CERTIFICATIONS

1. Pursuant to Municipal Code Chapter 1-23, Article I ("Article I")(which the Applicant should consult for defined terms (e.g., "doing business") and legal requirements), if the Disclosing Party submitting this EDS is the Applicant and is doing business with the City, then the Disclosing Party certifies as follows: (i) neither the Applicant nor any controlling person is currently indicted or charged with, or has admitted guilt of, or has ever been convicted of, or placed under supervision for, any criminal offense involving actual, attempted, or conspiracy to commit bribery, theft, fraud, forgery, perjury, dishonesty or deceit against an officer or employee of the City or any sister agency; and (ii) the Applicant understands and acknowledges that compliance with Article I is a continuing requirement for doing business with the City. NOTE: If Article I applies to the Applicant, the permanent compliance timeframe in Article I supersedes some five-year compliance timeframes in certifications 2 and 3 below.

2. The Disclosing Party and, if the Disclosing Party is a legal entity, all of those persons or entities identified in Section II.B.1. of this EDS:

a. are not presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from any transactions by any federal, state or local unit of government;

b. have not, within a five-year period preceding the date of this EDS, been convicted of a criminal offense, adjudged guilty, or had a civil judgment rendered against them in connection with: obtaining, attempting to obtain, or performing a public (federal, state or local) transaction or contract under a public transaction; a violation of federal or state antitrust statutes; fraud; embezzlement; theft; forgery; bribery; falsification or destruction of records; making false statements; or receiving stolen property;

c. are not presently indicted for, or criminally or civilly charged by, a governmental entity (federal, state or local) with committing any of the offenses set forth in clause B.2.b. of this Section V;

d. have not, within a five-year period preceding the date of this EDS, had one or more public transactions (federal, state or local) terminated for cause or default; and

e. have not, within a five-year period preceding the date of this EDS, been convicted, adjudged guilty, or found liable in a civil proceeding, or in any criminal or civil action, including actions concerning environmental violations, instituted by the City or by the federal government, any state, or any other unit of local government.

3. The certifications in subparts 3, 4 and 5 concern:

• the Disclosing Party;
• any "Contractor" (meaning any contractor or subcontractor used by the Disclosing Party in connection with the Matter, including but not limited to all persons or legal entities disclosed under Section IV, "Disclosure of Subcontractors and Other Retained Parties");
• any "Affiliated Entity" (meaning a person or entity that, directly or indirectly: controls the Disclosing Party, is controlled by the Disclosing Party, or is, with the Disclosing Party, under common control of another person or entity. Indicia of control include, without limitation: interlocking management or ownership; identity of interests among family members, shared facilities and equipment; common use of employees; or organization of a business entity following the ineligibility of a business entity to do business with federal or state or local government, including the City, using substantially the same management, ownership, or principals as the ineligible entity); with respect to Contractors, the term Affiliated Entity means a person or entity that directly or indirectly controls the Contractor, is controlled by it, or, with the Contractor, is under common control of another person or entity;
• any responsible official of the Disclosing Party, any Contractor or any Affiliated Entity or any other official, agent or employee of the Disclosing Party, any Contractor or any Affiliated Entity, acting pursuant to the direction or authorization of a responsible official of the Disclosing Party, any Contractor or any Affiliated Entity (collectively "Agents").

Neither the Disclosing Party, nor any Contractor, nor any Affiliated Entity of either the Disclosing Party or any Contractor nor any Agents have, during the five years before the date this EDS is signed, or, with respect to a Contractor, an Affiliated Entity, or an Affiliated Entity of a Contractor during the five years before the date of such Contractor's or Affiliated Entity's contract or engagement in connection with the Matter:

a. bribed or attempted to bribe, or been convicted or adjudged guilty of bribery or attempting to bribe, a public officer or employee of the City, the State of Illinois, or any agency of the federal government or of any state or local government in the United States of America, in that officer's or employee's official capacity;

b. agreed or colluded with other bidders or prospective bidders, or been a party to any such agreement, or been convicted or adjudged guilty of agreement or collusion among bidders or prospective bidders, in restraint of freedom of competition by agreement to bid a fixed price or otherwise; or

c. made an admission of such conduct described in a. or b. above that is a matter of record, but have not been prosecuted for such conduct; or

d. violated the provisions of Municipal Code Section 2-92-610 (Living Wage Ordinance).

4. Neither the Disclosing Party, Affiliated Entity or Contractor, or any of their employees, officials, agents or partners, is barred from contracting with any unit of state or local government as a result of engaging in or being convicted of (1) bid-rigging in violation of 720 ILCS 5/33E-3; (2) bid-rotating in violation of 720 ILCS 5/33E-4; or (3) any similar offense of any state or of the United States of America that contains the same elements as the offense of bid-rigging or bid-rotating.

5. Neither the Disclosing Party nor any Affiliated Entity is listed on any of the following lists maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the Bureau of Industry and Security of the U.S. Department of Commerce or their successors: the Specially Designated Nationals List, the Denied Persons List, the Unverified List, the Entity List and the Debarred List.

6. The Disclosing Party understands and shall comply with the applicable requirements of Chapters 2-55 (Legislative Inspector General), 2-56 (Inspector General) and 2-156 (Governmental Ethics) of the Municipal Code.

7. If the Disclosing Party is unable to certify to any of the above statements in this Part B (Further Certifications), the Disclosing Party must explain below:

N/A

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

8. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all current employees of the Disclosing Party who were, at any time during the 12-month period preceding the execution date of this EDS, an employee, or elected or appointed official, of the City of Chicago (if none, indicate with "N/A" or "none").

N/A

9. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all gifts that the Disclosing Party has given or caused to be given, at any time during the 12-month period preceding the execution date of this EDS, to an employee, or elected or appointed official, of the City of Chicago. For purposes of this statement, a "gift" does not include: (i) anything made generally available to City employees or to the general public, or (ii) food or drink provided in the course of official City business and having a retail value of less than $20 per recipient (if none, indicate with "N/A" or "none"). As to any gift listed below, please also list the name of the City recipient.

N/A

C. CERTIFICATION OF STATUS AS FINANCIAL INSTITUTION

1. The Disclosing Party certifies that the Disclosing Party (check one)

[ ] is [X] is not

a "financial institution" as defined in Section 2-32-455(b) of the Municipal Code.

2. If the Disclosing Party IS a financial institution, then the Disclosing Party pledges:

"We are not and will not become a predatory lender as defined in Chapter 2-32 of the Municipal Code. We further pledge that none of our affiliates is, and none of them will become, a predatory lender as defined in Chapter 2-32 of the Municipal Code. We understand that becoming a predatory lender or becoming an affiliate of a predatory lender may result in the loss of the privilege of doing business with the City."

If the Disclosing Party is unable to make this pledge because it or any of its affiliates (as defined in Section 2-32-455(b) of the Municipal Code) is a predatory lender within the meaning of Chapter 2-32 of the Municipal Code, explain here (attach additional pages if necessary):

N/A

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

D. CERTIFICATION REGARDING INTEREST IN CITY BUSINESS

Any words or terms that are defined in Chapter 2-156 of the Municipal Code have the same meanings when used in this Part D.

1. In accordance with Section 2-156-110 of the Municipal Code: Does any official or employee of the City have a financial interest in his or her own name or in the name of any other person or entity in the Matter?

[ ] Yes [X] No

NOTE: If you checked "Yes" to Item D.1., proceed to Items D.2. and D.3. If you checked "No" to Item D.1., proceed to Part E.

2. Unless sold pursuant to a process of competitive bidding, or otherwise permitted, no City elected official or employee shall have a financial interest in his or her own name or in the name of any other person or entity in the purchase of any property that (i) belongs to the City, or (ii) is sold for taxes or assessments, or (iii) is sold by virtue of legal process at the suit of the City (collectively, "City Property Sale"). Compensation for property taken pursuant to the City's eminent domain power does not constitute a financial interest within the meaning of this Part D.

Does the Matter involve a City Property Sale?

[ ] Yes [X] No

3. If you checked "Yes" to Item D.1., provide the names and business addresses of the City officials or employees having such interest and identify the nature of such interest:

Name	Business Address	Nature of Interest

4. The Disclosing Party further certifies that no prohibited financial interest in the Matter will be acquired by any City official or employee.

E. CERTIFICATION REGARDING SLAVERY ERA BUSINESS

Please check either 1. or 2. below. If the Disclosing Party checks 2., the Disclosing Party must disclose below or in an attachment to this EDS all information required by paragraph 2. Failure to

comply with these disclosure requirements may make any contract entered into with the City in connection with the Matter voidable by the City.

_X_ 1. The Disclosing Party verifies that the Disclosing Party has searched any and all records of the Disclosing Party and any and all predecessor entities regarding records of investments or profits from slavery or slaveholder insurance policies during the slavery era (including insurance policies issued to slaveholders that provided coverage for damage to or injury or death of their slaves), and the Disclosing Party has found no such records.

____ 2. The Disclosing Party verifies that, as a result of conducting the search in step 1 above, the Disclosing Party has found records of investments or profits from slavery or slaveholder insurance policies. The Disclosing Party verifies that the following constitutes full disclosure of all such records, including the names of any and all slaves or slaveholders described in those records:

SECTION VI -- CERTIFICATIONS FOR FEDERALLY FUNDED MATTERS

NOTE: If the Matter is federally funded, complete this Section VI. **If the Matter is not federally funded**, proceed to Section VII. For purposes of this Section VI, tax credits allocated by the City and proceeds of debt obligations of the City are not federal funding.

A. CERTIFICATION REGARDING LOBBYING

1. List below the names of all persons or entities registered under the federal Lobbying Disclosure Act of 1995 who have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter: (Add sheets if necessary):

None

(If no explanation appears or begins on the lines above, or if the letters "NA" or if the word "None" appear, it will be conclusively presumed that the Disclosing Party means that NO persons or entities registered under the Lobbying Disclosure Act of 1995 have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter.)

2. The Disclosing Party has not spent and will not expend any federally appropriated funds to pay any person or entity listed in Paragraph A.1. above for his or her lobbying activities or to pay any person or entity to influence or attempt to influence an officer or employee of any agency, as defined by applicable federal law, a member of Congress, an officer or employee of Congress, or an employee of a member of Congress, in connection with the award of any federally funded contract, making any federally funded grant or loan, entering into any cooperative agreement, or to extend, continue, renew, amend, or modify any federally funded contract, grant, loan, or cooperative agreement.

3. The Disclosing Party will submit an updated certification at the end of each calendar quarter in which there occurs any event that materially affects the accuracy of the statements and information set forth in paragraphs A.1. and A.2. above.

4. The Disclosing Party certifies that either: (i) it is not an organization described in section 501(c)(4) of the Internal Revenue Code of 1986; or (ii) it is an organization described in section 501(c)(4) of the Internal Revenue Code of 1986 but has not engaged and will not engage in "Lobbying Activities".

5. If the Disclosing Party is the Applicant, the Disclosing Party must obtain certifications equal in form and substance to paragraphs A.1. through A.4. above from all subcontractors before it awards any subcontract and the Disclosing Party must maintain all such subcontractors' certifications for the duration of the Matter and must make such certifications promptly available to the City upon request.

B. CERTIFICATION REGARDING EQUAL EMPLOYMENT OPPORTUNITY

If the Matter is federally funded, federal regulations require the Applicant and all proposed subcontractors to submit the following information with their bids or in writing at the outset of negotiations.

Is the Disclosing Party the Applicant?

[ ] Yes [X] No

If "Yes," answer the three questions below:

1. Have you developed and do you have on file affirmative action programs pursuant to applicable federal regulations? (See 41 CFR Part 60-2.)
[ ] Yes [ ] No

2. Have you filed with the Joint Reporting Committee, the Director of the Office of Federal Contract Compliance Programs, or the Equal Employment Opportunity Commission all reports due under the applicable filing requirements?
[ ] Yes [ ] No

3. Have you participated in any previous contracts or subcontracts subject to the equal opportunity clause?
[ ] Yes [ ] No

If you checked "No" to question 1. or 2. above, please provide an explanation:

_____

_____

SECTION VII -- ACKNOWLEDGMENTS, CONTRACT INCORPORATION, COMPLIANCE, PENALTIES, DISCLOSURE

The Disclosing Party understands and agrees that:

A. The certifications, disclosures, and acknowledgments contained in this EDS will become part of any contract or other agreement between the Applicant and the City in connection with the Matter, whether procurement, City assistance, or other City action, and are material inducements to the City's execution of any contract or taking other action with respect to the Matter. The Disclosing Party understands that it must comply with all statutes, ordinances, and regulations on which this EDS is based.

B. The City's Governmental Ethics and Campaign Financing Ordinances, Chapters 2-156 and 2-164 of the Municipal Code, impose certain duties and obligations on persons or entities seeking City contracts, work, business, or transactions. The full text of these ordinances and a training program is available on line at www.cityofchicago.org/Ethics, and may also be obtained from the City's Board of Ethics, 740 N.

Sedgwick St., Suite 500, Chicago, IL 60610, (312) 744-9660. The Disclosing Party must comply fully with the applicable ordinances.

C. If the City determines that any information provided in this EDS is false, incomplete or inaccurate, any contract or other agreement in connection with which it is submitted may be rescinded or be void or voidable, and the City may pursue any remedies under the contract or agreement (if not rescinded or void), at law, or in equity, including terminating the Disclosing Party's participation in the Matter and/or declining to allow the Disclosing Party to participate in other transactions with the City. Remedies at law for a false statement of material fact may include incarceration and an award to the City of treble damages.

D. It is the City's policy to make this document available to the public on its Internet site and/or upon request. Some or all of the information provided on this EDS and any attachments to this EDS may be made available to the public on the Internet, in response to a Freedom of Information Act request, or otherwise. By completing and signing this EDS, the Disclosing Party waives and releases any possible rights or claims which it may have against the City in connection with the public release of information contained in this EDS and also authorizes the City to verify the accuracy of any information submitted in this EDS.

E. The information provided in this EDS must be kept current. In the event of changes, the Disclosing Party must supplement this EDS up to the time the City takes action on the Matter. If the Matter is a contract being handled by the City's Department of Procurement Services, the Disclosing Party must update this EDS as the contract requires. **NOTE:** With respect to Matters subject to Article I of Chapter 1-23 of the Municipal Code (imposing **PERMANENT INELIGIBILITY** for certain specified offenses), the information provided herein regarding eligibility must be kept current for a longer period, as required by Chapter 1-23 and Section 2-154-020 of the Municipal Code.

The Disclosing Party represents and warrants that:

F.1. The Disclosing Party is not delinquent in the payment of any tax administered by the Illinois Department of Revenue, nor are the Disclosing Party or its Affiliated Entities delinquent in paying any fine, fee, tax or other charge owed to the City. This includes, but is not limited to, all water charges, sewer charges, license fees, parking tickets, property taxes or sales taxes.

F.2 If the Disclosing Party is the Applicant, the Disclosing Party and its Affiliated Entities will not use, nor permit their subcontractors to use, any facility listed by the U.S. E.P.A. on the federal Excluded Parties List System ("EPLS") maintained by the U. S. General Services Administration.

F.3 If the Disclosing Party is the Applicant, the Disclosing Party will obtain from any contractors/subcontractors hired or to be hired in connection with the Matter certifications equal in form and substance to those in F.1. and F.2. above and will not, without the prior written consent of the City, use any such contractor/subcontractor that does not provide such certifications or that the Disclosing Party has reason to believe has not provided or cannot provide truthful certifications.

NOTE: If the Disclosing Party cannot certify as to any of the items in F.1., F.2. or F.3. above, an explanatory statement must be attached to this EDS.

CERTIFICATION

Under penalty of perjury, the person signing below: (1) warrants that he/she is authorized to execute this EDS and Appendix A (if applicable) on behalf of the Disclosing Party, and (2) warrants that all certifications and statements contained in this EDS and Appendix A (if applicable) are true, accurate and complete as of the date furnished to the City.

Kohl New Generations Trust
(Print or type name of Disclosing Party)

By: Patricia Fadness
(Sign here) By: Pentacorp, Inc., Trustee
By: Patricia Fadness, President

Patricia Fadness
(Print or type name of person signing)

President
(Print or type title of person signing)

Signed and sworn to before me on (date) Nov 25 2014,
at Palm Beach County, Florida (state).

Moira Malloy-Bertrand Notary Public.

Commission expires: 3-24-2018.

MOIRA MALLOY-BERTRAND
MY COMMISSION # FF 073037
EXPIRES: March 24, 2018
Bonded Thru Notary Public Underwriters

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT AND AFFIDAVIT
APPENDIX A

FAMILIAL RELATIONSHIPS WITH ELECTED CITY OFFICIALS AND DEPARTMENT HEADS

This Appendix is to be completed only by (a) the Applicant, and (b) any legal entity which has a direct ownership interest in the Applicant exceeding 7.5 percent. It is not to be completed by any legal entity which has only an indirect ownership interest in the Applicant.

Under Municipal Code Section 2-154-015, the Disclosing Party must disclose whether such Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently has a "familial relationship" with any elected city official or department head. A "familial relationship" exists if, as of the date this EDS is signed, the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof is related to the mayor, any alderman, the city clerk, the city treasurer or any city department head as spouse or domestic partner or as any of the following, whether by blood or adoption: parent, child, brother or sister, aunt or uncle, niece or nephew, grandparent, grandchild, father-in-law, mother-in-law, son-in-law, daughter-in-law, stepfather or stepmother, stepson or stepdaughter, stepbrother or stepsister or half-brother or half-sister.

"Applicable Party" means (1) all executive officers of the Disclosing Party listed in Section II.B.1.a., if the Disclosing Party is a corporation; all partners of the Disclosing Party, if the Disclosing Party is a general partnership; all general partners and limited partners of the Disclosing Party, if the Disclosing Party is a limited partnership; all managers, managing members and members of the Disclosing Party, if the Disclosing Party is a limited liability company; (2) all principal officers of the Disclosing Party; and (3) any person having more than a 7.5 percent ownership interest in the Disclosing Party. "Principal officers" means the president, chief operating officer, executive director, chief financial officer, treasurer or secretary of a legal entity or any person exercising similar authority.

Does the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently have a "familial relationship" with an elected city official or department head?

[ ] Yes [X] No

If yes, please identify below (1) the name and title of such person, (2) the name of the legal entity to which such person is connected; (3) the name and title of the elected city official or department head to whom such person has a familial relationship, and (4) the precise nature of such familial relationship.

_____

_____

_____

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT
AND AFFIDAVIT

SECTION I -- GENERAL INFORMATION

A. Legal name of the Disclosing Party submitting this EDS. Include d/b/a/ if applicable:

SAK Housing, Inc.

Check ONE of the following three boxes:

Indicate whether the Disclosing Party submitting this EDS is:

1. [ ] the Applicant
   OR
2. [X] a legal entity holding a direct or indirect interest in the Applicant. State the legal name of the Applicant in which the Disclosing Party holds an interest: Hilliard Homes II Limited Partnership
   OR
3. [ ] a legal entity with a right of control (see Section II.B.1.) State the legal name of the entity in which the Disclosing Party holds a right of control: _____

B. Business address of the Disclosing Party: 340 Royal Poinciana Way, Suite 305
Palm Beach, FL 33480

C. Telephone: 561-833-5795 Fax: 561-833-3684 Email: jjenkins@eskopb.com

D. Name of contact person: James Jenkins

E. Federal Employer Identification No. (if you have one): _____

F. Brief description of contract, transaction or other undertaking (referred to below as the "Matter") to which this EDS pertains. (Include project number and location of property, if applicable):

Subordinate financing from the City of Chicago for replacement of existing windows.

G. Which City agency or department is requesting this EDS? Department of Planning and Development

If the Matter is a contract being handled by the City's Department of Procurement Services, please complete the following:

Specification # N/A and Contract # N/A

SECTION II -- DISCLOSURE OF OWNERSHIP INTERESTS

A. NATURE OF THE DISCLOSING PARTY

1. Indicate the nature of the Disclosing Party:

[ ] Person
[ ] Publicly registered business corporation
[X] Privately held business corporation
[ ] Sole proprietorship
[ ] General partnership
[ ] Limited partnership
[ ] Trust
[ ] Limited liability company
[ ] Limited liability partnership
[ ] Joint venture
[ ] Not-for-profit corporation
(Is the not-for-profit corporation also a 501(c)(3))?
[ ] Yes [ ] No
[ ] Other (please specify)

2. For legal entities, the state (or foreign country) of incorporation or organization, if applicable:

Florida

3. For legal entities not organized in the State of Illinois: Has the organization registered to do business in the State of Illinois as a foreign entity?

[ ] Yes [X] No [ ] N/A

B. IF THE DISCLOSING PARTY IS A LEGAL ENTITY:

1. List below the full names and titles of all executive officers and all directors of the entity. **NOTE:** For not-for-profit corporations, also list below all members, if any, which are legal entities. If there are no such members, write "no members." For trusts, estates or other similar entities, list below the legal titleholder(s).

If the entity is a general partnership, limited partnership, limited liability company, limited liability partnership or joint venture, list below the name and title of each general partner, managing member, manager or any other person or entity that controls the day-to-day management of the Disclosing Party. **NOTE**: Each legal entity listed below must submit an EDS on its own behalf.

Name	Title
Sidney A. Kohl	President
James C. Jenkins	Vice President / Treasurer

2. Please provide the following information concerning each person or entity having a direct or indirect beneficial interest (including ownership) in excess of 7.5% of the Disclosing Party. Examples of such an interest include shares in a corporation, partnership interest in a partnership or joint venture,

interest of a member or manager in a limited liability company, or interest of a beneficiary of a trust, estate or other similar entity. If none, state "None." **NOTE**: Pursuant to Section 2-154-030 of the Municipal Code of Chicago ("Municipal Code"), the City may require any such additional information from any applicant which is reasonably intended to achieve full disclosure.

Name	Business Address	Percentage Interest in the Disclosing Party
Jana Kohl 1992 Trust	340 Royal Poinciana Way, suite 305, Palm Beach, FL 33480	33.333% Shareholder
Lisa Kohl 1992 Trust	340 Royal Poinciana Way, suite 305, Palm Beach, FL 33480	33.333% Shareholder
Lori Gandleman 1992 Trust	340 Royal Poinciana Way, suite 305, Palm Beach, FL 33480	33.333% Shareholder

SECTION III -- BUSINESS RELATIONSHIPS WITH CITY ELECTED OFFICIALS

Has the Disclosing Party had a "business relationship," as defined in Chapter 2-156 of the Municipal Code, with any City elected official in the 12 months before the date this EDS is signed?

[ ] Yes [X] No

If yes, please identify below the name(s) of such City elected official(s) and describe such relationship(s):

N/A

SECTION IV -- DISCLOSURE OF SUBCONTRACTORS AND OTHER RETAINED PARTIES

The Disclosing Party must disclose the name and business address of each subcontractor, attorney, lobbyist, accountant, consultant and any other person or entity whom the Disclosing Party has retained or expects to retain in connection with the Matter, as well as the nature of the relationship, and the total amount of the fees paid or estimated to be paid. The Disclosing Party is not required to disclose employees who are paid solely through the Disclosing Party's regular payroll.

"Lobbyist" means any person or entity who undertakes to influence any legislative or administrative action on behalf of any person or entity other than: (1) a not-for-profit entity, on an unpaid basis, or (2) himself. "Lobbyist" also means any person or entity any part of whose duties as an employee of another includes undertaking to influence any legislative or administrative action.

If the Disclosing Party is uncertain whether a disclosure is required under this Section, the Disclosing Party must either ask the City whether disclosure is required or make the disclosure.

Name (indicate whether retained or anticipated to be retained)	Business Address	Relationship to Disclosing Party (subcontractor, attorney, lobbyist, etc.)	Fees (indicate whether paid or estimated.) **NOTE:** "hourly rate" or "t.b.d." is not an acceptable response.
N/A			

(Add sheets if necessary)

[X] Check here if the Disclosing Party has not retained, nor expects to retain, any such persons or entities.

SECTION V -- CERTIFICATIONS

A. COURT-ORDERED CHILD SUPPORT COMPLIANCE

Under Municipal Code Section 2-92-415, substantial owners of business entities that contract with the City must remain in compliance with their child support obligations throughout the contract's term.

Has any person who directly or indirectly owns 10% or more of the Disclosing Party been declared in arrearage on any child support obligations by any Illinois court of competent jurisdiction?

[ ] Yes [X] No [ ] No person directly or indirectly owns 10% or more of the Disclosing Party.

If "Yes," has the person entered into a court-approved agreement for payment of all support owed and is the person in compliance with that agreement?

[ ] Yes [ ] No

B. FURTHER CERTIFICATIONS

1. Pursuant to Municipal Code Chapter 1-23, Article I ("Article I")(which the Applicant should consult for defined terms (e.g., "doing business") and legal requirements), if the Disclosing Party submitting this EDS is the Applicant and is doing business with the City, then the Disclosing Party certifies as follows: (i) neither the Applicant nor any controlling person is currently indicted or charged with, or has admitted guilt of, or has ever been convicted of, or placed under supervision for, any criminal offense involving actual, attempted, or conspiracy to commit bribery, theft, fraud, forgery, perjury, dishonesty or deceit against an officer or employee of the City or any sister agency; and (ii) the Applicant understands and acknowledges that compliance with Article I is a continuing requirement for doing business with the City. NOTE: If Article I applies to the Applicant, the permanent compliance timeframe in Article I supersedes some five-year compliance timeframes in certifications 2 and 3 below.

2. The Disclosing Party and, if the Disclosing Party is a legal entity, all of those persons or entities identified in Section II.B.1. of this EDS:

a. are not presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from any transactions by any federal, state or local unit of government;

b. have not, within a five-year period preceding the date of this EDS, been convicted of a criminal offense, adjudged guilty, or had a civil judgment rendered against them in connection with: obtaining, attempting to obtain, or performing a public (federal, state or local) transaction or contract under a public transaction; a violation of federal or state antitrust statutes; fraud; embezzlement; theft; forgery; bribery; falsification or destruction of records; making false statements; or receiving stolen property;

c. are not presently indicted for, or criminally or civilly charged by, a governmental entity (federal, state or local) with committing any of the offenses set forth in clause B.2.b. of this Section V;

d. have not, within a five-year period preceding the date of this EDS, had one or more public transactions (federal, state or local) terminated for cause or default; and

e. have not, within a five-year period preceding the date of this EDS, been convicted, adjudged guilty, or found liable in a civil proceeding, or in any criminal or civil action, including actions concerning environmental violations, instituted by the City or by the federal government, any state, or any other unit of local government.

3. The certifications in subparts 3, 4 and 5 concern:

• the Disclosing Party;
• any "Contractor" (meaning any contractor or subcontractor used by the Disclosing Party in connection with the Matter, including but not limited to all persons or legal entities disclosed under Section IV, "Disclosure of Subcontractors and Other Retained Parties");
• any "Affiliated Entity" (meaning a person or entity that, directly or indirectly: controls the Disclosing Party, is controlled by the Disclosing Party, or is, with the Disclosing Party, under common control of another person or entity. Indicia of control include, without limitation: interlocking management or ownership; identity of interests among family members, shared facilities and equipment; common use of employees; or organization of a business entity following the ineligibility of a business entity to do business with federal or state or local government, including the City, using substantially the same management, ownership, or principals as the ineligible entity); with respect to Contractors, the term Affiliated Entity means a person or entity that directly or indirectly controls the Contractor, is controlled by it, or, with the Contractor, is under common control of another person or entity;
• any responsible official of the Disclosing Party, any Contractor or any Affiliated Entity or any other official, agent or employee of the Disclosing Party, any Contractor or any Affiliated Entity, acting pursuant to the direction or authorization of a responsible official of the Disclosing Party, any Contractor or any Affiliated Entity (collectively "Agents").

Neither the Disclosing Party, nor any Contractor, nor any Affiliated Entity of either the Disclosing Party or any Contractor nor any Agents have, during the five years before the date this EDS is signed, or, with respect to a Contractor, an Affiliated Entity, or an Affiliated Entity of a Contractor during the five years before the date of such Contractor's or Affiliated Entity's contract or engagement in connection with the Matter:

a. bribed or attempted to bribe, or been convicted or adjudged guilty of bribery or attempting to bribe, a public officer or employee of the City, the State of Illinois, or any agency of the federal government or of any state or local government in the United States of America, in that officer's or employee's official capacity;

b. agreed or colluded with other bidders or prospective bidders, or been a party to any such agreement, or been convicted or adjudged guilty of agreement or collusion among bidders or prospective bidders, in restraint of freedom of competition by agreement to bid a fixed price or otherwise; or

c. made an admission of such conduct described in a. or b. above that is a matter of record, but have not been prosecuted for such conduct; or

d. violated the provisions of Municipal Code Section 2-92-610 (Living Wage Ordinance).

4. Neither the Disclosing Party, Affiliated Entity or Contractor, or any of their employees, officials, agents or partners, is barred from contracting with any unit of state or local government as a result of engaging in or being convicted of (1) bid-rigging in violation of 720 ILCS 5/33E-3; (2) bid-rotating in violation of 720 ILCS 5/33E-4; or (3) any similar offense of any state or of the United States of America that contains the same elements as the offense of bid-rigging or bid-rotating.

5. Neither the Disclosing Party nor any Affiliated Entity is listed on any of the following lists maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the Bureau of Industry and Security of the U.S. Department of Commerce or their successors: the Specially Designated Nationals List, the Denied Persons List, the Unverified List, the Entity List and the Debarred List.

6. The Disclosing Party understands and shall comply with the applicable requirements of Chapters 2-55 (Legislative Inspector General), 2-56 (Inspector General) and 2-156 (Governmental Ethics) of the Municipal Code.

7. If the Disclosing Party is unable to certify to any of the above statements in this Part B (Further Certifications), the Disclosing Party must explain below:

N/A

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

8. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all current employees of the Disclosing Party who were, at any time during the 12-month period preceding the execution date of this EDS, an employee, or elected or appointed official, of the City of Chicago (if none, indicate with "N/A" or "none").

N/A

9. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all gifts that the Disclosing Party has given or caused to be given, at any time during the 12-month period preceding the execution date of this EDS, to an employee, or elected or appointed official, of the City of Chicago. For purposes of this statement, a "gift" does not include: (i) anything made generally available to City employees or to the general public, or (ii) food or drink provided in the course of official City business and having a retail value of less than $20 per recipient (if none, indicate with "N/A" or "none"). As to any gift listed below, please also list the name of the City recipient.

N/A

C. CERTIFICATION OF STATUS AS FINANCIAL INSTITUTION

1. The Disclosing Party certifies that the Disclosing Party (check one)

[ ] is [X] is not

a "financial institution" as defined in Section 2-32-455(b) of the Municipal Code.

2. If the Disclosing Party IS a financial institution, then the Disclosing Party pledges:

"We are not and will not become a predatory lender as defined in Chapter 2-32 of the Municipal Code. We further pledge that none of our affiliates is, and none of them will become, a predatory lender as defined in Chapter 2-32 of the Municipal Code. We understand that becoming a predatory lender or becoming an affiliate of a predatory lender may result in the loss of the privilege of doing business with the City."

If the Disclosing Party is unable to make this pledge because it or any of its affiliates (as defined in Section 2-32-455(b) of the Municipal Code) is a predatory lender within the meaning of Chapter 2-32 of the Municipal Code, explain here (attach additional pages if necessary):

N/A

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

D. CERTIFICATION REGARDING INTEREST IN CITY BUSINESS

Any words or terms that are defined in Chapter 2-156 of the Municipal Code have the same meanings when used in this Part D.

1. In accordance with Section 2-156-110 of the Municipal Code: Does any official or employee of the City have a financial interest in his or her own name or in the name of any other person or entity in the Matter?

[ ] Yes [X] No

NOTE: If you checked "Yes" to Item D.1., proceed to Items D.2. and D.3. If you checked "No" to Item D.1., proceed to Part E.

2. Unless sold pursuant to a process of competitive bidding, or otherwise permitted, no City elected official or employee shall have a financial interest in his or her own name or in the name of any other person or entity in the purchase of any property that (i) belongs to the City, or (ii) is sold for taxes or assessments, or (iii) is sold by virtue of legal process at the suit of the City (collectively, "City Property Sale"). Compensation for property taken pursuant to the City's eminent domain power does not constitute a financial interest within the meaning of this Part D.

Does the Matter involve a City Property Sale?

[ ] Yes [X] No

3. If you checked "Yes" to Item D.1., provide the names and business addresses of the City officials or employees having such interest and identify the nature of such interest:

Name	Business Address	Nature of Interest

4. The Disclosing Party further certifies that no prohibited financial interest in the Matter will be acquired by any City official or employee.

E. CERTIFICATION REGARDING SLAVERY ERA BUSINESS

Please check either 1. or 2. below. If the Disclosing Party checks 2., the Disclosing Party must disclose below or in an attachment to this EDS all information required by paragraph 2. Failure to

comply with these disclosure requirements may make any contract entered into with the City in connection with the Matter voidable by the City.

_X_ 1. The Disclosing Party verifies that the Disclosing Party has searched any and all records of the Disclosing Party and any and all predecessor entities regarding records of investments or profits from slavery or slaveholder insurance policies during the slavery era (including insurance policies issued to slaveholders that provided coverage for damage to or injury or death of their slaves), and the Disclosing Party has found no such records.

____ 2. The Disclosing Party verifies that, as a result of conducting the search in step 1 above, the Disclosing Party has found records of investments or profits from slavery or slaveholder insurance policies. The Disclosing Party verifies that the following constitutes full disclosure of all such records, including the names of any and all slaves or slaveholders described in those records:

SECTION VI -- CERTIFICATIONS FOR FEDERALLY FUNDED MATTERS

NOTE: If the Matter is federally funded, complete this Section VI. **If the Matter is not federally funded**, proceed to Section VII. For purposes of this Section VI, tax credits allocated by the City and proceeds of debt obligations of the City are not federal funding.

A. CERTIFICATION REGARDING LOBBYING

1. List below the names of all persons or entities registered under the federal Lobbying Disclosure Act of 1995 who have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter: (Add sheets if necessary):

None

(If no explanation appears or begins on the lines above, or if the letters "NA" or if the word "None" appear, it will be conclusively presumed that the Disclosing Party means that NO persons or entities registered under the Lobbying Disclosure Act of 1995 have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter.)

2. The Disclosing Party has not spent and will not expend any federally appropriated funds to pay any person or entity listed in Paragraph A.1. above for his or her lobbying activities or to pay any person or entity to influence or attempt to influence an officer or employee of any agency, as defined by applicable federal law, a member of Congress, an officer or employee of Congress, or an employee of a member of Congress, in connection with the award of any federally funded contract, making any federally funded grant or loan, entering into any cooperative agreement, or to extend, continue, renew, amend, or modify any federally funded contract, grant, loan, or cooperative agreement.

3. The Disclosing Party will submit an updated certification at the end of each calendar quarter in which there occurs any event that materially affects the accuracy of the statements and information set forth in paragraphs A.1. and A.2. above.

4. The Disclosing Party certifies that either: (i) it is not an organization described in section 501(c)(4) of the Internal Revenue Code of 1986; or (ii) it is an organization described in section 501(c)(4) of the Internal Revenue Code of 1986 but has not engaged and will not engage in "Lobbying Activities".

5. If the Disclosing Party is the Applicant, the Disclosing Party must obtain certifications equal in form and substance to paragraphs A.1. through A.4. above from all subcontractors before it awards any subcontract and the Disclosing Party must maintain all such subcontractors' certifications for the duration of the Matter and must make such certifications promptly available to the City upon request.

B. CERTIFICATION REGARDING EQUAL EMPLOYMENT OPPORTUNITY

If the Matter is federally funded, federal regulations require the Applicant and all proposed subcontractors to submit the following information with their bids or in writing at the outset of negotiations.

Is the Disclosing Party the Applicant?

[ ] Yes [X] No

If "Yes," answer the three questions below:

1. Have you developed and do you have on file affirmative action programs pursuant to applicable federal regulations? (See 41 CFR Part 60-2.)
[ ] Yes [ ] No

2. Have you filed with the Joint Reporting Committee, the Director of the Office of Federal Contract Compliance Programs, or the Equal Employment Opportunity Commission all reports due under the applicable filing requirements?
[ ] Yes [ ] No

3. Have you participated in any previous contracts or subcontracts subject to the equal opportunity clause?
[ ] Yes [ ] No

If you checked "No" to question 1. or 2. above, please provide an explanation:

_____

_____

SECTION VII -- ACKNOWLEDGMENTS, CONTRACT INCORPORATION, COMPLIANCE, PENALTIES, DISCLOSURE

The Disclosing Party understands and agrees that:

A. The certifications, disclosures, and acknowledgments contained in this EDS will become part of any contract or other agreement between the Applicant and the City in connection with the Matter, whether procurement, City assistance, or other City action, and are material inducements to the City's execution of any contract or taking other action with respect to the Matter. The Disclosing Party understands that it must comply with all statutes, ordinances, and regulations on which this EDS is based.

B. The City's Governmental Ethics and Campaign Financing Ordinances, Chapters 2-156 and 2-164 of the Municipal Code, impose certain duties and obligations on persons or entities seeking City contracts, work, business, or transactions. The full text of these ordinances and a training program is available on line at www.cityofchicago.org/Ethics, and may also be obtained from the City's Board of Ethics, 740 N.

Sedgwick St., Suite 500, Chicago, IL 60610, (312) 744-9660. The Disclosing Party must comply fully with the applicable ordinances.

C. If the City determines that any information provided in this EDS is false, incomplete or inaccurate, any contract or other agreement in connection with which it is submitted may be rescinded or be void or voidable, and the City may pursue any remedies under the contract or agreement (if not rescinded or void), at law, or in equity, including terminating the Disclosing Party's participation in the Matter and/or declining to allow the Disclosing Party to participate in other transactions with the City. Remedies at law for a false statement of material fact may include incarceration and an award to the City of treble damages.

D. It is the City's policy to make this document available to the public on its Internet site and/or upon request. Some or all of the information provided on this EDS and any attachments to this EDS may be made available to the public on the Internet, in response to a Freedom of Information Act request, or otherwise. By completing and signing this EDS, the Disclosing Party waives and releases any possible rights or claims which it may have against the City in connection with the public release of information contained in this EDS and also authorizes the City to verify the accuracy of any information submitted in this EDS.

E. The information provided in this EDS must be kept current. In the event of changes, the Disclosing Party must supplement this EDS up to the time the City takes action on the Matter. If the Matter is a contract being handled by the City's Department of Procurement Services, the Disclosing Party must update this EDS as the contract requires. **NOTE:** With respect to Matters subject to Article I of Chapter 1-23 of the Municipal Code (imposing **PERMANENT INELIGIBILITY** for certain specified offenses), the information provided herein regarding eligibility must be kept current for a longer period, as required by Chapter 1-23 and Section 2-154-020 of the Municipal Code.

The Disclosing Party represents and warrants that:

F.1. The Disclosing Party is not delinquent in the payment of any tax administered by the Illinois Department of Revenue, nor are the Disclosing Party or its Affiliated Entities delinquent in paying any fine, fee, tax or other charge owed to the City. This includes, but is not limited to, all water charges, sewer charges, license fees, parking tickets, property taxes or sales taxes.

F.2 If the Disclosing Party is the Applicant, the Disclosing Party and its Affiliated Entities will not use, nor permit their subcontractors to use, any facility listed by the U.S. E.P.A. on the federal Excluded Parties List System ("EPLS") maintained by the U. S. General Services Administration.

F.3 If the Disclosing Party is the Applicant, the Disclosing Party will obtain from any contractors/subcontractors hired or to be hired in connection with the Matter certifications equal in form and substance to those in F.1. and F.2. above and will not, without the prior written consent of the City, use any such contractor/subcontractor that does not provide such certifications or that the Disclosing Party has reason to believe has not provided or cannot provide truthful certifications.

NOTE: If the Disclosing Party cannot certify as to any of the items in F.1., F.2. or F.3. above, an explanatory statement must be attached to this EDS.

CERTIFICATION

Under penalty of perjury, the person signing below: (1) warrants that he/she is authorized to execute this EDS and Appendix A (if applicable) on behalf of the Disclosing Party, and (2) warrants that all certifications and statements contained in this EDS and Appendix A (if applicable) are true, accurate and complete as of the date furnished to the City.

SAK Housing, Inc.
(Print or type name of Disclosing Party)

By: _____
(Sign here)

James C. Jenkins
(Print or type name of person signing)

Vice President / Treasurer
(Print or type title of person signing)

Signed and sworn to before me on (date) Nov 25, 2014,
at Palm Beach County, Florida (state).

Moira Malloy-Bertrand Notary Public.

Commission expires: 3-24-2018.

MOIRA MALLOY-BERTRAND
MY COMMISSION # FF 073037
EXPIRES: March 24, 2018
Bonded Thru Notary Public Underwriters

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT AND AFFIDAVIT
APPENDIX A

FAMILIAL RELATIONSHIPS WITH ELECTED CITY OFFICIALS AND DEPARTMENT HEADS

This Appendix is to be completed only by (a) the Applicant, and (b) any legal entity which has a direct ownership interest in the Applicant exceeding 7.5 percent. It is not to be completed by any legal entity which has only an indirect ownership interest in the Applicant.

Under Municipal Code Section 2-154-015, the Disclosing Party must disclose whether such Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently has a "familial relationship" with any elected city official or department head. A "familial relationship" exists if, as of the date this EDS is signed, the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof is related to the mayor, any alderman, the city clerk, the city treasurer or any city department head as spouse or domestic partner or as any of the following, whether by blood or adoption: parent, child, brother or sister, aunt or uncle, niece or nephew, grandparent, grandchild, father-in-law, mother-in-law, son-in-law, daughter-in-law, stepfather or stepmother, stepson or stepdaughter, stepbrother or stepsister or half-brother or half-sister.

"Applicable Party" means (1) all executive officers of the Disclosing Party listed in Section II.B.1.a., if the Disclosing Party is a corporation; all partners of the Disclosing Party, if the Disclosing Party is a general partnership; all general partners and limited partners of the Disclosing Party, if the Disclosing Party is a limited partnership; all managers, managing members and members of the Disclosing Party, if the Disclosing Party is a limited liability company; (2) all principal officers of the Disclosing Party; and (3) any person having more than a 7.5 percent ownership interest in the Disclosing Party. "Principal officers" means the president, chief operating officer, executive director, chief financial officer, treasurer or secretary of a legal entity or any person exercising similar authority.

Does the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently have a "familial relationship" with an elected city official or department head?

[ ] Yes [X] No

If yes, please identify below (1) the name and title of such person, (2) the name of the legal entity to which such person is connected; (3) the name and title of the elected city official or department head to whom such person has a familial relationship, and (4) the precise nature of such familial relationship.

_____

_____

_____

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT
AND AFFIDAVIT

SECTION I -- GENERAL INFORMATION

A. Legal name of the Disclosing Party submitting this EDS. Include d/b/a/ if applicable:

Sidney A Kohl 2012 Irrevocable Family Trust

Check ONE of the following three boxes:

Indicate whether the Disclosing Party submitting this EDS is:

1. [ ] the Applicant
   OR
2. [X] a legal entity holding a direct or indirect interest in the Applicant. State the legal name of the Applicant in which the Disclosing Party holds an interest: Hilliard Homes II Limited Partnership
   OR
3. [ ] a legal entity with a right of control (see Section II.B.1.) State the legal name of the entity in which the Disclosing Party holds a right of control: _____

B. Business address of the Disclosing Party: 340 Royal Poinciana Way, Suite 305
Palm Beach, FL 33480

C. Telephone: 561-833-5795 Fax: 561-833-3684 Email: jjenkins@eskopb.com

D. Name of contact person: James Jenkins

E. Federal Employer Identification No. (if you have one): _____

F. Brief description of contract, transaction or other undertaking (referred to below as the "Matter") to which this EDS pertains. (Include project number and location of property, if applicable):

Subordinate financing from the City of Chicago for replacement of existing windows.

G. Which City agency or department is requesting this EDS? Department of Planning and Development

If the Matter is a contract being handled by the City's Department of Procurement Services, please complete the following:

Specification # N/A and Contract # N/A

SECTION II -- DISCLOSURE OF OWNERSHIP INTERESTS

A. NATURE OF THE DISCLOSING PARTY

1. Indicate the nature of the Disclosing Party:

[ ] Person
[ ] Publicly registered business corporation
[ ] Privately held business corporation
[ ] Sole proprietorship
[ ] General partnership
[ ] Limited partnership
[X] Trust
[ ] Limited liability company
[ ] Limited liability partnership
[ ] Joint venture
[ ] Not-for-profit corporation
(Is the not-for-profit corporation also a 501(c)(3))?
[ ] Yes [ ] No
[ ] Other (please specify)

_____

2. For legal entities, the state (or foreign country) of incorporation or organization, if applicable:

Florida

3. For legal entities not organized in the State of Illinois: Has the organization registered to do business in the State of Illinois as a foreign entity?

[ ] Yes [X] No [ ] N/A

B. IF THE DISCLOSING PARTY IS A LEGAL ENTITY:

1. List below the full names and titles of all executive officers and all directors of the entity. **NOTE:** For not-for-profit corporations, also list below all members, if any, which are legal entities. If there are no such members, write "no members." For trusts, estates or other similar entities, list below the legal titleholder(s).

If the entity is a general partnership, limited partnership, limited liability company, limited liability partnership or joint venture, list below the name and title of each general partner, managing member, manager or any other person or entity that controls the day-to-day management of the Disclosing Party. **NOTE:** Each legal entity listed below must submit an EDS on its own behalf.

Name	Title
Robert Kohl	Trustee

2. Please provide the following information concerning each person or entity having a direct or indirect beneficial interest (including ownership) in excess of 7.5% of the Disclosing Party. Examples of such an interest include shares in a corporation, partnership interest in a partnership or joint venture,

interest of a member or manager in a limited liability company, or interest of a beneficiary of a trust, estate or other similar entity. If none, state "None." **NOTE**: Pursuant to Section 2-154-030 of the Municipal Code of Chicago ("Municipal Code"), the City may require any such additional information from any applicant which is reasonably intended to achieve full disclosure.

Name	Business Address	Percentage Interest in the Disclosing Party
SK Grandchildren	340 Royal Poinciana Way, suite 305, Palm Beach, FL 33480	Sole Beneficiary

SECTION III -- BUSINESS RELATIONSHIPS WITH CITY ELECTED OFFICIALS

Has the Disclosing Party had a "business relationship," as defined in Chapter 2-156 of the Municipal Code, with any City elected official in the 12 months before the date this EDS is signed?

[ ] Yes [X] No

If yes, please identify below the name(s) of such City elected official(s) and describe such relationship(s):

N/A

SECTION IV -- DISCLOSURE OF SUBCONTRACTORS AND OTHER RETAINED PARTIES

The Disclosing Party must disclose the name and business address of each subcontractor, attorney, lobbyist, accountant, consultant and any other person or entity whom the Disclosing Party has retained or expects to retain in connection with the Matter, as well as the nature of the relationship, and the total amount of the fees paid or estimated to be paid. The Disclosing Party is not required to disclose employees who are paid solely through the Disclosing Party's regular payroll.

"Lobbyist" means any person or entity who undertakes to influence any legislative or administrative action on behalf of any person or entity other than: (1) a not-for-profit entity, on an unpaid basis, or (2) himself. "Lobbyist" also means any person or entity any part of whose duties as an employee of another includes undertaking to influence any legislative or administrative action.

If the Disclosing Party is uncertain whether a disclosure is required under this Section, the Disclosing Party must either ask the City whether disclosure is required or make the disclosure.

Name (indicate whether retained or anticipated to be retained)	Business Address	Relationship to Disclosing Party (subcontractor, attorney, lobbyist, etc.)	Fees (indicate whether paid or estimated.) **NOTE:** "hourly rate" or "t.b.d." is not an acceptable response.
N/A			

(Add sheets if necessary)

[X] Check here if the Disclosing Party has not retained, nor expects to retain, any such persons or entities.

SECTION V -- CERTIFICATIONS

A. COURT-ORDERED CHILD SUPPORT COMPLIANCE

Under Municipal Code Section 2-92-415, substantial owners of business entities that contract with the City must remain in compliance with their child support obligations throughout the contract's term.

Has any person who directly or indirectly owns 10% or more of the Disclosing Party been declared in arrearage on any child support obligations by any Illinois court of competent jurisdiction?

[ ] Yes [X] No [ ] No person directly or indirectly owns 10% or more of the Disclosing Party.

If "Yes," has the person entered into a court-approved agreement for payment of all support owed and is the person in compliance with that agreement?

[ ] Yes [ ] No

B. FURTHER CERTIFICATIONS

1. Pursuant to Municipal Code Chapter 1-23, Article I ("Article I")(which the Applicant should consult for defined terms (e.g., "doing business") and legal requirements), if the Disclosing Party submitting this EDS is the Applicant and is doing business with the City, then the Disclosing Party certifies as follows: (i) neither the Applicant nor any controlling person is currently indicted or charged with, or has admitted guilt of, or has ever been convicted of, or placed under supervision for, any criminal offense involving actual, attempted, or conspiracy to commit bribery, theft, fraud, forgery, perjury, dishonesty or deceit against an officer or employee of the City or any sister agency; and (ii) the Applicant understands and acknowledges that compliance with Article I is a continuing requirement for doing business with the City. NOTE: If Article I applies to the Applicant, the permanent compliance timeframe in Article I supersedes some five-year compliance timeframes in certifications 2 and 3 below.

2. The Disclosing Party and, if the Disclosing Party is a legal entity, all of those persons or entities identified in Section II.B.1. of this EDS:

a. are not presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from any transactions by any federal, state or local unit of government;

b. have not, within a five-year period preceding the date of this EDS, been convicted of a criminal offense, adjudged guilty, or had a civil judgment rendered against them in connection with: obtaining, attempting to obtain, or performing a public (federal, state or local) transaction or contract under a public transaction; a violation of federal or state antitrust statutes; fraud; embezzlement; theft; forgery; bribery; falsification or destruction of records; making false statements; or receiving stolen property;

c. are not presently indicted for, or criminally or civilly charged by, a governmental entity (federal, state or local) with committing any of the offenses set forth in clause B.2.b. of this Section V;

d. have not, within a five-year period preceding the date of this EDS, had one or more public transactions (federal, state or local) terminated for cause or default; and

e. have not, within a five-year period preceding the date of this EDS, been convicted, adjudged guilty, or found liable in a civil proceeding, or in any criminal or civil action, including actions concerning environmental violations, instituted by the City or by the federal government, any state, or any other unit of local government.

3. The certifications in subparts 3, 4 and 5 concern:

• the Disclosing Party;
• any "Contractor" (meaning any contractor or subcontractor used by the Disclosing Party in connection with the Matter, including but not limited to all persons or legal entities disclosed under Section IV, "Disclosure of Subcontractors and Other Retained Parties");
• any "Affiliated Entity" (meaning a person or entity that, directly or indirectly: controls the Disclosing Party, is controlled by the Disclosing Party, or is, with the Disclosing Party, under common control of another person or entity. Indicia of control include, without limitation: interlocking management or ownership; identity of interests among family members, shared facilities and equipment; common use of employees; or organization of a business entity following the ineligibility of a business entity to do business with federal or state or local government, including the City, using substantially the same management, ownership, or principals as the ineligible entity); with respect to Contractors, the term Affiliated Entity means a person or entity that directly or indirectly controls the Contractor, is controlled by it, or, with the Contractor, is under common control of another person or entity;
• any responsible official of the Disclosing Party, any Contractor or any Affiliated Entity or any other official, agent or employee of the Disclosing Party, any Contractor or any Affiliated Entity, acting pursuant to the direction or authorization of a responsible official of the Disclosing Party, any Contractor or any Affiliated Entity (collectively "Agents").

Neither the Disclosing Party, nor any Contractor, nor any Affiliated Entity of either the Disclosing Party or any Contractor nor any Agents have, during the five years before the date this EDS is signed, or, with respect to a Contractor, an Affiliated Entity, or an Affiliated Entity of a Contractor during the five years before the date of such Contractor's or Affiliated Entity's contract or engagement in connection with the Matter:

a. bribed or attempted to bribe, or been convicted or adjudged guilty of bribery or attempting to bribe, a public officer or employee of the City, the State of Illinois, or any agency of the federal government or of any state or local government in the United States of America, in that officer's or employee's official capacity;

b. agreed or colluded with other bidders or prospective bidders, or been a party to any such agreement, or been convicted or adjudged guilty of agreement or collusion among bidders or prospective bidders, in restraint of freedom of competition by agreement to bid a fixed price or otherwise; or

c. made an admission of such conduct described in a. or b. above that is a matter of record, but have not been prosecuted for such conduct; or

d. violated the provisions of Municipal Code Section 2-92-610 (Living Wage Ordinance).

4. Neither the Disclosing Party, Affiliated Entity or Contractor, or any of their employees, officials, agents or partners, is barred from contracting with any unit of state or local government as a result of engaging in or being convicted of (1) bid-rigging in violation of 720 ILCS 5/33E-3; (2) bid-rotating in violation of 720 ILCS 5/33E-4; or (3) any similar offense of any state or of the United States of America that contains the same elements as the offense of bid-rigging or bid-rotating.

5. Neither the Disclosing Party nor any Affiliated Entity is listed on any of the following lists maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the Bureau of Industry and Security of the U.S. Department of Commerce or their successors: the Specially Designated Nationals List, the Denied Persons List, the Unverified List, the Entity List and the Debarred List.

6. The Disclosing Party understands and shall comply with the applicable requirements of Chapters 2-55 (Legislative Inspector General), 2-56 (Inspector General) and 2-156 (Governmental Ethics) of the Municipal Code.

7. If the Disclosing Party is unable to certify to any of the above statements in this Part B (Further Certifications), the Disclosing Party must explain below:

N/A

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

8. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all current employees of the Disclosing Party who were, at any time during the 12-month period preceding the execution date of this EDS, an employee, or elected or appointed official, of the City of Chicago (if none, indicate with "N/A" or "none").

N/A

9. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all gifts that the Disclosing Party has given or caused to be given, at any time during the 12-month period preceding the execution date of this EDS, to an employee, or elected or appointed official, of the City of Chicago. For purposes of this statement, a "gift" does not include: (i) anything made generally available to City employees or to the general public, or (ii) food or drink provided in the course of official City business and having a retail value of less than $20 per recipient (if none, indicate with "N/A" or "none"). As to any gift listed below, please also list the name of the City recipient.

N/A

C. CERTIFICATION OF STATUS AS FINANCIAL INSTITUTION

1. The Disclosing Party certifies that the Disclosing Party (check one)

[ ] is [X] is not

a "financial institution" as defined in Section 2-32-455(b) of the Municipal Code.

2. If the Disclosing Party IS a financial institution, then the Disclosing Party pledges:

"We are not and will not become a predatory lender as defined in Chapter 2-32 of the Municipal Code. We further pledge that none of our affiliates is, and none of them will become, a predatory lender as defined in Chapter 2-32 of the Municipal Code. We understand that becoming a predatory lender or becoming an affiliate of a predatory lender may result in the loss of the privilege of doing business with the City."

If the Disclosing Party is unable to make this pledge because it or any of its affiliates (as defined in Section 2-32-455(b) of the Municipal Code) is a predatory lender within the meaning of Chapter 2-32 of the Municipal Code, explain here (attach additional pages if necessary):

N/A

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

D. CERTIFICATION REGARDING INTEREST IN CITY BUSINESS

Any words or terms that are defined in Chapter 2-156 of the Municipal Code have the same meanings when used in this Part D.

1. In accordance with Section 2-156-110 of the Municipal Code: Does any official or employee of the City have a financial interest in his or her own name or in the name of any other person or entity in the Matter?

[ ] Yes [X] No

NOTE: If you checked "Yes" to Item D.1., proceed to Items D.2. and D.3. If you checked "No" to Item D.1., proceed to Part E.

2. Unless sold pursuant to a process of competitive bidding, or otherwise permitted, no City elected official or employee shall have a financial interest in his or her own name or in the name of any other person or entity in the purchase of any property that (i) belongs to the City, or (ii) is sold for taxes or assessments, or (iii) is sold by virtue of legal process at the suit of the City (collectively, "City Property Sale"). Compensation for property taken pursuant to the City's eminent domain power does not constitute a financial interest within the meaning of this Part D.

Does the Matter involve a City Property Sale?

[ ] Yes [X] No

3. If you checked "Yes" to Item D.1., provide the names and business addresses of the City officials or employees having such interest and identify the nature of such interest:

Name	Business Address	Nature of Interest

4. The Disclosing Party further certifies that no prohibited financial interest in the Matter will be acquired by any City official or employee.

E. CERTIFICATION REGARDING SLAVERY ERA BUSINESS

Please check either 1. or 2. below. If the Disclosing Party checks 2., the Disclosing Party must disclose below or in an attachment to this EDS all information required by paragraph 2. Failure to

comply with these disclosure requirements may make any contract entered into with the City in connection with the Matter voidable by the City.

_X_ 1. The Disclosing Party verifies that the Disclosing Party has searched any and all records of the Disclosing Party and any and all predecessor entities regarding records of investments or profits from slavery or slaveholder insurance policies during the slavery era (including insurance policies issued to slaveholders that provided coverage for damage to or injury or death of their slaves), and the Disclosing Party has found no such records.

____2. The Disclosing Party verifies that, as a result of conducting the search in step 1 above, the Disclosing Party has found records of investments or profits from slavery or slaveholder insurance policies. The Disclosing Party verifies that the following constitutes full disclosure of all such records, including the names of any and all slaves or slaveholders described in those records:

SECTION VI -- CERTIFICATIONS FOR FEDERALLY FUNDED MATTERS

NOTE: If the Matter is federally funded, complete this Section VI. **If the Matter is not federally funded**, proceed to Section VII. For purposes of this Section VI, tax credits allocated by the City and proceeds of debt obligations of the City are not federal funding.

A. CERTIFICATION REGARDING LOBBYING

1. List below the names of all persons or entities registered under the federal Lobbying Disclosure Act of 1995 who have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter: (Add sheets if necessary):

None

(If no explanation appears or begins on the lines above, or if the letters "NA" or if the word "None" appear, it will be conclusively presumed that the Disclosing Party means that NO persons or entities registered under the Lobbying Disclosure Act of 1995 have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter.)

2. The Disclosing Party has not spent and will not expend any federally appropriated funds to pay any person or entity listed in Paragraph A.1. above for his or her lobbying activities or to pay any person or entity to influence or attempt to influence an officer or employee of any agency, as defined by applicable federal law, a member of Congress, an officer or employee of Congress, or an employee of a member of Congress, in connection with the award of any federally funded contract, making any federally funded grant or loan, entering into any cooperative agreement, or to extend, continue, renew, amend, or modify any federally funded contract, grant, loan, or cooperative agreement.

3. The Disclosing Party will submit an updated certification at the end of each calendar quarter in which there occurs any event that materially affects the accuracy of the statements and information set forth in paragraphs A.1. and A.2. above.

4. The Disclosing Party certifies that either: (i) it is not an organization described in section 501(c)(4) of the Internal Revenue Code of 1986; or (ii) it is an organization described in section 501(c)(4) of the Internal Revenue Code of 1986 but has not engaged and will not engage in "Lobbying Activities".

5. If the Disclosing Party is the Applicant, the Disclosing Party must obtain certifications equal in form and substance to paragraphs A.1. through A.4. above from all subcontractors before it awards any subcontract and the Disclosing Party must maintain all such subcontractors' certifications for the duration of the Matter and must make such certifications promptly available to the City upon request.

B. CERTIFICATION REGARDING EQUAL EMPLOYMENT OPPORTUNITY

If the Matter is federally funded, federal regulations require the Applicant and all proposed subcontractors to submit the following information with their bids or in writing at the outset of negotiations.

Is the Disclosing Party the Applicant?

[ ] Yes [X] No

If "Yes," answer the three questions below:

1. Have you developed and do you have on file affirmative action programs pursuant to applicable federal regulations? (See 41 CFR Part 60-2.)
[ ] Yes [ ] No

2. Have you filed with the Joint Reporting Committee, the Director of the Office of Federal Contract Compliance Programs, or the Equal Employment Opportunity Commission all reports due under the applicable filing requirements?
[ ] Yes [ ] No

3. Have you participated in any previous contracts or subcontracts subject to the equal opportunity clause?
[ ] Yes [ ] No

If you checked "No" to question 1. or 2. above, please provide an explanation:

_____

_____

SECTION VII -- ACKNOWLEDGMENTS, CONTRACT INCORPORATION, COMPLIANCE, PENALTIES, DISCLOSURE

The Disclosing Party understands and agrees that:

A. The certifications, disclosures, and acknowledgments contained in this EDS will become part of any contract or other agreement between the Applicant and the City in connection with the Matter, whether procurement, City assistance, or other City action, and are material inducements to the City's execution of any contract or taking other action with respect to the Matter. The Disclosing Party understands that it must comply with all statutes, ordinances, and regulations on which this EDS is based.

B. The City's Governmental Ethics and Campaign Financing Ordinances, Chapters 2-156 and 2-164 of the Municipal Code, impose certain duties and obligations on persons or entities seeking City contracts, work, business, or transactions. The full text of these ordinances and a training program is available on line at www.cityofchicago.org/Ethics, and may also be obtained from the City's Board of Ethics, 740 N.

Sedgwick St., Suite 500, Chicago, IL 60610, (312) 744-9660. The Disclosing Party must comply fully with the applicable ordinances.

C. If the City determines that any information provided in this EDS is false, incomplete or inaccurate, any contract or other agreement in connection with which it is submitted may be rescinded or be void or voidable, and the City may pursue any remedies under the contract or agreement (if not rescinded or void), at law, or in equity, including terminating the Disclosing Party's participation in the Matter and/or declining to allow the Disclosing Party to participate in other transactions with the City. Remedies at law for a false statement of material fact may include incarceration and an award to the City of treble damages.

D. It is the City's policy to make this document available to the public on its Internet site and/or upon request. Some or all of the information provided on this EDS and any attachments to this EDS may be made available to the public on the Internet, in response to a Freedom of Information Act request, or otherwise. By completing and signing this EDS, the Disclosing Party waives and releases any possible rights or claims which it may have against the City in connection with the public release of information contained in this EDS and also authorizes the City to verify the accuracy of any information submitted in this EDS.

E. The information provided in this EDS must be kept current. In the event of changes, the Disclosing Party must supplement this EDS up to the time the City takes action on the Matter. If the Matter is a contract being handled by the City's Department of Procurement Services, the Disclosing Party must update this EDS as the contract requires. **NOTE:** With respect to Matters subject to Article I of Chapter 1-23 of the Municipal Code (imposing **PERMANENT INELIGIBILITY** for certain specified offenses), the information provided herein regarding eligibility must be kept current for a longer period, as required by Chapter 1-23 and Section 2-154-020 of the Municipal Code.

The Disclosing Party represents and warrants that:

F.1. The Disclosing Party is not delinquent in the payment of any tax administered by the Illinois Department of Revenue, nor are the Disclosing Party or its Affiliated Entities delinquent in paying any fine, fee, tax or other charge owed to the City. This includes, but is not limited to, all water charges, sewer charges, license fees, parking tickets, property taxes or sales taxes.

F.2 If the Disclosing Party is the Applicant, the Disclosing Party and its Affiliated Entities will not use, nor permit their subcontractors to use, any facility listed by the U.S. E.P.A. on the federal Excluded Parties List System ("EPLS") maintained by the U. S. General Services Administration.

F.3 If the Disclosing Party is the Applicant, the Disclosing Party will obtain from any contractors/subcontractors hired or to be hired in connection with the Matter certifications equal in form and substance to those in F.1. and F.2. above and will not, without the prior written consent of the City, use any such contractor/subcontractor that does not provide such certifications or that the Disclosing Party has reason to believe has not provided or cannot provide truthful certifications.

NOTE: If the Disclosing Party cannot certify as to any of the items in F.1., F.2. or F.3. above, an explanatory statement must be attached to this EDS.

CERTIFICATION

Under penalty of perjury, the person signing below: (1) warrants that he/she is authorized to execute this EDS and Appendix A (if applicable) on behalf of the Disclosing Party, and (2) warrants that all certifications and statements contained in this EDS and Appendix A (if applicable) are true, accurate and complete as of the date furnished to the City.

Sidney A Kohl 2012 Irrevocable Family Trust
(Print or type name of Disclosing Party)

By: _____
(Sign here)

Robert Kohl
(Print or type name of person signing)

Trustee
(Print or type title of person signing)

Signed and sworn to before me on (date) Dec 4, 2014.
at Palm Beach County, Florida (state).

Moira Malloy-Bertrand Notary Public.

Commission expires: 3-24-2018.

MOIRA MALLOY-BERTRAND
MY COMMISSION # FF 073037
EXPIRES: March 24, 2018
Bonded Thru Notary Public Underwriters

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT AND AFFIDAVIT
APPENDIX A

FAMILIAL RELATIONSHIPS WITH ELECTED CITY OFFICIALS AND DEPARTMENT HEADS

This Appendix is to be completed only by (a) the Applicant, and (b) any legal entity which has a direct ownership interest in the Applicant exceeding 7.5 percent. It is not to be completed by any legal entity which has only an indirect ownership interest in the Applicant.

Under Municipal Code Section 2-154-015, the Disclosing Party must disclose whether such Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently has a "familial relationship" with any elected city official or department head. A "familial relationship" exists if, as of the date this EDS is signed, the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof is related to the mayor, any alderman, the city clerk, the city treasurer or any city department head as spouse or domestic partner or as any of the following, whether by blood or adoption: parent, child, brother or sister, aunt or uncle, niece or nephew, grandparent, grandchild, father-in-law, mother-in-law, son-in-law, daughter-in-law, stepfather or stepmother, stepson or stepdaughter, stepbrother or stepsister or half-brother or half-sister.

"Applicable Party" means (1) all executive officers of the Disclosing Party listed in Section II.B.1.a., if the Disclosing Party is a corporation; all partners of the Disclosing Party, if the Disclosing Party is a general partnership; all general partners and limited partners of the Disclosing Party, if the Disclosing Party is a limited partnership; all managers, managing members and members of the Disclosing Party, if the Disclosing Party is a limited liability company; (2) all principal officers of the Disclosing Party; and (3) any person having more than a 7.5 percent ownership interest in the Disclosing Party. "Principal officers" means the president, chief operating officer, executive director, chief financial officer, treasurer or secretary of a legal entity or any person exercising similar authority.

Does the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently have a "familial relationship" with an elected city official or department head?

[ ] Yes [X] No

If yes, please identify below (1) the name and title of such person, (2) the name of the legal entity to which such person is connected; (3) the name and title of the elected city official or department head to whom such person has a familial relationship, and (4) the precise nature of such familial relationship.

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT
AND AFFIDAVIT

SECTION I -- GENERAL INFORMATION

A. Legal name of the Disclosing Party submitting this EDS. Include d/b/a/ if applicable:

The Lawrence Kohl 2013 Family Trust

Check ONE of the following three boxes:

Indicate whether the Disclosing Party submitting this EDS is:

1. [ ] the Applicant
   OR
2. [X] a legal entity holding a direct or indirect interest in the Applicant. State the legal name of the Applicant in which the Disclosing Party holds an interest: Hilliard Homes II Limited Partnership
   OR
3. [ ] a legal entity with a right of control (see Section II.B.1.) State the legal name of the entity in which the Disclosing Party holds a right of control: _____

B. Business address of the Disclosing Party: 340 Royal Poinciana Way, Suite 305
Palm Beach, FL 33480

C. Telephone: 561-833-5795 Fax: 561-833-3684 Email: jjenkins@eskopb.com

D. Name of contact person: James Jenkins

E. Federal Employer Identification No. (if you have one): _____

F. Brief description of contract, transaction or other undertaking (referred to below as the "Matter") to which this EDS pertains. (Include project number and location of property, if applicable):

Subordinate financing from the City of Chicago for replacement of existing windows.

G. Which City agency or department is requesting this EDS? Department of Planning and Development

If the Matter is a contract being handled by the City's Department of Procurement Services, please complete the following:

Specification # N/A and Contract # N/A

SECTION II -- DISCLOSURE OF OWNERSHIP INTERESTS

A. NATURE OF THE DISCLOSING PARTY

1. Indicate the nature of the Disclosing Party:

[ ] Person
[ ] Publicly registered business corporation
[ ] Privately held business corporation
[ ] Sole proprietorship
[ ] General partnership
[ ] Limited partnership
[X] Trust
[ ] Limited liability company
[ ] Limited liability partnership
[ ] Joint venture
[ ] Not-for-profit corporation
(Is the not-for-profit corporation also a 501(c)(3))?
[ ] Yes [ ] No
[ ] Other (please specify)

2. For legal entities, the state (or foreign country) of incorporation or organization, if applicable:

Florida

3. For legal entities not organized in the State of Illinois: Has the organization registered to do business in the State of Illinois as a foreign entity?

[ ] Yes [X] No [ ] N/A

B. IF THE DISCLOSING PARTY IS A LEGAL ENTITY:

1. List below the full names and titles of all executive officers and all directors of the entity. **NOTE:** For not-for-profit corporations, also list below all members, if any, which are legal entities. If there are no such members, write "no members." For trusts, estates or other similar entities, list below the legal titleholder(s).

If the entity is a general partnership, limited partnership, limited liability company, limited liability partnership or joint venture, list below the name and title of each general partner, managing member, manager or any other person or entity that controls the day-to-day management of the Disclosing Party. **NOTE**: Each legal entity listed below must submit an EDS on its own behalf.

Name	Title
Pentacorp, Inc., Patricia Fadness, President	Trustee

2. Please provide the following information concerning each person or entity having a direct or indirect beneficial interest (including ownership) in excess of 7.5% of the Disclosing Party. Examples of such an interest include shares in a corporation, partnership interest in a partnership or joint venture,

interest of a member or manager in a limited liability company, or interest of a beneficiary of a trust, estate or other similar entity. If none, state "None." **NOTE**: Pursuant to Section 2-154-030 of the Municipal Code of Chicago ("Municipal Code"), the City may require any such additional information from any applicant which is reasonably intended to achieve full disclosure.

Name	Business Address	Percentage Interest in the Disclosing Party
Lawrence Kohl	340 Royal Poinciana Way, suite 305, Palm Beach, FL 33480	Sole Beneficiary

SECTION III -- BUSINESS RELATIONSHIPS WITH CITY ELECTED OFFICIALS

Has the Disclosing Party had a "business relationship," as defined in Chapter 2-156 of the Municipal Code, with any City elected official in the 12 months before the date this EDS is signed?

[ ] Yes [X] No

If yes, please identify below the name(s) of such City elected official(s) and describe such relationship(s):

N/A

SECTION IV -- DISCLOSURE OF SUBCONTRACTORS AND OTHER RETAINED PARTIES

The Disclosing Party must disclose the name and business address of each subcontractor, attorney, lobbyist, accountant, consultant and any other person or entity whom the Disclosing Party has retained or expects to retain in connection with the Matter, as well as the nature of the relationship, and the total amount of the fees paid or estimated to be paid. The Disclosing Party is not required to disclose employees who are paid solely through the Disclosing Party's regular payroll.

"Lobbyist" means any person or entity who undertakes to influence any legislative or administrative action on behalf of any person or entity other than: (1) a not-for-profit entity, on an unpaid basis, or (2) himself. "Lobbyist" also means any person or entity any part of whose duties as an employee of another includes undertaking to influence any legislative or administrative action.

If the Disclosing Party is uncertain whether a disclosure is required under this Section, the Disclosing Party must either ask the City whether disclosure is required or make the disclosure.

Name (indicate whether retained or anticipated to be retained)	Business Address	Relationship to Disclosing Party (subcontractor, attorney, lobbyist, etc.)	Fees (indicate whether paid or estimated.) **NOTE:** "hourly rate" or "t.b.d." is not an acceptable response.
N/A			

(Add sheets if necessary)

[X] Check here if the Disclosing Party has not retained, nor expects to retain, any such persons or entities.

SECTION V -- CERTIFICATIONS

A. COURT-ORDERED CHILD SUPPORT COMPLIANCE

Under Municipal Code Section 2-92-415, substantial owners of business entities that contract with the City must remain in compliance with their child support obligations throughout the contract's term.

Has any person who directly or indirectly owns 10% or more of the Disclosing Party been declared in arrearage on any child support obligations by any Illinois court of competent jurisdiction?

[ ] Yes [X] No [ ] No person directly or indirectly owns 10% or more of the Disclosing Party.

If "Yes," has the person entered into a court-approved agreement for payment of all support owed and is the person in compliance with that agreement?

[ ] Yes [ ] No

B. FURTHER CERTIFICATIONS

1. Pursuant to Municipal Code Chapter 1-23, Article I ("Article I")(which the Applicant should consult for defined terms (e.g., "doing business") and legal requirements), if the Disclosing Party submitting this EDS is the Applicant and is doing business with the City, then the Disclosing Party certifies as follows: (i) neither the Applicant nor any controlling person is currently indicted or charged with, or has admitted guilt of, or has ever been convicted of, or placed under supervision for, any criminal offense involving actual, attempted, or conspiracy to commit bribery, theft, fraud, forgery, perjury, dishonesty or deceit against an officer or employee of the City or any sister agency; and (ii) the Applicant understands and acknowledges that compliance with Article I is a continuing requirement for doing business with the City. NOTE: If Article I applies to the Applicant, the permanent compliance timeframe in Article I supersedes some five-year compliance timeframes in certifications 2 and 3 below.

2. The Disclosing Party and, if the Disclosing Party is a legal entity, all of those persons or entities identified in Section II.B.1. of this EDS:

a. are not presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from any transactions by any federal, state or local unit of government;

b. have not, within a five-year period preceding the date of this EDS, been convicted of a criminal offense, adjudged guilty, or had a civil judgment rendered against them in connection with: obtaining, attempting to obtain, or performing a public (federal, state or local) transaction or contract under a public transaction; a violation of federal or state antitrust statutes; fraud; embezzlement; theft; forgery; bribery; falsification or destruction of records; making false statements; or receiving stolen property;

c. are not presently indicted for, or criminally or civilly charged by, a governmental entity (federal, state or local) with committing any of the offenses set forth in clause B.2.b. of this Section V;

d. have not, within a five-year period preceding the date of this EDS, had one or more public transactions (federal, state or local) terminated for cause or default; and

e. have not, within a five-year period preceding the date of this EDS, been convicted, adjudged guilty, or found liable in a civil proceeding, or in any criminal or civil action, including actions concerning environmental violations, instituted by the City or by the federal government, any state, or any other unit of local government.

3. The certifications in subparts 3, 4 and 5 concern:

• the Disclosing Party;
• any "Contractor" (meaning any contractor or subcontractor used by the Disclosing Party in connection with the Matter, including but not limited to all persons or legal entities disclosed under Section IV, "Disclosure of Subcontractors and Other Retained Parties");
• any "Affiliated Entity" (meaning a person or entity that, directly or indirectly: controls the Disclosing Party, is controlled by the Disclosing Party, or is, with the Disclosing Party, under common control of another person or entity. Indicia of control include, without limitation: interlocking management or ownership; identity of interests among family members, shared facilities and equipment; common use of employees; or organization of a business entity following the ineligibility of a business entity to do business with federal or state or local government, including the City, using substantially the same management, ownership, or principals as the ineligible entity); with respect to Contractors, the term Affiliated Entity means a person or entity that directly or indirectly controls the Contractor, is controlled by it, or, with the Contractor, is under common control of another person or entity;
• any responsible official of the Disclosing Party, any Contractor or any Affiliated Entity or any other official, agent or employee of the Disclosing Party, any Contractor or any Affiliated Entity, acting pursuant to the direction or authorization of a responsible official of the Disclosing Party, any Contractor or any Affiliated Entity (collectively "Agents").

Neither the Disclosing Party, nor any Contractor, nor any Affiliated Entity of either the Disclosing Party or any Contractor nor any Agents have, during the five years before the date this EDS is signed, or, with respect to a Contractor, an Affiliated Entity, or an Affiliated Entity of a Contractor during the five years before the date of such Contractor's or Affiliated Entity's contract or engagement in connection with the Matter:

a. bribed or attempted to bribe, or been convicted or adjudged guilty of bribery or attempting to bribe, a public officer or employee of the City, the State of Illinois, or any agency of the federal government or of any state or local government in the United States of America, in that officer's or employee's official capacity;

b. agreed or colluded with other bidders or prospective bidders, or been a party to any such agreement, or been convicted or adjudged guilty of agreement or collusion among bidders or prospective bidders, in restraint of freedom of competition by agreement to bid a fixed price or otherwise; or

c. made an admission of such conduct described in a. or b. above that is a matter of record, but have not been prosecuted for such conduct; or

d. violated the provisions of Municipal Code Section 2-92-610 (Living Wage Ordinance).

4. Neither the Disclosing Party, Affiliated Entity or Contractor, or any of their employees, officials, agents or partners, is barred from contracting with any unit of state or local government as a result of engaging in or being convicted of (1) bid-rigging in violation of 720 ILCS 5/33E-3; (2) bid-rotating in violation of 720 ILCS 5/33E-4; or (3) any similar offense of any state or of the United States of America that contains the same elements as the offense of bid-rigging or bid-rotating.

5. Neither the Disclosing Party nor any Affiliated Entity is listed on any of the following lists maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the Bureau of Industry and Security of the U.S. Department of Commerce or their successors: the Specially Designated Nationals List, the Denied Persons List, the Unverified List, the Entity List and the Debarred List.

6. The Disclosing Party understands and shall comply with the applicable requirements of Chapters 2-55 (Legislative Inspector General), 2-56 (Inspector General) and 2-156 (Governmental Ethics) of the Municipal Code.

7. If the Disclosing Party is unable to certify to any of the above statements in this Part B (Further Certifications), the Disclosing Party must explain below:

N/A

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

8. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all current employees of the Disclosing Party who were, at any time during the 12-month period preceding the execution date of this EDS, an employee, or elected or appointed official, of the City of Chicago (if none, indicate with "N/A" or "none").

N/A

9. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all gifts that the Disclosing Party has given or caused to be given, at any time during the 12-month period preceding the execution date of this EDS, to an employee, or elected or appointed official, of the City of Chicago. For purposes of this statement, a "gift" does not include: (i) anything made generally available to City employees or to the general public, or (ii) food or drink provided in the course of official City business and having a retail value of less than $20 per recipient (if none, indicate with "N/A" or "none"). As to any gift listed below, please also list the name of the City recipient.

N/A

C. CERTIFICATION OF STATUS AS FINANCIAL INSTITUTION

1. The Disclosing Party certifies that the Disclosing Party (check one)

[ ] is [X] is not

a "financial institution" as defined in Section 2-32-455(b) of the Municipal Code.

2. If the Disclosing Party IS a financial institution, then the Disclosing Party pledges:

"We are not and will not become a predatory lender as defined in Chapter 2-32 of the Municipal Code. We further pledge that none of our affiliates is, and none of them will become, a predatory lender as defined in Chapter 2-32 of the Municipal Code. We understand that becoming a predatory lender or becoming an affiliate of a predatory lender may result in the loss of the privilege of doing business with the City."

If the Disclosing Party is unable to make this pledge because it or any of its affiliates (as defined in Section 2-32-455(b) of the Municipal Code) is a predatory lender within the meaning of Chapter 2-32 of the Municipal Code, explain here (attach additional pages if necessary):

N/A

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

D. CERTIFICATION REGARDING INTEREST IN CITY BUSINESS

Any words or terms that are defined in Chapter 2-156 of the Municipal Code have the same meanings when used in this Part D.

1. In accordance with Section 2-156-110 of the Municipal Code: Does any official or employee of the City have a financial interest in his or her own name or in the name of any other person or entity in the Matter?

[ ] Yes [X] No

NOTE: If you checked "Yes" to Item D.1., proceed to Items D.2. and D.3. If you checked "No" to Item D.1., proceed to Part E.

2. Unless sold pursuant to a process of competitive bidding, or otherwise permitted, no City elected official or employee shall have a financial interest in his or her own name or in the name of any other person or entity in the purchase of any property that (i) belongs to the City, or (ii) is sold for taxes or assessments, or (iii) is sold by virtue of legal process at the suit of the City (collectively, "City Property Sale"). Compensation for property taken pursuant to the City's eminent domain power does not constitute a financial interest within the meaning of this Part D.

Does the Matter involve a City Property Sale?

[ ] Yes [X] No

3. If you checked "Yes" to Item D.1., provide the names and business addresses of the City officials or employees having such interest and identify the nature of such interest:

Name	Business Address	Nature of Interest

4. The Disclosing Party further certifies that no prohibited financial interest in the Matter will be acquired by any City official or employee.

E. CERTIFICATION REGARDING SLAVERY ERA BUSINESS

Please check either 1. or 2. below. If the Disclosing Party checks 2., the Disclosing Party must disclose below or in an attachment to this EDS all information required by paragraph 2. Failure to

comply with these disclosure requirements may make any contract entered into with the City in connection with the Matter voidable by the City.

__X__ 1. The Disclosing Party verifies that the Disclosing Party has searched any and all records of the Disclosing Party and any and all predecessor entities regarding records of investments or profits from slavery or slaveholder insurance policies during the slavery era (including insurance policies issued to slaveholders that provided coverage for damage to or injury or death of their slaves), and the Disclosing Party has found no such records.

____ 2. The Disclosing Party verifies that, as a result of conducting the search in step 1 above, the Disclosing Party has found records of investments or profits from slavery or slaveholder insurance policies. The Disclosing Party verifies that the following constitutes full disclosure of all such records, including the names of any and all slaves or slaveholders described in those records:

_____

_____

_____

_____

SECTION VI -- CERTIFICATIONS FOR FEDERALLY FUNDED MATTERS

NOTE: If the Matter is federally funded, complete this Section VI. **If the Matter is not federally funded**, proceed to Section VII. For purposes of this Section VI, tax credits allocated by the City and proceeds of debt obligations of the City are not federal funding.

A. CERTIFICATION REGARDING LOBBYING

1. List below the names of all persons or entities registered under the federal Lobbying Disclosure Act of 1995 who have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter: (Add sheets if necessary):

None

_____

_____

(If no explanation appears or begins on the lines above, or if the letters "NA" or if the word "None" appear, it will be conclusively presumed that the Disclosing Party means that NO persons or entities registered under the Lobbying Disclosure Act of 1995 have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter.)

2. The Disclosing Party has not spent and will not expend any federally appropriated funds to pay any person or entity listed in Paragraph A.1. above for his or her lobbying activities or to pay any person or entity to influence or attempt to influence an officer or employee of any agency, as defined by applicable federal law, a member of Congress, an officer or employee of Congress, or an employee of a member of Congress, in connection with the award of any federally funded contract, making any federally funded grant or loan, entering into any cooperative agreement, or to extend, continue, renew, amend, or modify any federally funded contract, grant, loan, or cooperative agreement.

3. The Disclosing Party will submit an updated certification at the end of each calendar quarter in which there occurs any event that materially affects the accuracy of the statements and information set forth in paragraphs A.1. and A.2. above.

4. The Disclosing Party certifies that either: (i) it is not an organization described in section 501(c)(4) of the Internal Revenue Code of 1986; or (ii) it is an organization described in section 501(c)(4) of the Internal Revenue Code of 1986 but has not engaged and will not engage in "Lobbying Activities".

5. If the Disclosing Party is the Applicant, the Disclosing Party must obtain certifications equal in form and substance to paragraphs A.1. through A.4. above from all subcontractors before it awards any subcontract and the Disclosing Party must maintain all such subcontractors' certifications for the duration of the Matter and must make such certifications promptly available to the City upon request.

B. CERTIFICATION REGARDING EQUAL EMPLOYMENT OPPORTUNITY

If the Matter is federally funded, federal regulations require the Applicant and all proposed subcontractors to submit the following information with their bids or in writing at the outset of negotiations.

Is the Disclosing Party the Applicant?

[ ] Yes [X] No

If "Yes," answer the three questions below:

1. Have you developed and do you have on file affirmative action programs pursuant to applicable federal regulations? (See 41 CFR Part 60-2.)
[ ] Yes [ ] No

2. Have you filed with the Joint Reporting Committee, the Director of the Office of Federal Contract Compliance Programs, or the Equal Employment Opportunity Commission all reports due under the applicable filing requirements?
[ ] Yes [ ] No

3. Have you participated in any previous contracts or subcontracts subject to the equal opportunity clause?
[ ] Yes [ ] No

If you checked "No" to question 1. or 2. above, please provide an explanation:

_____

_____

SECTION VII -- ACKNOWLEDGMENTS, CONTRACT INCORPORATION, COMPLIANCE, PENALTIES, DISCLOSURE

The Disclosing Party understands and agrees that:

A. The certifications, disclosures, and acknowledgments contained in this EDS will become part of any contract or other agreement between the Applicant and the City in connection with the Matter, whether procurement, City assistance, or other City action, and are material inducements to the City's execution of any contract or taking other action with respect to the Matter. The Disclosing Party understands that it must comply with all statutes, ordinances, and regulations on which this EDS is based.

B. The City's Governmental Ethics and Campaign Financing Ordinances, Chapters 2-156 and 2-164 of the Municipal Code, impose certain duties and obligations on persons or entities seeking City contracts, work, business, or transactions. The full text of these ordinances and a training program is available on line at www.cityofchicago.org/Ethics, and may also be obtained from the City's Board of Ethics, 740 N.

Sedgwick St., Suite 500, Chicago, IL 60610, (312) 744-9660. The Disclosing Party must comply fully with the applicable ordinances.

C. If the City determines that any information provided in this EDS is false, incomplete or inaccurate, any contract or other agreement in connection with which it is submitted may be rescinded or be void or voidable, and the City may pursue any remedies under the contract or agreement (if not rescinded or void), at law, or in equity, including terminating the Disclosing Party's participation in the Matter and/or declining to allow the Disclosing Party to participate in other transactions with the City. Remedies at law for a false statement of material fact may include incarceration and an award to the City of treble damages.

D. It is the City's policy to make this document available to the public on its Internet site and/or upon request. Some or all of the information provided on this EDS and any attachments to this EDS may be made available to the public on the Internet, in response to a Freedom of Information Act request, or otherwise. By completing and signing this EDS, the Disclosing Party waives and releases any possible rights or claims which it may have against the City in connection with the public release of information contained in this EDS and also authorizes the City to verify the accuracy of any information submitted in this EDS.

E. The information provided in this EDS must be kept current. In the event of changes, the Disclosing Party must supplement this EDS up to the time the City takes action on the Matter. If the Matter is a contract being handled by the City's Department of Procurement Services, the Disclosing Party must update this EDS as the contract requires. **NOTE:** With respect to Matters subject to Article I of Chapter 1-23 of the Municipal Code (imposing **PERMANENT INELIGIBILITY** for certain specified offenses), the information provided herein regarding eligibility must be kept current for a longer period, as required by Chapter 1-23 and Section 2-154-020 of the Municipal Code.

The Disclosing Party represents and warrants that:

F.1. The Disclosing Party is not delinquent in the payment of any tax administered by the Illinois Department of Revenue, nor are the Disclosing Party or its Affiliated Entities delinquent in paying any fine, fee, tax or other charge owed to the City. This includes, but is not limited to, all water charges, sewer charges, license fees, parking tickets, property taxes or sales taxes.

F.2 If the Disclosing Party is the Applicant, the Disclosing Party and its Affiliated Entities will not use, nor permit their subcontractors to use, any facility listed by the U.S. E.P.A. on the federal Excluded Parties List System ("EPLS") maintained by the U. S. General Services Administration.

F.3 If the Disclosing Party is the Applicant, the Disclosing Party will obtain from any contractors/subcontractors hired or to be hired in connection with the Matter certifications equal in form and substance to those in F.1. and F.2. above and will not, without the prior written consent of the City, use any such contractor/subcontractor that does not provide such certifications or that the Disclosing Party has reason to believe has not provided or cannot provide truthful certifications.

NOTE: If the Disclosing Party cannot certify as to any of the items in F.1., F.2. or F.3. above, an explanatory statement must be attached to this EDS.

CERTIFICATION

Under penalty of perjury, the person signing below: (1) warrants that he/she is authorized to execute this EDS and Appendix A (if applicable) on behalf of the Disclosing Party, and (2) warrants that all certifications and statements contained in this EDS and Appendix A (if applicable) are true, accurate and complete as of the date furnished to the City.

The Lawrence Kohl 2013 Family Trust
(Print or type name of Disclosing Party)

By: Patricia Fadness
(Sign here) By: Pentacorp, Inc., Trustee
By: Patricia Fadness, President

Patricia Fadness
(Print or type name of person signing)

President
(Print or type title of person signing)

Signed and sworn to before me on (date) Nov 25, 2014,
at Palm Beach County, Florida (state).

Moira Malloy-Bertrand Notary Public.

MOIRA MALLOY-BERTRAND
MY COMMISSION # FF 073037
EXPIRES: March 24, 2018
Bonded Thru Notary Public Underwriters

Commission expires: 3-24-2018.

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT AND AFFIDAVIT
APPENDIX A

FAMILIAL RELATIONSHIPS WITH ELECTED CITY OFFICIALS AND DEPARTMENT HEADS

This Appendix is to be completed only by (a) the Applicant, and (b) any legal entity which has a direct ownership interest in the Applicant exceeding 7.5 percent. It is not to be completed by any legal entity which has only an indirect ownership interest in the Applicant.

Under Municipal Code Section 2-154-015, the Disclosing Party must disclose whether such Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently has a "familial relationship" with any elected city official or department head. A "familial relationship" exists if, as of the date this EDS is signed, the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof is related to the mayor, any alderman, the city clerk, the city treasurer or any city department head as spouse or domestic partner or as any of the following, whether by blood or adoption: parent, child, brother or sister, aunt or uncle, niece or nephew, grandparent, grandchild, father-in-law, mother-in-law, son-in-law, daughter-in-law, stepfather or stepmother, stepson or stepdaughter, stepbrother or stepsister or half-brother or half-sister.

"Applicable Party" means (1) all executive officers of the Disclosing Party listed in Section II.B.1.a., if the Disclosing Party is a corporation; all partners of the Disclosing Party, if the Disclosing Party is a general partnership; all general partners and limited partners of the Disclosing Party, if the Disclosing Party is a limited partnership; all managers, managing members and members of the Disclosing Party, if the Disclosing Party is a limited liability company; (2) all principal officers of the Disclosing Party; and (3) any person having more than a 7.5 percent ownership interest in the Disclosing Party. "Principal officers" means the president, chief operating officer, executive director, chief financial officer, treasurer or secretary of a legal entity or any person exercising similar authority.

Does the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently have a "familial relationship" with an elected city official or department head?

[ ] Yes [X] No

If yes, please identify below (1) the name and title of such person, (2) the name of the legal entity to which such person is connected; (3) the name and title of the elected city official or department head to whom such person has a familial relationship, and (4) the precise nature of such familial relationship.

_____

_____

_____

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT
AND AFFIDAVIT

SECTION I -- GENERAL INFORMATION

A. Legal name of the Disclosing Party submitting this EDS. Include d/b/a/ if applicable:

Palm Drive Associates, LLC

Check ONE of the following three boxes:

Indicate whether the Disclosing Party submitting this EDS is:

1. [ ] the Applicant
   OR
2. [X] a legal entity holding a direct or indirect interest in the Applicant. State the legal name of the Applicant in which the Disclosing Party holds an interest: Hilliard Homes II Limited Partnership
   OR
3. [ ] a legal entity with a right of control (see Section II.B.1.) State the legal name of the entity in which the Disclosing Party holds a right of control: _____

B. Business address of the Disclosing Party: 21600 Oxnard Street, suite 1200
Woodland Hills, CA 91367

C. Telephone: 818-668-6800 Fax: 818-668-2828 Email: Shawn.Horwitz@alliantcapital.com

D. Name of contact person: Shawn Horwitz

E. Federal Employer Identification No. (if you have one): _____

F. Brief description of contract, transaction or other undertaking (referred to below as the "Matter") to which this EDS pertains. (Include project number and location of property, if applicable):

Subordinate financing from the City of Chicago for replacement of existing windows.

G. Which City agency or department is requesting this EDS? Department of Planning and Development

If the Matter is a contract being handled by the City's Department of Procurement Services, please complete the following:

Specification # N/A and Contract # N/A

SECTION II -- DISCLOSURE OF OWNERSHIP INTERESTS

A. NATURE OF THE DISCLOSING PARTY

1. Indicate the nature of the Disclosing Party:

[ ] Person
[ ] Publicly registered business corporation
[ ] Privately held business corporation
[ ] Sole proprietorship
[ ] General partnership
[ ] Limited partnership
[ ] Trust
[X] Limited liability company
[ ] Limited liability partnership
[ ] Joint venture
[ ] Not-for-profit corporation
(Is the not-for-profit corporation also a 501(c)(3))?
[ ] Yes [ ] No
[ ] Other (please specify)

_____

2. For legal entities, the state (or foreign country) of incorporation or organization, if applicable:

Delaware

3. For legal entities not organized in the State of Illinois: Has the organization registered to do business in the State of Illinois as a foreign entity?

[ ] Yes [X] No [ ] N/A

B. IF THE DISCLOSING PARTY IS A LEGAL ENTITY:

1. List below the full names and titles of all executive officers and all directors of the entity. **NOTE:** For not-for-profit corporations, also list below all members, if any, which are legal entities. If there are no such members, write "no members." For trusts, estates or other similar entities, list below the legal titleholder(s).

If the entity is a general partnership, limited partnership, limited liability company, limited liability partnership or joint venture, list below the name and title of each general partner, managing member, manager or any other person or entity that controls the day-to-day management of the Disclosing Party. **NOTE**: Each legal entity listed below must submit an EDS on its own behalf.

Name	Title
Shawn Horwitz	Managing Member

2. Please provide the following information concerning each person or entity having a direct or indirect beneficial interest (including ownership) in excess of 7.5% of the Disclosing Party. Examples of such an interest include shares in a corporation, partnership interest in a partnership or joint venture,

interest of a member or manager in a limited liability company, or interest of a beneficiary of a trust, estate or other similar entity. If none, state "None." **NOTE**: Pursuant to Section 2-154-030 of the Municipal Code of Chicago ("Municipal Code"), the City may require any such additional information from any applicant which is reasonably intended to achieve full disclosure.

Name	Business Address	Percentage Interest in the Disclosing Party
Shawn Horwitz	21600 Oxnard St., Suite 1200, Woodland Hills, CA 91367	50% (Managing Member)
Joanne Horwitz	21600 Oxnard St., Suite 1200, Woodland Hills, CA 91367	50% (Member)

SECTION III -- BUSINESS RELATIONSHIPS WITH CITY ELECTED OFFICIALS

Has the Disclosing Party had a "business relationship," as defined in Chapter 2-156 of the Municipal Code, with any City elected official in the 12 months before the date this EDS is signed?

[ ] Yes [X] No

If yes, please identify below the name(s) of such City elected official(s) and describe such relationship(s):

N/A

SECTION IV -- DISCLOSURE OF SUBCONTRACTORS AND OTHER RETAINED PARTIES

The Disclosing Party must disclose the name and business address of each subcontractor, attorney, lobbyist, accountant, consultant and any other person or entity whom the Disclosing Party has retained or expects to retain in connection with the Matter, as well as the nature of the relationship, and the total amount of the fees paid or estimated to be paid. The Disclosing Party is not required to disclose employees who are paid solely through the Disclosing Party's regular payroll.

"Lobbyist" means any person or entity who undertakes to influence any legislative or administrative action on behalf of any person or entity other than: (1) a not-for-profit entity, on an unpaid basis, or (2) himself. "Lobbyist" also means any person or entity any part of whose duties as an employee of another includes undertaking to influence any legislative or administrative action.

If the Disclosing Party is uncertain whether a disclosure is required under this Section, the Disclosing Party must either ask the City whether disclosure is required or make the disclosure.

Name (indicate whether retained or anticipated to be retained)	Business Address	Relationship to Disclosing Party (subcontractor, attorney, lobbyist, etc.)	Fees (indicate whether paid or estimated.) **NOTE:** "hourly rate" or "t.b.d." is not an acceptable response.
N/A			

(Add sheets if necessary)

[X] Check here if the Disclosing Party has not retained, nor expects to retain, any such persons or entities.

SECTION V -- CERTIFICATIONS

A. COURT-ORDERED CHILD SUPPORT COMPLIANCE

Under Municipal Code Section 2-92-415, substantial owners of business entities that contract with the City must remain in compliance with their child support obligations throughout the contract's term.

Has any person who directly or indirectly owns 10% or more of the Disclosing Party been declared in arrearage on any child support obligations by any Illinois court of competent jurisdiction?

[ ] Yes [X] No [ ] No person directly or indirectly owns 10% or more of the Disclosing Party.

If "Yes," has the person entered into a court-approved agreement for payment of all support owed and is the person in compliance with that agreement?

[ ] Yes [ ] No

B. FURTHER CERTIFICATIONS

1. Pursuant to Municipal Code Chapter 1-23, Article I ("Article I")(which the Applicant should consult for defined terms (e.g., "doing business") and legal requirements), if the Disclosing Party submitting this EDS is the Applicant and is doing business with the City, then the Disclosing Party certifies as follows: (i) neither the Applicant nor any controlling person is currently indicted or charged with, or has admitted guilt of, or has ever been convicted of, or placed under supervision for, any criminal offense involving actual, attempted, or conspiracy to commit bribery, theft, fraud, forgery, perjury, dishonesty or deceit against an officer or employee of the City or any sister agency; and (ii) the Applicant understands and acknowledges that compliance with Article I is a continuing requirement for doing business with the City. NOTE: If Article I applies to the Applicant, the permanent compliance timeframe in Article I supersedes some five-year compliance timeframes in certifications 2 and 3 below.

2. The Disclosing Party and, if the Disclosing Party is a legal entity, all of those persons or entities identified in Section II.B.1. of this EDS:

a. are not presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from any transactions by any federal, state or local unit of government;

b. have not, within a five-year period preceding the date of this EDS, been convicted of a criminal offense, adjudged guilty, or had a civil judgment rendered against them in connection with: obtaining, attempting to obtain, or performing a public (federal, state or local) transaction or contract under a public transaction; a violation of federal or state antitrust statutes; fraud; embezzlement; theft; forgery; bribery; falsification or destruction of records; making false statements; or receiving stolen property;

c. are not presently indicted for, or criminally or civilly charged by, a governmental entity (federal, state or local) with committing any of the offenses set forth in clause B.2.b. of this Section V;

d. have not, within a five-year period preceding the date of this EDS, had one or more public transactions (federal, state or local) terminated for cause or default; and

e. have not, within a five-year period preceding the date of this EDS, been convicted, adjudged guilty, or found liable in a civil proceeding, or in any criminal or civil action, including actions concerning environmental violations, instituted by the City or by the federal government, any state, or any other unit of local government.

3. The certifications in subparts 3, 4 and 5 concern:

• the Disclosing Party;
• any "Contractor" (meaning any contractor or subcontractor used by the Disclosing Party in connection with the Matter, including but not limited to all persons or legal entities disclosed under Section IV, "Disclosure of Subcontractors and Other Retained Parties");
• any "Affiliated Entity" (meaning a person or entity that, directly or indirectly: controls the Disclosing Party, is controlled by the Disclosing Party, or is, with the Disclosing Party, under common control of another person or entity. Indicia of control include, without limitation: interlocking management or ownership; identity of interests among family members, shared facilities and equipment; common use of employees; or organization of a business entity following the ineligibility of a business entity to do business with federal or state or local government, including the City, using substantially the same management, ownership, or principals as the ineligible entity); with respect to Contractors, the term Affiliated Entity means a person or entity that directly or indirectly controls the Contractor, is controlled by it, or, with the Contractor, is under common control of another person or entity;
• any responsible official of the Disclosing Party, any Contractor or any Affiliated Entity or any other official, agent or employee of the Disclosing Party, any Contractor or any Affiliated Entity, acting pursuant to the direction or authorization of a responsible official of the Disclosing Party, any Contractor or any Affiliated Entity (collectively "Agents").

Neither the Disclosing Party, nor any Contractor, nor any Affiliated Entity of either the Disclosing Party or any Contractor nor any Agents have, during the five years before the date this EDS is signed, or, with respect to a Contractor, an Affiliated Entity, or an Affiliated Entity of a Contractor during the five years before the date of such Contractor's or Affiliated Entity's contract or engagement in connection with the Matter:

a. bribed or attempted to bribe, or been convicted or adjudged guilty of bribery or attempting to bribe, a public officer or employee of the City, the State of Illinois, or any agency of the federal government or of any state or local government in the United States of America, in that officer's or employee's official capacity;

b. agreed or colluded with other bidders or prospective bidders, or been a party to any such agreement, or been convicted or adjudged guilty of agreement or collusion among bidders or prospective bidders, in restraint of freedom of competition by agreement to bid a fixed price or otherwise; or

c. made an admission of such conduct described in a. or b. above that is a matter of record, but have not been prosecuted for such conduct; or

d. violated the provisions of Municipal Code Section 2-92-610 (Living Wage Ordinance).

4. Neither the Disclosing Party, Affiliated Entity or Contractor, or any of their employees, officials, agents or partners, is barred from contracting with any unit of state or local government as a result of engaging in or being convicted of (1) bid-rigging in violation of 720 ILCS 5/33E-3; (2) bid-rotating in violation of 720 ILCS 5/33E-4; or (3) any similar offense of any state or of the United States of America that contains the same elements as the offense of bid-rigging or bid-rotating.

5. Neither the Disclosing Party nor any Affiliated Entity is listed on any of the following lists maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the Bureau of Industry and Security of the U.S. Department of Commerce or their successors: the Specially Designated Nationals List, the Denied Persons List, the Unverified List, the Entity List and the Debarred List.

6. The Disclosing Party understands and shall comply with the applicable requirements of Chapters 2-55 (Legislative Inspector General), 2-56 (Inspector General) and 2-156 (Governmental Ethics) of the Municipal Code.

7. If the Disclosing Party is unable to certify to any of the above statements in this Part B (Further Certifications), the Disclosing Party must explain below:

N/A

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

8. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all current employees of the Disclosing Party who were, at any time during the 12-month period preceding the execution date of this EDS, an employee, or elected or appointed official, of the City of Chicago (if none, indicate with "N/A" or "none").

N/A

9. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all gifts that the Disclosing Party has given or caused to be given, at any time during the 12-month period preceding the execution date of this EDS, to an employee, or elected or appointed official, of the City of Chicago. For purposes of this statement, a "gift" does not include: (i) anything made generally available to City employees or to the general public, or (ii) food or drink provided in the course of official City business and having a retail value of less than $20 per recipient (if none, indicate with "N/A" or "none"). As to any gift listed below, please also list the name of the City recipient.

N/A

C. CERTIFICATION OF STATUS AS FINANCIAL INSTITUTION

1. The Disclosing Party certifies that the Disclosing Party (check one)

[ ] is [X] is not

a "financial institution" as defined in Section 2-32-455(b) of the Municipal Code.

2. If the Disclosing Party IS a financial institution, then the Disclosing Party pledges:

"We are not and will not become a predatory lender as defined in Chapter 2-32 of the Municipal Code. We further pledge that none of our affiliates is, and none of them will become, a predatory lender as defined in Chapter 2-32 of the Municipal Code. We understand that becoming a predatory lender or becoming an affiliate of a predatory lender may result in the loss of the privilege of doing business with the City."

If the Disclosing Party is unable to make this pledge because it or any of its affiliates (as defined in Section 2-32-455(b) of the Municipal Code) is a predatory lender within the meaning of Chapter 2-32 of the Municipal Code, explain here (attach additional pages if necessary):

N/A

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

D. CERTIFICATION REGARDING INTEREST IN CITY BUSINESS

Any words or terms that are defined in Chapter 2-156 of the Municipal Code have the same meanings when used in this Part D.

1. In accordance with Section 2-156-110 of the Municipal Code: Does any official or employee of the City have a financial interest in his or her own name or in the name of any other person or entity in the Matter?

[ ] Yes [X] No

NOTE: If you checked "Yes" to Item D.1., proceed to Items D.2. and D.3. If you checked "No" to Item D.1., proceed to Part E.

2. Unless sold pursuant to a process of competitive bidding, or otherwise permitted, no City elected official or employee shall have a financial interest in his or her own name or in the name of any other person or entity in the purchase of any property that (i) belongs to the City, or (ii) is sold for taxes or assessments, or (iii) is sold by virtue of legal process at the suit of the City (collectively, "City Property Sale"). Compensation for property taken pursuant to the City's eminent domain power does not constitute a financial interest within the meaning of this Part D.

Does the Matter involve a City Property Sale?

[ ] Yes [X] No

3. If you checked "Yes" to Item D.1., provide the names and business addresses of the City officials or employees having such interest and identify the nature of such interest:

Name	Business Address	Nature of Interest

4. The Disclosing Party further certifies that no prohibited financial interest in the Matter will be acquired by any City official or employee.

E. CERTIFICATION REGARDING SLAVERY ERA BUSINESS

Please check either 1. or 2. below. If the Disclosing Party checks 2., the Disclosing Party must disclose below or in an attachment to this EDS all information required by paragraph 2. Failure to

comply with these disclosure requirements may make any contract entered into with the City in connection with the Matter voidable by the City.

_X_ 1. The Disclosing Party verifies that the Disclosing Party has searched any and all records of the Disclosing Party and any and all predecessor entities regarding records of investments or profits from slavery or slaveholder insurance policies during the slavery era (including insurance policies issued to slaveholders that provided coverage for damage to or injury or death of their slaves), and the Disclosing Party has found no such records.

____ 2. The Disclosing Party verifies that, as a result of conducting the search in step 1 above, the Disclosing Party has found records of investments or profits from slavery or slaveholder insurance policies. The Disclosing Party verifies that the following constitutes full disclosure of all such records, including the names of any and all slaves or slaveholders described in those records:

SECTION VI -- CERTIFICATIONS FOR FEDERALLY FUNDED MATTERS

NOTE: If the Matter is federally funded, complete this Section VI. **If the Matter is not federally funded**, proceed to Section VII. For purposes of this Section VI, tax credits allocated by the City and proceeds of debt obligations of the City are not federal funding.

A. CERTIFICATION REGARDING LOBBYING

1. List below the names of all persons or entities registered under the federal Lobbying Disclosure Act of 1995 who have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter: (Add sheets if necessary):

None

(If no explanation appears or begins on the lines above, or if the letters "NA" or if the word "None" appear, it will be conclusively presumed that the Disclosing Party means that NO persons or entities registered under the Lobbying Disclosure Act of 1995 have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter.)

2. The Disclosing Party has not spent and will not expend any federally appropriated funds to pay any person or entity listed in Paragraph A.1. above for his or her lobbying activities or to pay any person or entity to influence or attempt to influence an officer or employee of any agency, as defined by applicable federal law, a member of Congress, an officer or employee of Congress, or an employee of a member of Congress, in connection with the award of any federally funded contract, making any federally funded grant or loan, entering into any cooperative agreement, or to extend, continue, renew, amend, or modify any federally funded contract, grant, loan, or cooperative agreement.

3. The Disclosing Party will submit an updated certification at the end of each calendar quarter in which there occurs any event that materially affects the accuracy of the statements and information set forth in paragraphs A.1. and A.2. above.

4. The Disclosing Party certifies that either: (i) it is not an organization described in section 501(c)(4) of the Internal Revenue Code of 1986; or (ii) it is an organization described in section 501(c)(4) of the Internal Revenue Code of 1986 but has not engaged and will not engage in "Lobbying Activities".

5. If the Disclosing Party is the Applicant, the Disclosing Party must obtain certifications equal in form and substance to paragraphs A.1. through A.4. above from all subcontractors before it awards any subcontract and the Disclosing Party must maintain all such subcontractors' certifications for the duration of the Matter and must make such certifications promptly available to the City upon request.

B. CERTIFICATION REGARDING EQUAL EMPLOYMENT OPPORTUNITY

If the Matter is federally funded, federal regulations require the Applicant and all proposed subcontractors to submit the following information with their bids or in writing at the outset of negotiations.

Is the Disclosing Party the Applicant?

[ ] Yes [X] No

If "Yes," answer the three questions below:

1. Have you developed and do you have on file affirmative action programs pursuant to applicable federal regulations? (See 41 CFR Part 60-2.)
[ ] Yes [ ] No

2. Have you filed with the Joint Reporting Committee, the Director of the Office of Federal Contract Compliance Programs, or the Equal Employment Opportunity Commission all reports due under the applicable filing requirements?
[ ] Yes [ ] No

3. Have you participated in any previous contracts or subcontracts subject to the equal opportunity clause?
[ ] Yes [ ] No

If you checked "No" to question 1. or 2. above, please provide an explanation:

_____

_____

SECTION VII -- ACKNOWLEDGMENTS, CONTRACT INCORPORATION, COMPLIANCE, PENALTIES, DISCLOSURE

The Disclosing Party understands and agrees that:

A. The certifications, disclosures, and acknowledgments contained in this EDS will become part of any contract or other agreement between the Applicant and the City in connection with the Matter, whether procurement, City assistance, or other City action, and are material inducements to the City's execution of any contract or taking other action with respect to the Matter. The Disclosing Party understands that it must comply with all statutes, ordinances, and regulations on which this EDS is based.

B. The City's Governmental Ethics and Campaign Financing Ordinances, Chapters 2-156 and 2-164 of the Municipal Code, impose certain duties and obligations on persons or entities seeking City contracts, work, business, or transactions. The full text of these ordinances and a training program is available on line at www.cityofchicago.org/Ethics, and may also be obtained from the City's Board of Ethics, 740 N.

Sedgwick St., Suite 500, Chicago, IL 60610, (312) 744-9660. The Disclosing Party must comply fully with the applicable ordinances.

C. If the City determines that any information provided in this EDS is false, incomplete or inaccurate, any contract or other agreement in connection with which it is submitted may be rescinded or be void or voidable, and the City may pursue any remedies under the contract or agreement (if not rescinded or void), at law, or in equity, including terminating the Disclosing Party's participation in the Matter and/or declining to allow the Disclosing Party to participate in other transactions with the City. Remedies at law for a false statement of material fact may include incarceration and an award to the City of treble damages.

D. It is the City's policy to make this document available to the public on its Internet site and/or upon request. Some or all of the information provided on this EDS and any attachments to this EDS may be made available to the public on the Internet, in response to a Freedom of Information Act request, or otherwise. By completing and signing this EDS, the Disclosing Party waives and releases any possible rights or claims which it may have against the City in connection with the public release of information contained in this EDS and also authorizes the City to verify the accuracy of any information submitted in this EDS.

E. The information provided in this EDS must be kept current. In the event of changes, the Disclosing Party must supplement this EDS up to the time the City takes action on the Matter. If the Matter is a contract being handled by the City's Department of Procurement Services, the Disclosing Party must update this EDS as the contract requires. **NOTE:** With respect to Matters subject to Article I of Chapter 1-23 of the Municipal Code (imposing **PERMANENT INELIGIBILITY** for certain specified offenses), the information provided herein regarding eligibility must be kept current for a longer period, as required by Chapter 1-23 and Section 2-154-020 of the Municipal Code.

The Disclosing Party represents and warrants that:

F.1. The Disclosing Party is not delinquent in the payment of any tax administered by the Illinois Department of Revenue, nor are the Disclosing Party or its Affiliated Entities delinquent in paying any fine, fee, tax or other charge owed to the City. This includes, but is not limited to, all water charges, sewer charges, license fees, parking tickets, property taxes or sales taxes.

F.2 If the Disclosing Party is the Applicant, the Disclosing Party and its Affiliated Entities will not use, nor permit their subcontractors to use, any facility listed by the U.S. E.P.A. on the federal Excluded Parties List System ("EPLS") maintained by the U. S. General Services Administration.

F.3 If the Disclosing Party is the Applicant, the Disclosing Party will obtain from any contractors/subcontractors hired or to be hired in connection with the Matter certifications equal in form and substance to those in F.1. and F.2. above and will not, without the prior written consent of the City, use any such contractor/subcontractor that does not provide such certifications or that the Disclosing Party has reason to believe has not provided or cannot provide truthful certifications.

NOTE: If the Disclosing Party cannot certify as to any of the items in F.1., F.2. or F.3. above, an explanatory statement must be attached to this EDS.

CERTIFICATION

Under penalty of perjury, the person signing below: (1) warrants that he/she is authorized to execute this EDS and Appendix A (if applicable) on behalf of the Disclosing Party, and (2) warrants that all certifications and statements contained in this EDS and Appendix A (if applicable) are true, accurate and complete as of the date furnished to the City.

Palm Drive Associates, LLC
(Print or type name of Disclosing Party)

By: _____
(Sign here)

Shawn Horwitz
(Print or type name of person signing)

Managing Member
(Print or type title of person signing)

Signed and sworn to before me on (date) 12/4/2014,
at Los Angeles County, CA (state).

Anush Sinanian Notary Public.

Commission expires: 09/24/2017.

ANUSH SINANIAN
Commission # 2042671
Notary Public - California
Los Angeles County
My Comm. Expires Sep 24, 2017

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT AND AFFIDAVIT
APPENDIX A

FAMILIAL RELATIONSHIPS WITH ELECTED CITY OFFICIALS AND DEPARTMENT HEADS

This Appendix is to be completed only by (a) the Applicant, and (b) any legal entity which has a direct ownership interest in the Applicant exceeding 7.5 percent. It is not to be completed by any legal entity which has only an indirect ownership interest in the Applicant.

Under Municipal Code Section 2-154-015, the Disclosing Party must disclose whether such Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently has a "familial relationship" with any elected city official or department head. A "familial relationship" exists if, as of the date this EDS is signed, the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof is related to the mayor, any alderman, the city clerk, the city treasurer or any city department head as spouse or domestic partner or as any of the following, whether by blood or adoption: parent, child, brother or sister, aunt or uncle, niece or nephew, grandparent, grandchild, father-in-law, mother-in-law, son-in-law, daughter-in-law, stepfather or stepmother, stepson or stepdaughter, stepbrother or stepsister or half-brother or half-sister.

"Applicable Party" means (1) all executive officers of the Disclosing Party listed in Section II.B.1.a., if the Disclosing Party is a corporation; all partners of the Disclosing Party, if the Disclosing Party is a general partnership; all general partners and limited partners of the Disclosing Party, if the Disclosing Party is a limited partnership; all managers, managing members and members of the Disclosing Party, if the Disclosing Party is a limited liability company; (2) all principal officers of the Disclosing Party; and (3) any person having more than a 7.5 percent ownership interest in the Disclosing Party. "Principal officers" means the president, chief operating officer, executive director, chief financial officer, treasurer or secretary of a legal entity or any person exercising similar authority.

Does the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently have a "familial relationship" with an elected city official or department head?

[ ] Yes [X] No

If yes, please identify below (1) the name and title of such person, (2) the name of the legal entity to which such person is connected; (3) the name and title of the elected city official or department head to whom such person has a familial relationship, and (4) the precise nature of such familial relationship.

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT
AND AFFIDAVIT

SECTION I -- GENERAL INFORMATION

A. Legal name of the Disclosing Party submitting this EDS. Include d/b/a/ if applicable:

344 Columbia Associates, Ltd.

Check ONE of the following three boxes:

Indicate whether the Disclosing Party submitting this EDS is:

1. [ ] the Applicant
   OR
2. [X] a legal entity holding a direct or indirect interest in the Applicant. State the legal name of the Applicant in which the Disclosing Party holds an interest: Hilliard Homes II Limited Partnership
   OR
3. [ ] a legal entity with a right of control (see Section II.B.1.) State the legal name of the entity in which the Disclosing Party holds a right of control: _____

B. Business address of the Disclosing Party: 21600 Oxnard Street, Suite 1200
Woodland Hills, CA 91367

C. Telephone: 818-668-6800 Fax: 818-668-2828 Email: scott.kotick@alliantcapital.com

D. Name of contact person: Scott Kotick

E. Federal Employer Identification No. (if you have one): _____

F. Brief description of contract, transaction or other undertaking (referred to below as the "Matter") to which this EDS pertains. (Include project number and location of property, if applicable):

Subordinate financing from the City of Chicago for replacement of existing windows.

G. Which City agency or department is requesting this EDS? Department of Planning and Development

If the Matter is a contract being handled by the City's Department of Procurement Services, please complete the following:

Specification # N/A and Contract # N/A

SECTION II -- DISCLOSURE OF OWNERSHIP INTERESTS

A. NATURE OF THE DISCLOSING PARTY

1. Indicate the nature of the Disclosing Party:

[ ] Person
[ ] Publicly registered business corporation
[ ] Privately held business corporation
[ ] Sole proprietorship
[ ] General partnership
[X] Limited partnership
[ ] Trust
[ ] Limited liability company
[ ] Limited liability partnership
[ ] Joint venture
[ ] Not-for-profit corporation
(Is the not-for-profit corporation also a 501(c)(3))?
[ ] Yes [ ] No
[ ] Other (please specify)

2. For legal entities, the state (or foreign country) of incorporation or organization, if applicable:

Ohio

3. For legal entities not organized in the State of Illinois: Has the organization registered to do business in the State of Illinois as a foreign entity?

[ ] Yes [X] No [ ] N/A

B. IF THE DISCLOSING PARTY IS A LEGAL ENTITY:

1. List below the full names and titles of all executive officers and all directors of the entity. **NOTE:** For not-for-profit corporations, also list below all members, if any, which are legal entities. If there are no such members, write "no members." For trusts, estates or other similar entities, list below the legal titleholder(s).

If the entity is a general partnership, limited partnership, limited liability company, limited liability partnership or joint venture, list below the name and title of each general partner, managing member, manager or any other person or entity that controls the day-to-day management of the Disclosing Party. **NOTE**: Each legal entity listed below must submit an EDS on its own behalf.

Name	Title
Scott Kotick	Managing Member

2. Please provide the following information concerning each person or entity having a direct or indirect beneficial interest (including ownership) in excess of 7.5% of the Disclosing Party. Examples of such an interest include shares in a corporation, partnership interest in a partnership or joint venture,

interest of a member or manager in a limited liability company, or interest of a beneficiary of a trust, estate or other similar entity. If none, state "None." **NOTE**: Pursuant to Section 2-154-030 of the Municipal Code of Chicago ("Municipal Code"), the City may require any such additional information from any applicant which is reasonably intended to achieve full disclosure.

Name	Business Address	Percentage Interest in the Disclosing Party
Scott Kotick	21600 Oxnard St., Suite 1200, Woodland Hills, CA 91367	25% (Managing Member)
Myra Kotick	21600 Oxnard St., Suite 1200, Woodland Hills, CA 91367	25% (Member)
Kotick Family, LP	21600 Oxnard St., Suite 1200, Woodland Hills, CA 91367	50% (Member)

SECTION III -- BUSINESS RELATIONSHIPS WITH CITY ELECTED OFFICIALS

Has the Disclosing Party had a "business relationship," as defined in Chapter 2-156 of the Municipal Code, with any City elected official in the 12 months before the date this EDS is signed?

[ ] Yes [X] No

If yes, please identify below the name(s) of such City elected official(s) and describe such relationship(s):

N/A

SECTION IV -- DISCLOSURE OF SUBCONTRACTORS AND OTHER RETAINED PARTIES

The Disclosing Party must disclose the name and business address of each subcontractor, attorney, lobbyist, accountant, consultant and any other person or entity whom the Disclosing Party has retained or expects to retain in connection with the Matter, as well as the nature of the relationship, and the total amount of the fees paid or estimated to be paid. The Disclosing Party is not required to disclose employees who are paid solely through the Disclosing Party's regular payroll.

"Lobbyist" means any person or entity who undertakes to influence any legislative or administrative action on behalf of any person or entity other than: (1) a not-for-profit entity, on an unpaid basis, or (2) himself. "Lobbyist" also means any person or entity any part of whose duties as an employee of another includes undertaking to influence any legislative or administrative action.

If the Disclosing Party is uncertain whether a disclosure is required under this Section, the Disclosing Party must either ask the City whether disclosure is required or make the disclosure.

Name (indicate whether retained or anticipated to be retained)	Business Address	Relationship to Disclosing Party (subcontractor, attorney, lobbyist, etc.)	Fees (indicate whether paid or estimated.) **NOTE:** "hourly rate" or "t.b.d." is not an acceptable response.
N/A			

(Add sheets if necessary)

[X] Check here if the Disclosing Party has not retained, nor expects to retain, any such persons or entities.

SECTION V -- CERTIFICATIONS

A. COURT-ORDERED CHILD SUPPORT COMPLIANCE

Under Municipal Code Section 2-92-415, substantial owners of business entities that contract with the City must remain in compliance with their child support obligations throughout the contract's term.

Has any person who directly or indirectly owns 10% or more of the Disclosing Party been declared in arrearage on any child support obligations by any Illinois court of competent jurisdiction?

[ ] Yes [X] No [ ] No person directly or indirectly owns 10% or more of the Disclosing Party.

If "Yes," has the person entered into a court-approved agreement for payment of all support owed and is the person in compliance with that agreement?

[ ] Yes [ ] No

B. FURTHER CERTIFICATIONS

1. Pursuant to Municipal Code Chapter 1-23, Article I ("Article I")(which the Applicant should consult for defined terms (e.g., "doing business") and legal requirements), if the Disclosing Party submitting this EDS is the Applicant and is doing business with the City, then the Disclosing Party certifies as follows: (i) neither the Applicant nor any controlling person is currently indicted or charged with, or has admitted guilt of, or has ever been convicted of, or placed under supervision for, any criminal offense involving actual, attempted, or conspiracy to commit bribery, theft, fraud, forgery, perjury, dishonesty or deceit against an officer or employee of the City or any sister agency; and (ii) the Applicant understands and acknowledges that compliance with Article I is a continuing requirement for doing business with the City. NOTE: If Article I applies to the Applicant, the permanent compliance timeframe in Article I supersedes some five-year compliance timeframes in certifications 2 and 3 below.

2. The Disclosing Party and, if the Disclosing Party is a legal entity, all of those persons or entities identified in Section II.B.1. of this EDS:

a. are not presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from any transactions by any federal, state or local unit of government;

b. have not, within a five-year period preceding the date of this EDS, been convicted of a criminal offense, adjudged guilty, or had a civil judgment rendered against them in connection with: obtaining, attempting to obtain, or performing a public (federal, state or local) transaction or contract under a public transaction; a violation of federal or state antitrust statutes; fraud; embezzlement; theft; forgery; bribery; falsification or destruction of records; making false statements; or receiving stolen property;

c. are not presently indicted for, or criminally or civilly charged by, a governmental entity (federal, state or local) with committing any of the offenses set forth in clause B.2.b. of this Section V;

d. have not, within a five-year period preceding the date of this EDS, had one or more public transactions (federal, state or local) terminated for cause or default; and

e. have not, within a five-year period preceding the date of this EDS, been convicted, adjudged guilty, or found liable in a civil proceeding, or in any criminal or civil action, including actions concerning environmental violations, instituted by the City or by the federal government, any state, or any other unit of local government.

3. The certifications in subparts 3, 4 and 5 concern:

• the Disclosing Party;
• any "Contractor" (meaning any contractor or subcontractor used by the Disclosing Party in connection with the Matter, including but not limited to all persons or legal entities disclosed under Section IV, "Disclosure of Subcontractors and Other Retained Parties");
• any "Affiliated Entity" (meaning a person or entity that, directly or indirectly: controls the Disclosing Party, is controlled by the Disclosing Party, or is, with the Disclosing Party, under common control of another person or entity. Indicia of control include, without limitation: interlocking management or ownership; identity of interests among family members, shared facilities and equipment; common use of employees; or organization of a business entity following the ineligibility of a business entity to do business with federal or state or local government, including the City, using substantially the same management, ownership, or principals as the ineligible entity); with respect to Contractors, the term Affiliated Entity means a person or entity that directly or indirectly controls the Contractor, is controlled by it, or, with the Contractor, is under common control of another person or entity;
• any responsible official of the Disclosing Party, any Contractor or any Affiliated Entity or any other official, agent or employee of the Disclosing Party, any Contractor or any Affiliated Entity, acting pursuant to the direction or authorization of a responsible official of the Disclosing Party, any Contractor or any Affiliated Entity (collectively "Agents").

Neither the Disclosing Party, nor any Contractor, nor any Affiliated Entity of either the Disclosing Party or any Contractor nor any Agents have, during the five years before the date this EDS is signed, or, with respect to a Contractor, an Affiliated Entity, or an Affiliated Entity of a Contractor during the five years before the date of such Contractor's or Affiliated Entity's contract or engagement in connection with the Matter:

a. bribed or attempted to bribe, or been convicted or adjudged guilty of bribery or attempting to bribe, a public officer or employee of the City, the State of Illinois, or any agency of the federal government or of any state or local government in the United States of America, in that officer's or employee's official capacity;

b. agreed or colluded with other bidders or prospective bidders, or been a party to any such agreement, or been convicted or adjudged guilty of agreement or collusion among bidders or prospective bidders, in restraint of freedom of competition by agreement to bid a fixed price or otherwise; or

c. made an admission of such conduct described in a. or b. above that is a matter of record, but have not been prosecuted for such conduct; or

d. violated the provisions of Municipal Code Section 2-92-610 (Living Wage Ordinance).

4. Neither the Disclosing Party, Affiliated Entity or Contractor, or any of their employees, officials, agents or partners, is barred from contracting with any unit of state or local government as a result of engaging in or being convicted of (1) bid-rigging in violation of 720 ILCS 5/33E-3; (2) bid-rotating in violation of 720 ILCS 5/33E-4; or (3) any similar offense of any state or of the United States of America that contains the same elements as the offense of bid-rigging or bid-rotating.

5. Neither the Disclosing Party nor any Affiliated Entity is listed on any of the following lists maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the Bureau of Industry and Security of the U.S. Department of Commerce or their successors: the Specially Designated Nationals List, the Denied Persons List, the Unverified List, the Entity List and the Debarred List.

6. The Disclosing Party understands and shall comply with the applicable requirements of Chapters 2-55 (Legislative Inspector General), 2-56 (Inspector General) and 2-156 (Governmental Ethics) of the Municipal Code.

7. If the Disclosing Party is unable to certify to any of the above statements in this Part B (Further Certifications), the Disclosing Party must explain below:

N/A

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

8. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all current employees of the Disclosing Party who were, at any time during the 12-month period preceding the execution date of this EDS, an employee, or elected or appointed official, of the City of Chicago (if none, indicate with "N/A" or "none").

N/A

9. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all gifts that the Disclosing Party has given or caused to be given, at any time during the 12-month period preceding the execution date of this EDS, to an employee, or elected or appointed official, of the City of Chicago. For purposes of this statement, a "gift" does not include: (i) anything made generally available to City employees or to the general public, or (ii) food or drink provided in the course of official City business and having a retail value of less than $20 per recipient (if none, indicate with "N/A" or "none"). As to any gift listed below, please also list the name of the City recipient.

N/A

C. CERTIFICATION OF STATUS AS FINANCIAL INSTITUTION

1. The Disclosing Party certifies that the Disclosing Party (check one)

[ ] is [X] is not

a "financial institution" as defined in Section 2-32-455(b) of the Municipal Code.

2. If the Disclosing Party IS a financial institution, then the Disclosing Party pledges:

"We are not and will not become a predatory lender as defined in Chapter 2-32 of the Municipal Code. We further pledge that none of our affiliates is, and none of them will become, a predatory lender as defined in Chapter 2-32 of the Municipal Code. We understand that becoming a predatory lender or becoming an affiliate of a predatory lender may result in the loss of the privilege of doing business with the City."

If the Disclosing Party is unable to make this pledge because it or any of its affiliates (as defined in Section 2-32-455(b) of the Municipal Code) is a predatory lender within the meaning of Chapter 2-32 of the Municipal Code, explain here (attach additional pages if necessary):

N/A

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

D. CERTIFICATION REGARDING INTEREST IN CITY BUSINESS

Any words or terms that are defined in Chapter 2-156 of the Municipal Code have the same meanings when used in this Part D.

1. In accordance with Section 2-156-110 of the Municipal Code: Does any official or employee of the City have a financial interest in his or her own name or in the name of any other person or entity in the Matter?

[ ] Yes [X] No

NOTE: If you checked "Yes" to Item D.1., proceed to Items D.2. and D.3. If you checked "No" to Item D.1., proceed to Part E.

2. Unless sold pursuant to a process of competitive bidding, or otherwise permitted, no City elected official or employee shall have a financial interest in his or her own name or in the name of any other person or entity in the purchase of any property that (i) belongs to the City, or (ii) is sold for taxes or assessments, or (iii) is sold by virtue of legal process at the suit of the City (collectively, "City Property Sale"). Compensation for property taken pursuant to the City's eminent domain power does not constitute a financial interest within the meaning of this Part D.

Does the Matter involve a City Property Sale?

[ ] Yes [X] No

3. If you checked "Yes" to Item D.1., provide the names and business addresses of the City officials or employees having such interest and identify the nature of such interest:

Name	Business Address	Nature of Interest

4. The Disclosing Party further certifies that no prohibited financial interest in the Matter will be acquired by any City official or employee.

E. CERTIFICATION REGARDING SLAVERY ERA BUSINESS

Please check either 1. or 2. below. If the Disclosing Party checks 2., the Disclosing Party must disclose below or in an attachment to this EDS all information required by paragraph 2. Failure to

comply with these disclosure requirements may make any contract entered into with the City in connection with the Matter voidable by the City.

__X__ 1. The Disclosing Party verifies that the Disclosing Party has searched any and all records of the Disclosing Party and any and all predecessor entities regarding records of investments or profits from slavery or slaveholder insurance policies during the slavery era (including insurance policies issued to slaveholders that provided coverage for damage to or injury or death of their slaves), and the Disclosing Party has found no such records.

____2. The Disclosing Party verifies that, as a result of conducting the search in step 1 above, the Disclosing Party has found records of investments or profits from slavery or slaveholder insurance policies. The Disclosing Party verifies that the following constitutes full disclosure of all such records, including the names of any and all slaves or slaveholders described in those records:

_____

_____

_____

_____

SECTION VI -- CERTIFICATIONS FOR FEDERALLY FUNDED MATTERS

NOTE: If the Matter is federally funded, complete this Section VI. **If the Matter is not federally funded,** proceed to Section VII. For purposes of this Section VI, tax credits allocated by the City and proceeds of debt obligations of the City are not federal funding.

A. CERTIFICATION REGARDING LOBBYING

1. List below the names of all persons or entities registered under the federal Lobbying Disclosure Act of 1995 who have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter: (Add sheets if necessary):

None

_____

_____

(If no explanation appears or begins on the lines above, or if the letters "NA" or if the word "None" appear, it will be conclusively presumed that the Disclosing Party means that NO persons or entities registered under the Lobbying Disclosure Act of 1995 have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter.)

2. The Disclosing Party has not spent and will not expend any federally appropriated funds to pay any person or entity listed in Paragraph A.1. above for his or her lobbying activities or to pay any person or entity to influence or attempt to influence an officer or employee of any agency, as defined by applicable federal law, a member of Congress, an officer or employee of Congress, or an employee of a member of Congress, in connection with the award of any federally funded contract, making any federally funded grant or loan, entering into any cooperative agreement, or to extend, continue, renew, amend, or modify any federally funded contract, grant, loan, or cooperative agreement.

3. The Disclosing Party will submit an updated certification at the end of each calendar quarter in which there occurs any event that materially affects the accuracy of the statements and information set forth in paragraphs A.1. and A.2. above.

4. The Disclosing Party certifies that either: (i) it is not an organization described in section 501(c)(4) of the Internal Revenue Code of 1986; or (ii) it is an organization described in section 501(c)(4) of the Internal Revenue Code of 1986 but has not engaged and will not engage in "Lobbying Activities".

5. If the Disclosing Party is the Applicant, the Disclosing Party must obtain certifications equal in form and substance to paragraphs A.1. through A.4. above from all subcontractors before it awards any subcontract and the Disclosing Party must maintain all such subcontractors' certifications for the duration of the Matter and must make such certifications promptly available to the City upon request.

B. CERTIFICATION REGARDING EQUAL EMPLOYMENT OPPORTUNITY

If the Matter is federally funded, federal regulations require the Applicant and all proposed subcontractors to submit the following information with their bids or in writing at the outset of negotiations.

Is the Disclosing Party the Applicant?

[ ] Yes [X] No

If "Yes," answer the three questions below:

1. Have you developed and do you have on file affirmative action programs pursuant to applicable federal regulations? (See 41 CFR Part 60-2.)
[ ] Yes [ ] No

2. Have you filed with the Joint Reporting Committee, the Director of the Office of Federal Contract Compliance Programs, or the Equal Employment Opportunity Commission all reports due under the applicable filing requirements?
[ ] Yes [ ] No

3. Have you participated in any previous contracts or subcontracts subject to the equal opportunity clause?
[ ] Yes [ ] No

If you checked "No" to question 1. or 2. above, please provide an explanation:

_____

_____

SECTION VII -- ACKNOWLEDGMENTS, CONTRACT INCORPORATION, COMPLIANCE, PENALTIES, DISCLOSURE

The Disclosing Party understands and agrees that:

A. The certifications, disclosures, and acknowledgments contained in this EDS will become part of any contract or other agreement between the Applicant and the City in connection with the Matter, whether procurement, City assistance, or other City action, and are material inducements to the City's execution of any contract or taking other action with respect to the Matter. The Disclosing Party understands that it must comply with all statutes, ordinances, and regulations on which this EDS is based.

B. The City's Governmental Ethics and Campaign Financing Ordinances, Chapters 2-156 and 2-164 of the Municipal Code, impose certain duties and obligations on persons or entities seeking City contracts, work, business, or transactions. The full text of these ordinances and a training program is available on line at www.cityofchicago.org/Ethics, and may also be obtained from the City's Board of Ethics, 740 N.

Sedgwick St., Suite 500, Chicago, IL 60610, (312) 744-9660. The Disclosing Party must comply fully with the applicable ordinances.

C. If the City determines that any information provided in this EDS is false, incomplete or inaccurate, any contract or other agreement in connection with which it is submitted may be rescinded or be void or voidable, and the City may pursue any remedies under the contract or agreement (if not rescinded or void), at law, or in equity, including terminating the Disclosing Party's participation in the Matter and/or declining to allow the Disclosing Party to participate in other transactions with the City. Remedies at law for a false statement of material fact may include incarceration and an award to the City of treble damages.

D. It is the City's policy to make this document available to the public on its Internet site and/or upon request. Some or all of the information provided on this EDS and any attachments to this EDS may be made available to the public on the Internet, in response to a Freedom of Information Act request, or otherwise. By completing and signing this EDS, the Disclosing Party waives and releases any possible rights or claims which it may have against the City in connection with the public release of information contained in this EDS and also authorizes the City to verify the accuracy of any information submitted in this EDS.

E. The information provided in this EDS must be kept current. In the event of changes, the Disclosing Party must supplement this EDS up to the time the City takes action on the Matter. If the Matter is a contract being handled by the City's Department of Procurement Services, the Disclosing Party must update this EDS as the contract requires. **NOTE:** With respect to Matters subject to Article I of Chapter 1-23 of the Municipal Code (imposing **PERMANENT INELIGIBILITY** for certain specified offenses), the information provided herein regarding eligibility must be kept current for a longer period, as required by Chapter 1-23 and Section 2-154-020 of the Municipal Code.

The Disclosing Party represents and warrants that:

F.1. The Disclosing Party is not delinquent in the payment of any tax administered by the Illinois Department of Revenue, nor are the Disclosing Party or its Affiliated Entities delinquent in paying any fine, fee, tax or other charge owed to the City. This includes, but is not limited to, all water charges, sewer charges, license fees, parking tickets, property taxes or sales taxes.

F.2 If the Disclosing Party is the Applicant, the Disclosing Party and its Affiliated Entities will not use, nor permit their subcontractors to use, any facility listed by the U.S. E.P.A. on the federal Excluded Parties List System ("EPLS") maintained by the U. S. General Services Administration.

F.3 If the Disclosing Party is the Applicant, the Disclosing Party will obtain from any contractors/subcontractors hired or to be hired in connection with the Matter certifications equal in form and substance to those in F.1. and F.2. above and will not, without the prior written consent of the City, use any such contractor/subcontractor that does not provide such certifications or that the Disclosing Party has reason to believe has not provided or cannot provide truthful certifications.

NOTE: If the Disclosing Party cannot certify as to any of the items in F.1., F.2. or F.3. above, an explanatory statement must be attached to this EDS.

CERTIFICATION

Under penalty of perjury, the person signing below: (1) warrants that he/she is authorized to execute this EDS and Appendix A (if applicable) on behalf of the Disclosing Party, and (2) warrants that all certifications and statements contained in this EDS and Appendix A (if applicable) are true, accurate and complete as of the date furnished to the City.

344 Columbia Associates, Ltd.
(Print or type name of Disclosing Party)

By: _____
(Sign here)

Scott Kotick
(Print or type name of person signing)

Managing Member
(Print or type title of person signing)

Signed and sworn to before me on (date) 12/4/2014,
at Los Angeles County, CA (state).

Anush Sinanian Notary Public.

Commission expires: 9/24/2017.

ANUSH SINANIAN
Commission # 2042671
Notary Public - California
Los Angeles County
My Comm. Expires Sep 24, 2017

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT AND AFFIDAVIT
APPENDIX A

FAMILIAL RELATIONSHIPS WITH ELECTED CITY OFFICIALS AND DEPARTMENT HEADS

This Appendix is to be completed only by (a) the Applicant, and (b) any legal entity which has a direct ownership interest in the Applicant exceeding 7.5 percent. It is not to be completed by any legal entity which has only an indirect ownership interest in the Applicant.

Under Municipal Code Section 2-154-015, the Disclosing Party must disclose whether such Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently has a "familial relationship" with any elected city official or department head. A "familial relationship" exists if, as of the date this EDS is signed, the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof is related to the mayor, any alderman, the city clerk, the city treasurer or any city department head as spouse or domestic partner or as any of the following, whether by blood or adoption: parent, child, brother or sister, aunt or uncle, niece or nephew, grandparent, grandchild, father-in-law, mother-in-law, son-in-law, daughter-in-law, stepfather or stepmother, stepson or stepdaughter, stepbrother or stepsister or half-brother or half-sister.

"Applicable Party" means (1) all executive officers of the Disclosing Party listed in Section II.B.1.a., if the Disclosing Party is a corporation; all partners of the Disclosing Party, if the Disclosing Party is a general partnership; all general partners and limited partners of the Disclosing Party, if the Disclosing Party is a limited partnership; all managers, managing members and members of the Disclosing Party, if the Disclosing Party is a limited liability company; (2) all principal officers of the Disclosing Party; and (3) any person having more than a 7.5 percent ownership interest in the Disclosing Party. "Principal officers" means the president, chief operating officer, executive director, chief financial officer, treasurer or secretary of a legal entity or any person exercising similar authority.

Does the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently have a "familial relationship" with an elected city official or department head?

[ ] Yes [X] No

If yes, please identify below (1) the name and title of such person, (2) the name of the legal entity to which such person is connected; (3) the name and title of the elected city official or department head to whom such person has a familial relationship, and (4) the precise nature of such familial relationship.

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT
AND AFFIDAVIT

SECTION I -- GENERAL INFORMATION

A. Legal name of the Disclosing Party submitting this EDS. Include d/b/a/ if applicable:

Verizon Credit Inc.

Check ONE of the following three boxes:

Indicate whether the Disclosing Party submitting this EDS is:

1. [ ] the Applicant
   OR
2. [X] a legal entity holding a direct or indirect interest in the Applicant. State the legal name of the Applicant in which the Disclosing Party holds an interest: Hilliard Homes II Limited Partnership
   OR
3. [ ] a legal entity with a right of control (see Section II.B.1.) State the legal name of the entity in which the Disclosing Party holds a right of control: _____

B. Business address of the Disclosing Party: 221 East 37 Street, 7 Floor
New York, NY 10016

C. Telephone: 646-495-2378 Fax: 212-983-0895 Email: Peter.D.Rutherford@Verizon.Com

D. Name of contact person: Peter D. Rutherford

E. Federal Employer Identification No. (if you have one): _____

F. Brief description of contract, transaction or other undertaking (referred to below as the "Matter") to which this EDS pertains. (Include project number and location of property, if applicable):

Subordinate financing from the City of Chicago for replacement of existing windows.

G. Which City agency or department is requesting this EDS? Department of Planning and Development

If the Matter is a contract being handled by the City's Department of Procurement Services, please complete the following:

Specification # _____ and Contract # _____

SECTION II -- DISCLOSURE OF OWNERSHIP INTERESTS

A. NATURE OF THE DISCLOSING PARTY

1. Indicate the nature of the Disclosing Party:

[ ] Person
[X] Publicly registered business corporation
[ ] Privately held business corporation
[ ] Sole proprietorship
[ ] General partnership
[ ] Limited partnership
[ ] Trust
[ ] Limited liability company
[ ] Limited liability partnership
[ ] Joint venture
[ ] Not-for-profit corporation
(Is the not-for-profit corporation also a 501(c)(3))?
[ ] Yes [ ] No
[ ] Other (please specify)

2. For legal entities, the state (or foreign country) of incorporation or organization, if applicable:

Delaware

3. For legal entities not organized in the State of Illinois: Has the organization registered to do business in the State of Illinois as a foreign entity?

[X] Yes [ ] No [ ] N/A

B. IF THE DISCLOSING PARTY IS A LEGAL ENTITY:

1. List below the full names and titles of all executive officers and all directors of the entity.
NOTE: For not-for-profit corporations, also list below all members, if any, which are legal entities. If there are no such members, write "no members." For trusts, estates or other similar entities, list below the legal titleholder(s).

If the entity is a general partnership, limited partnership, limited liability company, limited liability partnership or joint venture, list below the name and title of each general partner, managing member, manager or any other person or entity that controls the day-to-day management of the Disclosing Party.
NOTE: Each legal entity listed below must submit an EDS on its own behalf.

Name	Title
See Attached	

2. Please provide the following information concerning each person or entity having a direct or indirect beneficial interest (including ownership) in excess of 7.5% of the Disclosing Party. Examples of such an interest include shares in a corporation, partnership interest in a partnership or joint venture,

interest of a member or manager in a limited liability company, or interest of a beneficiary of a trust, estate or other similar entity. If none, state "None." **NOTE**: Pursuant to Section 2-154-030 of the Municipal Code of Chicago ("Municipal Code"), the City may require any such additional information from any applicant which is reasonably intended to achieve full disclosure.

Name	Business Address	Percentage Interest in the Disclosing Party
GTE Corporation	140 West Street New York, NY 10007	100%

SECTION III -- BUSINESS RELATIONSHIPS WITH CITY ELECTED OFFICIALS

Has the Disclosing Party had a "business relationship," as defined in Chapter 2-156 of the Municipal Code, with any City elected official in the 12 months before the date this EDS is signed?

[ ] Yes [X] No

If yes, please identify below the name(s) of such City elected official(s) and describe such relationship(s):

SECTION IV -- DISCLOSURE OF SUBCONTRACTORS AND OTHER RETAINED PARTIES

The Disclosing Party must disclose the name and business address of each subcontractor, attorney, lobbyist, accountant, consultant and any other person or entity whom the Disclosing Party has retained or expects to retain in connection with the Matter, as well as the nature of the relationship, and the total amount of the fees paid or estimated to be paid. The Disclosing Party is not required to disclose employees who are paid solely through the Disclosing Party's regular payroll.

"Lobbyist" means any person or entity who undertakes to influence any legislative or administrative action on behalf of any person or entity other than: (1) a not-for-profit entity, on an unpaid basis, or (2) himself. "Lobbyist" also means any person or entity any part of whose duties as an employee of another includes undertaking to influence any legislative or administrative action.

If the Disclosing Party is uncertain whether a disclosure is required under this Section, the Disclosing Party must either ask the City whether disclosure is required or make the disclosure.

Name (indicate whether retained or anticipated to be retained)	Business Address	Relationship to Disclosing Party (subcontractor, attorney, lobbyist, etc.)	Fees (indicate whether paid or estimated.) **NOTE:** "hourly rate" or "t.b.d." is not an acceptable response.

(Add sheets if necessary)

[X] Check here if the Disclosing Party has not retained, nor expects to retain, any such persons or entities.

SECTION V -- CERTIFICATIONS

A. COURT-ORDERED CHILD SUPPORT COMPLIANCE

Under Municipal Code Section 2-92-415, substantial owners of business entities that contract with the City must remain in compliance with their child support obligations throughout the contract's term.

Has any person who directly or indirectly owns 10% or more of the Disclosing Party been declared in arrearage on any child support obligations by any Illinois court of competent jurisdiction?

[ ] Yes [X] No [ ] No person directly or indirectly owns 10% or more of the Disclosing Party.

If "Yes," has the person entered into a court-approved agreement for payment of all support owed and is the person in compliance with that agreement?

[ ] Yes [ ] No

B. FURTHER CERTIFICATIONS

1. Pursuant to Municipal Code Chapter 1-23, Article I ("Article I")(which the Applicant should consult for defined terms (e.g., "doing business") and legal requirements), if the Disclosing Party submitting this EDS is the Applicant and is doing business with the City, then the Disclosing Party certifies as follows: (i) neither the Applicant nor any controlling person is currently indicted or charged with, or has admitted guilt of, or has ever been convicted of, or placed under supervision for, any criminal offense involving actual, attempted, or conspiracy to commit bribery, theft, fraud, forgery, perjury, dishonesty or deceit against an officer or employee of the City or any sister agency; and (ii) the Applicant understands and acknowledges that compliance with Article I is a continuing requirement for doing business with the City. NOTE: If Article I applies to the Applicant, the permanent compliance timeframe in Article I supersedes some five-year compliance timeframes in certifications 2 and 3 below.

2. The Disclosing Party and, if the Disclosing Party is a legal entity, all of those persons or entities identified in Section II.B.1. of this EDS:

a. are not presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from any transactions by any federal, state or local unit of government;

b. have not, within a five-year period preceding the date of this EDS, been convicted of a criminal offense, adjudged guilty, or had a civil judgment rendered against them in connection with: obtaining, attempting to obtain, or performing a public (federal, state or local) transaction or contract under a public transaction; a violation of federal or state antitrust statutes; fraud; embezzlement; theft; forgery; bribery; falsification or destruction of records; making false statements; or receiving stolen property;

c. are not presently indicted for, or criminally or civilly charged by, a governmental entity (federal, state or local) with committing any of the offenses set forth in clause B.2.b. of this Section V;

d. have not, within a five-year period preceding the date of this EDS, had one or more public transactions (federal, state or local) terminated for cause or default; and

e. have not, within a five-year period preceding the date of this EDS, been convicted, adjudged guilty, or found liable in a civil proceeding, or in any criminal or civil action, including actions concerning environmental violations, instituted by the City or by the federal government, any state, or any other unit of local government.

3. The certifications in subparts 3, 4 and 5 concern:

• the Disclosing Party;
• any "Contractor" (meaning any contractor or subcontractor used by the Disclosing Party in connection with the Matter, including but not limited to all persons or legal entities disclosed under Section IV, "Disclosure of Subcontractors and Other Retained Parties");
• any "Affiliated Entity" (meaning a person or entity that, directly or indirectly: controls the Disclosing Party, is controlled by the Disclosing Party, or is, with the Disclosing Party, under common control of another person or entity. Indicia of control include, without limitation: interlocking management or ownership; identity of interests among family members, shared facilities and equipment; common use of employees; or organization of a business entity following the ineligibility of a business entity to do business with federal or state or local government, including the City, using substantially the same management, ownership, or principals as the ineligible entity); with respect to Contractors, the term Affiliated Entity means a person or entity that directly or indirectly controls the Contractor, is controlled by it, or, with the Contractor, is under common control of another person or entity;
• any responsible official of the Disclosing Party, any Contractor or any Affiliated Entity or any other official, agent or employee of the Disclosing Party, any Contractor or any Affiliated Entity, acting pursuant to the direction or authorization of a responsible official of the Disclosing Party, any Contractor or any Affiliated Entity (collectively "Agents").

Neither the Disclosing Party, nor any Contractor, nor any Affiliated Entity of either the Disclosing Party or any Contractor nor any Agents have, during the five years before the date this EDS is signed, or, with respect to a Contractor, an Affiliated Entity, or an Affiliated Entity of a Contractor during the five years before the date of such Contractor's or Affiliated Entity's contract or engagement in connection with the Matter:

a. bribed or attempted to bribe, or been convicted or adjudged guilty of bribery or attempting to bribe, a public officer or employee of the City, the State of Illinois, or any agency of the federal government or of any state or local government in the United States of America, in that officer's or employee's official capacity;

b. agreed or colluded with other bidders or prospective bidders, or been a party to any such agreement, or been convicted or adjudged guilty of agreement or collusion among bidders or prospective bidders, in restraint of freedom of competition by agreement to bid a fixed price or otherwise; or

c. made an admission of such conduct described in a. or b. above that is a matter of record, but have not been prosecuted for such conduct; or

d. violated the provisions of Municipal Code Section 2-92-610 (Living Wage Ordinance).

4. Neither the Disclosing Party, Affiliated Entity or Contractor, or any of their employees, officials, agents or partners, is barred from contracting with any unit of state or local government as a result of engaging in or being convicted of (1) bid-rigging in violation of 720 ILCS 5/33E-3; (2) bid-rotating in violation of 720 ILCS 5/33E-4; or (3) any similar offense of any state or of the United States of America that contains the same elements as the offense of bid-rigging or bid-rotating.

5. Neither the Disclosing Party nor any Affiliated Entity is listed on any of the following lists maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the Bureau of Industry and Security of the U.S. Department of Commerce or their successors: the Specially Designated Nationals List, the Denied Persons List, the Unverified List, the Entity List and the Debarred List.

6. The Disclosing Party understands and shall comply with the applicable requirements of Chapters 2-55 (Legislative Inspector General), 2-56 (Inspector General) and 2-156 (Governmental Ethics) of the Municipal Code.

7. If the Disclosing Party is unable to certify to any of the above statements in this Part B (Further Certifications), the Disclosing Party must explain below:

_____

_____

_____

_____

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

8. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all current employees of the Disclosing Party who were, at any time during the 12-month period preceding the execution date of this EDS, an employee, or elected or appointed official, of the City of Chicago (if none, indicate with "N/A" or "none").

None

9. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all gifts that the Disclosing Party has given or caused to be given, at any time during the 12-month period preceding the execution date of this EDS, to an employee, or elected or appointed official, of the City of Chicago. For purposes of this statement, a "gift" does not include: (i) anything made generally available to City employees or to the general public, or (ii) food or drink provided in the course of official City business and having a retail value of less than $20 per recipient (if none, indicate with "N/A" or "none"). As to any gift listed below, please also list the name of the City recipient.

None

C. CERTIFICATION OF STATUS AS FINANCIAL INSTITUTION

1. The Disclosing Party certifies that the Disclosing Party (check one)

[ ] is [X] is not

a "financial institution" as defined in Section 2-32-455(b) of the Municipal Code.

2. If the Disclosing Party IS a financial institution, then the Disclosing Party pledges:

"We are not and will not become a predatory lender as defined in Chapter 2-32 of the Municipal Code. We further pledge that none of our affiliates is, and none of them will become, a predatory lender as defined in Chapter 2-32 of the Municipal Code. We understand that becoming a predatory lender or becoming an affiliate of a predatory lender may result in the loss of the privilege of doing business with the City."

If the Disclosing Party is unable to make this pledge because it or any of its affiliates (as defined in Section 2-32-455(b) of the Municipal Code) is a predatory lender within the meaning of Chapter 2-32 of the Municipal Code, explain here (attach additional pages if necessary):

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

D. CERTIFICATION REGARDING INTEREST IN CITY BUSINESS

Any words or terms that are defined in Chapter 2-156 of the Municipal Code have the same meanings when used in this Part D.

1. In accordance with Section 2-156-110 of the Municipal Code: Does any official or employee of the City have a financial interest in his or her own name or in the name of any other person or entity in the Matter? Upon knowledge without inquiry

[ ] Yes [X] No

NOTE: If you checked "Yes" to Item D.1., proceed to Items D.2. and D.3. If you checked "No" to Item D.1., proceed to Part E.

2. Unless sold pursuant to a process of competitive bidding, or otherwise permitted, no City elected official or employee shall have a financial interest in his or her own name or in the name of any other person or entity in the purchase of any property that (i) belongs to the City, or (ii) is sold for taxes or assessments, or (iii) is sold by virtue of legal process at the suit of the City (collectively, "City Property Sale"). Compensation for property taken pursuant to the City's eminent domain power does not constitute a financial interest within the meaning of this Part D.

Does the Matter involve a City Property Sale?

[ ] Yes [X] No

3. If you checked "Yes" to Item D.1., provide the names and business addresses of the City officials or employees having such interest and identify the nature of such interest:

Name	Business Address	Nature of Interest

4. The Disclosing Party further certifies that no prohibited financial interest in the Matter will be acquired by any City official or employee.

E. CERTIFICATION REGARDING SLAVERY ERA BUSINESS

Please check either 1. or 2. below. If the Disclosing Party checks 2., the Disclosing Party must disclose below or in an attachment to this EDS all information required by paragraph 2. Failure to

comply with these disclosure requirements may make any contract entered into with the City in connection with the Matter voidable by the City.

_X_ 1. The Disclosing Party verifies that the Disclosing Party has searched any and all records of the Disclosing Party and any and all predecessor entities regarding records of investments or profits from slavery or slaveholder insurance policies during the slavery era (including insurance policies issued to slaveholders that provided coverage for damage to or injury or death of their slaves), and the Disclosing Party has found no such records. Verification is based on a cursory review of some records.

____ 2. The Disclosing Party verifies that, as a result of conducting the search in step 1 above, the Disclosing Party has found records of investments or profits from slavery or slaveholder insurance policies. The Disclosing Party verifies that the following constitutes full disclosure of all such records, including the names of any and all slaves or slaveholders described in those records:

SECTION VI -- CERTIFICATIONS FOR FEDERALLY FUNDED MATTERS

NOTE: If the Matter is federally funded, complete this Section VI. **If the Matter is not federally funded**, proceed to Section VII. For purposes of this Section VI, tax credits allocated by the City and proceeds of debt obligations of the City are not federal funding.

A. CERTIFICATION REGARDING LOBBYING

1. List below the names of all persons or entities registered under the federal Lobbying Disclosure Act of 1995 who have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter: (Add sheets if necessary):

None

(If no explanation appears or begins on the lines above, or if the letters "NA" or if the word "None" appear, it will be conclusively presumed that the Disclosing Party means that NO persons or entities registered under the Lobbying Disclosure Act of 1995 have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter.)

2. The Disclosing Party has not spent and will not expend any federally appropriated funds to pay any person or entity listed in Paragraph A.1. above for his or her lobbying activities or to pay any person or entity to influence or attempt to influence an officer or employee of any agency, as defined by applicable federal law, a member of Congress, an officer or employee of Congress, or an employee of a member of Congress, in connection with the award of any federally funded contract, making any federally funded grant or loan, entering into any cooperative agreement, or to extend, continue, renew, amend, or modify any federally funded contract, grant, loan, or cooperative agreement.

3. The Disclosing Party will submit an updated certification at the end of each calendar quarter in which there occurs any event that materially affects the accuracy of the statements and information set forth in paragraphs A.1. and A.2. above.

4. The Disclosing Party certifies that either: (i) it is not an organization described in section 501(c)(4) of the Internal Revenue Code of 1986; or (ii) it is an organization described in section 501(c)(4) of the Internal Revenue Code of 1986 but has not engaged and will not engage in "Lobbying Activities".

5. If the Disclosing Party is the Applicant, the Disclosing Party must obtain certifications equal in form and substance to paragraphs A.1. through A.4. above from all subcontractors before it awards any subcontract and the Disclosing Party must maintain all such subcontractors' certifications for the duration of the Matter and must make such certifications promptly available to the City upon request.

B. CERTIFICATION REGARDING EQUAL EMPLOYMENT OPPORTUNITY

If the Matter is federally funded, federal regulations require the Applicant and all proposed subcontractors to submit the following information with their bids or in writing at the outset of negotiations.

Is the Disclosing Party the Applicant?

[ ] Yes [X] No

If "Yes," answer the three questions below:

1. Have you developed and do you have on file affirmative action programs pursuant to applicable federal regulations? (See 41 CFR Part 60-2.)
[ ] Yes [ ] No

2. Have you filed with the Joint Reporting Committee, the Director of the Office of Federal Contract Compliance Programs, or the Equal Employment Opportunity Commission all reports due under the applicable filing requirements?
[ ] Yes [ ] No

3. Have you participated in any previous contracts or subcontracts subject to the equal opportunity clause?
[ ] Yes [ ] No

If you checked "No" to question 1. or 2. above, please provide an explanation:

_____

_____

SECTION VII -- ACKNOWLEDGMENTS, CONTRACT INCORPORATION, COMPLIANCE, PENALTIES, DISCLOSURE

The Disclosing Party understands and agrees that:

A. The certifications, disclosures, and acknowledgments contained in this EDS will become part of any contract or other agreement between the Applicant and the City in connection with the Matter, whether procurement, City assistance, or other City action, and are material inducements to the City's execution of any contract or taking other action with respect to the Matter. The Disclosing Party understands that it must comply with all statutes, ordinances, and regulations on which this EDS is based.

B. The City's Governmental Ethics and Campaign Financing Ordinances, Chapters 2-156 and 2-164 of the Municipal Code, impose certain duties and obligations on persons or entities seeking City contracts, work, business, or transactions. The full text of these ordinances and a training program is available on line at www.cityofchicago.org/Ethics, and may also be obtained from the City's Board of Ethics, 740 N.

Sedgwick St., Suite 500, Chicago, IL 60610, (312) 744-9660. The Disclosing Party must comply fully with the applicable ordinances.

C. If the City determines that any information provided in this EDS is false, incomplete or inaccurate, any contract or other agreement in connection with which it is submitted may be rescinded or be void or voidable, and the City may pursue any remedies under the contract or agreement (if not rescinded or void), at law, or in equity, including terminating the Disclosing Party's participation in the Matter and/or declining to allow the Disclosing Party to participate in other transactions with the City. Remedies at law for a false statement of material fact may include incarceration and an award to the City of treble damages.

D. It is the City's policy to make this document available to the public on its Internet site and/or upon request. Some or all of the information provided on this EDS and any attachments to this EDS may be made available to the public on the Internet, in response to a Freedom of Information Act request, or otherwise. By completing and signing this EDS, the Disclosing Party waives and releases any possible rights or claims which it may have against the City in connection with the public release of information contained in this EDS and also authorizes the City to verify the accuracy of any information submitted in this EDS.

E. The information provided in this EDS must be kept current. In the event of changes, the Disclosing Party must supplement this EDS up to the time the City takes action on the Matter. If the Matter is a contract being handled by the City's Department of Procurement Services, the Disclosing Party must update this EDS as the contract requires. **NOTE:** With respect to Matters subject to Article I of Chapter 1-23 of the Municipal Code (imposing **PERMANENT INELIGIBILITY** for certain specified offenses), the information provided herein regarding eligibility must be kept current for a longer period, as required by Chapter 1-23 and Section 2-154-020 of the Municipal Code.

The Disclosing Party represents and warrants that:

F.1. The Disclosing Party is not delinquent in the payment of any tax administered by the Illinois Department of Revenue, nor are the Disclosing Party or its Affiliated Entities delinquent in paying any fine, fee, tax or other charge owed to the City. This includes, but is not limited to, all water charges, sewer charges, license fees, parking tickets, property taxes or sales taxes.

F.2 If the Disclosing Party is the Applicant, the Disclosing Party and its Affiliated Entities will not use, nor permit their subcontractors to use, any facility listed by the U.S. E.P.A. on the federal Excluded Parties List System ("EPLS") maintained by the U. S. General Services Administration.

F.3 If the Disclosing Party is the Applicant, the Disclosing Party will obtain from any contractors/subcontractors hired or to be hired in connection with the Matter certifications equal in form and substance to those in F.1. and F.2. above and will not, without the prior written consent of the City, use any such contractor/subcontractor that does not provide such certifications or that the Disclosing Party has reason to believe has not provided or cannot provide truthful certifications.

NOTE: If the Disclosing Party cannot certify as to any of the items in F.1., F.2. or F.3. above, an explanatory statement must be attached to this EDS.

CERTIFICATION

Under penalty of perjury, the person signing below: (1) warrants that he/she is authorized to execute this EDS and Appendix A (if applicable) on behalf of the Disclosing Party, and (2) warrants that all certifications and statements contained in this EDS and Appendix A (if applicable) are true, accurate and complete as of the date furnished to the City. to the best of my knowledge.

Verizon Credit Inc.
(Print or type name of Disclosing Party)

By: P. Rutherford
(Sign here)

Peter D. Rutherford
(Print or type name of person signing)

Senior Vice President-Transactions and Portfolio Management
(Print or type title of person signing)

Signed and sworn to before me on (date) December 5, 2014,
at New York County, New York (state).

Marva Levine Notary Public.

Commission expires:_____.

MARVA LEVINE
Notary Public, State of New York
No. 02LE-4818478
Qualified in New York County
Commission Expires February 28, 2015

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT AND AFFIDAVIT
APPENDIX A

FAMILIAL RELATIONSHIPS WITH ELECTED CITY OFFICIALS AND DEPARTMENT HEADS

This Appendix is to be completed only by (a) the Applicant, and (b) any legal entity which has a direct ownership interest in the Applicant exceeding 7.5 percent. It is not to be completed by any legal entity which has only an indirect ownership interest in the Applicant.

Under Municipal Code Section 2-154-015, the Disclosing Party must disclose whether such Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently has a "familial relationship" with any elected city official or department head. A "familial relationship" exists if, as of the date this EDS is signed, the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof is related to the mayor, any alderman, the city clerk, the city treasurer or any city department head as spouse or domestic partner or as any of the following, whether by blood or adoption: parent, child, brother or sister, aunt or uncle, niece or nephew, grandparent, grandchild, father-in-law, mother-in-law, son-in-law, daughter-in-law, stepfather or stepmother, stepson or stepdaughter, stepbrother or stepsister or half-brother or half-sister.

"Applicable Party" means (1) all executive officers of the Disclosing Party listed in Section II.B.1.a., if the Disclosing Party is a corporation; all partners of the Disclosing Party, if the Disclosing Party is a general partnership; all general partners and limited partners of the Disclosing Party, if the Disclosing Party is a limited partnership; all managers, managing members and members of the Disclosing Party, if the Disclosing Party is a limited liability company; (2) all principal officers of the Disclosing Party; and (3) any person having more than a 7.5 percent ownership interest in the Disclosing Party. "Principal officers" means the president, chief operating officer, executive director, chief financial officer, treasurer or secretary of a legal entity or any person exercising similar authority.

Does the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently have a "familial relationship" with an elected city official or department head?

[ ] Yes [ ] No

If yes, please identify below (1) the name and title of such person, (2) the name of the legal entity to which such person is connected; (3) the name and title of the elected city official or department head to whom such person has a familial relationship, and (4) the precise nature of such familial relationship.

_____

_____

_____

Verizon Credit Inc. -- *Current Officers*

Name	Title
Cordy, Scott L.	Vice President - Taxes
Ellis, Matthew D.	Chairman of the Board
Golabek, Michael J.	Environmental Health and Safety Officer
Jankun, Richard P.	Vice President - Taxes
Krakowski, Richard F.	Senior Vice President - Chief Financial Officer and Risk Management, and Assistant Treasurer
Krause, Tracy	Treasurer
Levine, Marva M.	Vice President - Assistant General Counsel and Secretary
Manniello, Mario	Vice President - Taxes
Mason, J. Daniel	Assistant Secretary
Mattiola, Paul L.	Vice President - Taxes
Metzger, Kathleen	Vice President - Taxes
Meyer, Bonnie M.	Vice President - Affiliate Vendor Finance
Perrett, Londa C.	Assistant Secretary
Prashker, Audrey E.	Vice President and General Counsel
Repp, Paul H.	President and Chief Executive Officer
Rutherford, Peter D.	Senior Vice President - Transactions and Portfolio Management

Verizon Credit Inc. -- *Current Directors*

Name

Ellis, Matthew D.

Repp, Paul H.

Van Saders, William P.

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT
AND AFFIDAVIT

SECTION I -- GENERAL INFORMATION

A. Legal name of the Disclosing Party submitting this EDS. Include d/b/a/ if applicable:

Verizon Communications, Inc.

Check ONE of the following three boxes:

Indicate whether the Disclosing Party submitting this EDS is:

1. [ ] the Applicant
   OR
2. [X] a legal entity holding a direct or indirect interest in the Applicant. State the legal name of the Applicant in which the Disclosing Party holds an interest: Hilliard Homes II Limited Partnership
   OR
3. [ ] a legal entity with a right of control (see Section II.B.1.) State the legal name of the entity in which the Disclosing Party holds a right of control: _____

B. Business address of the Disclosing Party: 221 East 37 Street, 7th floor
New York, NY 10016

C. Telephone: 646-495-2378 Fax: 212-983-0895 Email: peter.d.rutherford@verizon.com

D. Name of contact person: Peter.D.Rutherford

E. Federal Employer Identification No. (if you have one): _____

F. Brief description of contract, transaction or other undertaking (referred to below as the "Matter") to which this EDS pertains. (Include project number and location of property, if applicable):

Subordinate financing from the City of Chicago for replacement of existing windows.

G. Which City agency or department is requesting this EDS? Department of Planning and Development

If the Matter is a contract being handled by the City's Department of Procurement Services, please complete the following:

Specification # _____ and Contract # _____

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark one)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2014

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission file number 1-8606

Verizon Communications Inc.

(Exact name of registrant as specified in its charter)

Delaware	23-2259884
(State or other jurisdiction of incorporation or organization)	(I R S Employer Identification No)
1095 Avenue of the Americas New York, New York	**10036**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (212) 395-1000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232 405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files) ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) ☐ Yes ☒ No

At September 30, 2014, 4 149,723,706 shares of the registrant's common stock were outstanding, after deducting 92,650,534 shares held in treasury

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Item 1 Financial Statements

Condensed Consolidated Statements of Income
Verizon Communications Inc and Subsidiaries

(dollars in millions, except per share amounts) (unaudited)	Three Months Ended September 30, 2014	2013	Nine Months Ended September 30, 2014	2013
Operating Revenues	$ 31,586	$ 30,279	$ 93,887	$ 89,485
Operating Expenses				
Cost of services and sales (exclusive of items shown below)	12,252	10 960	35,528	32 925
Selling, general and administrative expense	8,277	8,037	24,159	24,232
Depreciation and amortization expense	4,167	4 154	12,465	12,423
Total Operating Expenses	24,696	23,151	72,152	69 580
Operating Income	6,890	7,128	21,735	19 905
Equity in earnings (losses) of unconsolidated businesses	(48)	19	1,811	134
Other income and (expense) net	71	20	(757)	84
Interest expense	(1,255)	(555)	(3,633)	(1,606)
Income Before Provision For Income Taxes	5,658	6,612	19,156	18 517
Provision for income taxes	(1,864)	(1,034)	(5,052)	(2,886)
Net Income	$ 3,794	$ 5,578	$ 14,104	$ 15,631
Net income attributable to noncontrolling interests	$ 99	$ 3,346	$ 2,248	$ 9,201
Net income attributable to Verizon	3,695	2,232	11,856	6,430
Net Income	$ 3,794	$ 5,578	$ 14,104	$ 15,631
Basic Earnings Per Common Share				
Net income attributable to Verizon	$ 89	$ 78	$ 3 03	$ 2 24
Weighted-average shares outstanding (in millions)	4,152	2,866	3,912	2,866
Diluted Earnings Per Common Share				
Net income attributable to Verizon	$ 89	$ 78	$ 3 03	$ 2 24
Weighted-average shares outstanding (in millions)	4 159	2,874	3,919	2,874
Dividends declared per common share	$ 0 55	$ 0 53	$ 1 61	$ 1 56

See Notes to Condensed Consolidated Financial Statements

Condensed Consolidated Statements of Comprehensive Income
Verizon Communications Inc and Subsidiaries

(dollars in millions) (unaudited)	Three Months Ended September 30, 2014	2013	Nine Months Ended September 30, 2014	2013
Net Income	$ 3,794	$ 5,578	$ 14,104	$ 15,631
Other comprehensive gain (loss), net of taxes				
Foreign currency translation adjustments	(114)	140	(1,054)	4
Unrealized gain (loss) on cash flow hedges	153	6	(11)	(12)
Unrealized gain (loss) on marketable securities	(13)	14	(1)	(1)
Defined benefit pension and postretirement plans	(39)	(36)	(117)	(108)
Other comprehensive gain (loss) attributable to Verizon	(13)	124	(1,183)	(117)
Other comprehensive gain (loss) attributable to noncontrolling interests	–	4	(23)	(11)
Total Comprehensive Income	$ 3,781	$ 5 706	$ 12 898	$ 15,503
Comprehensive income attributable to noncontrolling interests	$ 99	$ 3 350	$ 2,225	$ 9,190
Comprehensive income attributable to Verizon	3,682	2 356	10 673	6,313
Total Comprehensive Income	$ 3,781	$ 5,706	$ 12,898	$ 15,503

See Notes to Condensed Consolidated Financial Statements

Condensed Consolidated Balance Sheets
Verizon Communications Inc and Subsidiaries

(dollars in millions, except per share amounts) (unaudited)	At September 30, 2014	At December 31, 2013
Assets		
Current assets		
Cash and cash equivalents	$ 7,218	$ 53,528
Short-term investments	635	601
Accounts receivable, net of allowances of $646 and $645	13,283	12,439
Inventories	1,206	1,020
Prepaid expenses and other	2,431	3,406
Total current assets	24,773	70,994
Plant, property and equipment	230,152	220,865
Less accumulated depreciation	140,520	131,909
	89,932	88,956
Investments in unconsolidated businesses	818	3,432
Wireless licenses	75,303	75,747
Goodwill	24,617	24,634
Other intangible assets, net	5,738	5,800
Other assets	5,112	4,535
Total assets	$ 226,293	$ 274,098
Liabilities and Equity		
Current liabilities		
Debt maturing within one year	$ 1,603	$ 3,933
Accounts payable and accrued liabilities	17,055	16,453
Other	8,231	6,664
Total current liabilities	26,889	27,050
Long-term debt	107,627	89,658
Employee benefit obligations	25,770	27,682
Deferred income taxes	42,269	28,639
Other liabilities	5,750	5,653
Equity		
Series preferred stock ($ 10 par value, none issued)	–	–
Common stock ($ 10 par value, 4,242,374,240 and 2,967,610,119 shares issued in each period, respectively)	424	297
Contributed capital	11,089	37,939
Reinvested earnings	6,964	1,782
Accumulated other comprehensive income	1,175	2,358
Common stock in treasury, at cost	(3,465)	(3,961)
Deferred compensation – employee stock ownership plans and other	390	421
Noncontrolling interests	1,391	56,580
Total equity	17,968	95,416
Total liabilities and equity	$ 226,293	$ 274,098

See Notes to Condensed Consolidated Financial Statements

Condensed Consolidated Statements of Cash Flows
Verizon Communications Inc and Subsidiaries

(dollars in millions) (unaudited)	Nine Months Ended September 30, 2014	2013
Cash Flows from Operating Activities		
Net Income	$ 14,104	$ 15,631
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization expense	12,465	12,423
Employee retirement benefits	843	649
Deferred income taxes	914	3,011
Provision for uncollectible accounts	684	746
Equity in earnings of unconsolidated businesses, net of dividends received	(1,785)	(100)
Changes in current assets and liabilities, net of effects from acquisition/disposition of businesses	(816)	(1,078)
Other, net	(3,252)	(2,895)
Net cash provided by operating activities	23,157	28,387
Cash Flows from Investing Activities		
Capital expenditures (including capitalized software)	(12,624)	(11,807)
Acquisitions of investments and businesses, net of cash acquired	(180)	(81)
Acquisitions of wireless licenses	(343)	(430)
Proceeds from dispositions of wireless licenses	2,367	2,111
Proceeds from dispositions of businesses	120	–
Other, net	230	184
Net cash used in investing activities	(10,430)	(10,023)
Cash Flows from Financing Activities		
Proceeds from long-term borrowings	21,575	49,166
Repayments of long-term borrowings and capital lease obligations	(12,594)	(2,392)
Decrease in short-term obligations, excluding current maturities	(426)	(324)
Dividends paid	(5,653)	(4,420)
Proceeds from sale of common stock	34	76
Purchase of common stock for treasury	–	(153)
Special distribution to noncontrolling interest	–	(3,150)
Acquisition of noncontrolling interest	(58,886)	–
Other, net	(3,087)	(3,550)
Net cash provided by (used in) financing activities	(59,037)	35,253
Increase (decrease) in cash and cash equivalents	(46,310)	53,617
Cash and cash equivalents, beginning of period	53,528	3,093
Cash and cash equivalents, end of period	$ 7,218	$ 56,710

See Notes to Condensed Consolidated Financial Statements

Notes to Condensed Consolidated Financial Statements
Verizon Communications Inc and Subsidiaries
(Unaudited)

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared based upon Securities and Exchange Commission rules that permit reduced disclosure for interim periods. For a more complete discussion of significant accounting policies and certain other information, you should refer to the financial statements included in the Verizon Communications Inc. (Verizon or the Company) Annual Report on Form 10-K for the year ended December 31, 2013. These financial statements reflect all adjustments that are necessary for a fair presentation of results of operations and financial condition for the interim periods shown, including normal recurring accruals and other items. The results for the interim periods are not necessarily indicative of results for the full year. We have reclassified certain prior year amounts to conform to the current year presentation. Effective January 1, 2014, we have also reclassified the results of certain businesses, such as development stage businesses that support our strategic initiatives, from our Wireline segment to Corporate, eliminations and other. The impact of this reclassification was not material to our condensed consolidated financial statements.

Revenue Recognition

We offer new and existing customers the option to participate in Verizon Edge, a program that provides eligible wireless customers with the ability to pay for handsets under an equipment installment plan. Under the Verizon Edge program, customers have the right to upgrade their handset after a minimum of 30 days, subject to certain conditions, including making a stated portion of the required device payments, trading in their handset in good working condition and signing a new contract with Verizon. Upon upgrade, the outstanding balance of the equipment installment plan is exchanged for the used handset. This trade-in right is accounted for as a guarantee obligation.

Verizon Edge is a multiple-element arrangement typically consisting of the trade-in right, handset and monthly wireless service. At the inception of the arrangement, the amount allocable to the delivered units of accounting is limited to the amount that is not contingent upon the delivery of the monthly wireless service (the noncontingent amount). The full amount of the trade-in right's fair value (not an allocated value) will be recognized as the guarantee liability and the remaining allocable consideration will be allocated to the handset. The value of the guarantee liability effectively results in a reduction to revenue recognized for the sale of the handset. The guarantee liability is measured at fair value upon initial recognition based on assumptions lacking observable pricing inputs including the probability and timing of the customer upgrading to a new phone, the customer's estimated remaining installment balance at the time of trade-in and the estimated fair value of the phone at the time of trade-in and therefore is classified within Level 3 of the fair value hierarchy. When the customer trades-in their used phone, the handset received is recorded to inventory and measured as the difference between the remaining equipment installment plan balance at the time of trade-in and the guarantee liability. The guarantee liability may increase after initial recognition as a result of changes in facts or assumptions and we will account for any increase in the guarantee liability with a corresponding decrease to revenue. The subsequent derecognition of the guarantee liability occurs when the guarantor is released from risk, which will occur at the earlier of the time the trade-in right is exercised or expires.

Leasing Arrangements

At each reporting period, we monitor the credit quality of the various lessees in our portfolios. Regarding the leveraged lease portfolio, we use external credit reports where available and where not available we use internally developed indicators. These indicators or internal credit risk grades factor historic loss experience, the value of the underlying collateral, delinquency trends, and industry and general economic conditions. The credit quality of our lessees primarily varies from AAA to CCC–. For each reporting period the leveraged leases within the portfolio are reviewed for indicators of impairment where it is probable the rent due according to the contractual terms of the lease will not be collected. All significant accounts, individually or in the aggregate, are current and none are classified as impaired.

Earnings Per Common Share

There were a total of approximately 7 million outstanding dilutive securities, primarily consisting of restricted stock units included in the computation of diluted earnings per common share for the three and nine months ended September 30, 2014, respectively. There were a total of approximately 8 million outstanding dilutive securities, primarily consisting of restricted stock units, included in the computation of diluted earnings per common share for the three and nine months ended September 30, 2013, respectively. There were no outstanding options to purchase shares that would have been anti-dilutive for the three months ended September 30, 2014. Outstanding options to purchase shares that were not included in the computation of diluted earnings per common share, because to do so would have been anti-dilutive for the period, were not significant for the nine months ended September 30, 2014 and the three and nine months ended September 30, 2013, respectively.

Recently Adopted Accounting Standards

During the first quarter of 2014, we adopted the accounting standard update relating to the presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The standard update provides that a liability related to an unrecognized tax benefit should be offset against same jurisdiction deferred tax assets for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward if such settlement is required or expected in the event the uncertain tax position is disallowed. The adoption of this standard update did not have a significant impact on our condensed consolidated financial statements.

Recent Accounting Standards

In April 2014, the accounting standard update related to the reporting of discontinued operations and disclosures of disposals of components of an entity was issued. This standard update changes the criteria for reporting discontinued operations and enhances convergence of the reporting requirements for discontinued operations. As a result of this standard update, a disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has, or will have, a major effect on an entity's operations and financial results. This standard update is effective as of the first quarter of 2015, however, earlier adoption is permitted.

In May 2014, the accounting standard update related to the recognition of revenue from contracts with customers was issued. This standard update clarifies the principles for recognizing revenue and develops a common revenue standard for U.S. generally accepted accounting principles (GAAP) and International Financial Reporting Standards. The standard update intends to provide a more robust framework for addressing revenue issues, improve comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets, and provide more useful information to users of financial statements through improved disclosure requirements. Upon adoption of this standard update, we expect that the allocation and timing of revenue recognition will be impacted. We expect to adopt this standard update during the first quarter of 2017.

There are two adoption methods available for implementation of the standard update related to the recognition of revenue from contracts with customers. Under one method, the guidance is applied retrospectively to contracts for each reporting period presented, subject to allowable practical expedients. Under the other method, the guidance is applied to contracts not completed as of the date of initial application, recognizing the cumulative effect of the change as an adjustment to the beginning balance of retained earnings, and also requires additional disclosures comparing the results to the previous guidance. We are currently evaluating these adoption methods and the impact that this standard update will have on our condensed consolidated financial statements.

In June 2014, the accounting standard update related to the accounting for share-based payments when the terms of an award provide that a performance target could be achieved after the requisite service period was issued. The standard update resolves the diverse accounting treatment for these share-based payments by requiring that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. The requisite service period ends when the employee can cease rendering service and still be eligible to vest in the award if the performance target is achieved. We will adopt this standard update during the first quarter of 2016. The adoption of this standard update is not expected to have a significant impact on our condensed consolidated financial statements.

2. Acquisitions and Divestitures

Wireless

Wireless Transaction

On September 2, 2013, Verizon entered into a stock purchase agreement (the Stock Purchase Agreement) with Vodafone Group Plc (Vodafone) and Vodafone 4 Limited (Seller), pursuant to which Verizon agreed to acquire Vodafone's indirect 45% interest in Cellco Partnership d/b/a Verizon Wireless (the Partnership, and such interest, the Vodafone Interest) for aggregate consideration of approximately $130 billion.

On February 21, 2014, pursuant to the terms and subject to the conditions set forth in the Stock Purchase Agreement, Verizon acquired (the Wireless Transaction) from Seller all of the issued and outstanding capital stock (the Transferred Shares) of Vodafone Americas Finance 1 Inc., a subsidiary of Seller (VF1 Inc.), which indirectly through certain subsidiaries (together with VF1 Inc., the Purchased Entities) owned the Vodafone Interest. In consideration for the Transferred Shares, upon completion of the Wireless Transaction, Verizon (i) paid approximately $58.89 billion in cash, (ii) issued approximately 1.27 billion shares of Verizon's common stock, par value $0.10 per share (the Stock Consideration), which was valued at approximately $61.3 billion at the closing of the Wireless Transaction, (iii) issued senior unsecured Verizon notes in an aggregate principal amount of $5.0

billion (the Verizon Notes), (iv) sold Verizon's indirectly owned 23.1% interest in Vodafone Omnitel N.V. (Omnitel, and such interest, the Omnitel Interest), valued at $3.5 billion and (v) provided other consideration, which included the assumption of preferred stock valued at approximately $1.7 billion. The total cash paid to Vodafone and the other costs of the Wireless Transaction, including financing, legal and bank fees, were financed through the incurrence of third-party indebtedness. See Note 4 for additional information.

In accordance with the accounting standard on consolidation, a change in a parent's ownership interest while the parent retains a controlling financial interest in its subsidiary is accounted for as an equity transaction and remeasurement of assets and liabilities of previously controlled and consolidated subsidiaries is not permitted. As a result, we accounted for the Wireless Transaction by adjusting the carrying amount of the noncontrolling interest to reflect the change in Verizon's ownership interest in the Partnership. Any difference between the fair value of the consideration paid and the amount by which the noncontrolling interest is adjusted has been recognized in equity attributable to Verizon.

Omnitel Transaction

On February 21, 2014, Verizon and Vodafone also consummated the sale of the Omnitel Interest (the Omnitel Transaction) by a subsidiary of Verizon to a subsidiary of Vodafone in connection with the Wireless Transaction pursuant to a separate share purchase agreement. As a result, during the nine months ended September 30, 2014, we recognized a pre-tax gain of $1.9 billion on the disposal of the Omnitel interest in Equity in earnings (losses) of unconsolidated businesses on our condensed consolidated statement of income.

Verizon Notes

The Verizon Notes were issued to Vodafone pursuant to Verizon's existing indenture. The Verizon Notes were issued in two separate series, with $2.5 billion due February 21, 2022 (the eight-year Verizon Notes) and $2.5 billion due February 21, 2025 (the eleven-year Verizon Notes). The Verizon Notes bear interest at a floating rate, which will be reset quarterly, with interest payable quarterly in arrears, beginning May 21, 2014. The eight-year Verizon Notes bear interest at a floating rate equal to three-month London Interbank Offered Rate (LIBOR), plus 1.222%, and the eleven-year Verizon Notes bear interest at a floating rate equal to three-month LIBOR, plus 1.372%. The indenture that governs the Verizon Notes contains certain negative covenants, including a negative pledge covenant and a merger or similar transaction covenant, affirmative covenants and events of default that are customary for companies maintaining an investment grade credit rating. An event of default for either series of the Verizon Notes may result in acceleration of the entire principal amount of all debt securities of that series. Beginning two years after the closing of the Wireless Transaction, Verizon may redeem all or any portion of the outstanding Verizon Notes held by Vodafone or any of its affiliates for a redemption price of 100% of the principal amount plus accrued and unpaid interest. The Verizon Notes may only be transferred by Vodafone to third parties in specified amounts during specified periods, commencing January 1, 2017. Any Verizon Notes held by third parties will not be redeemable by Verizon prior to their maturity dates. Verizon has agreed to file a registration statement with respect to the Verizon Notes at least three months prior to the Verizon Notes becoming transferable.

Other Consideration

Included in the other consideration provided to Vodafone is the indirect assumption of long-term obligations with respect to 5.143% Class D and Class E cumulative preferred stock (Preferred Stock) issued by one of the Purchased Entities. Both the Class D shares (825,000 shares outstanding) and Class E shares (825,000 shares outstanding) are mandatorily redeemable in April 2020 at $1,000 per share plus any accrued and unpaid dividends. Dividends accrue at 5.143% per annum and will be treated as interest expense. Both the Class D and Class E shares have been classified as liability instruments and were recorded at fair value as determined at the closing of the Wireless Transaction.

Deferred Tax Liabilities

Certain deferred taxes directly attributable to the Wireless Transaction have been calculated based on an analysis of taxes attributable to the difference between the tax basis of the investment in the noncontrolling interest that is assumed compared to Verizon's book basis. As a result, Verizon recorded a deferred tax liability of approximately $13.5 billion.

Spectrum License Transactions

During the second quarter of 2014, we completed license exchange transactions with T-Mobile USA, Inc. (T-Mobile USA) to exchange certain Advanced Wireless Services (AWS) and Personal Communication Services (PCS) licenses. The exchange included a number of swaps that we expect will result in more efficient use of the AWS and PCS bands. As a result of these exchanges, we received $0.9 billion of AWS and PCS spectrum licenses at fair value and we recorded an immaterial gain

During the second quarter of 2014, we completed transactions pursuant to two additional agreements with T-Mobile USA with respect to our remaining 700 MHz A block spectrum licenses. Under one agreement, we sold certain of these licenses to T-Mobile USA in exchange for cash consideration of approximately $2.4 billion, and under the second agreement we exchanged the remainder of our 700 MHz A block spectrum licenses as well as AWS and PCS spectrum licenses for AWS and PCS spectrum licenses. As a result, we received $1.6 billion of AWS and PCS spectrum licenses at fair value and we recorded a pre-tax gain of approximately $0.7 billion in Selling, general and administrative expense on our condensed consolidated statement of income for the nine months ended September 30, 2014.

During September 2014, we entered into a license exchange agreement with affiliates of AT&T Inc. to exchange certain AWS and PCS spectrum licenses. This non-cash exchange, which is subject to approval by the Federal Communications Commission (FCC) and other customary closing conditions, is expected to close in the first quarter of 2015. Upon completion of the transaction, we expect to record an immaterial gain.

During the three and nine months ended September 30, 2014, we acquired various other wireless licenses and markets for cash consideration that was not significant.

Wireline

On July 1, 2014, we sold a non-strategic Wireline business which provides communications solutions to a variety of government agencies, for net cash proceeds of $0.1 billion and recorded an immaterial gain.

Other

During February 2014, Verizon acquired a business dedicated to the development of Internet Protocol (IP) television for cash consideration that was not significant.

On October 7, 2014, Redbox Instant by Verizon, a venture between Verizon and Redbox Automated Retail, LLC (Redbox), a wholly-owned subsidiary of Outerwall Inc., ceased providing service to its customers. In accordance with an agreement between the parties, Redbox withdrew from the venture on October 20, 2014 and Verizon will wind down and dissolve the venture during the next few months. As a result of the termination of the venture, we expect to record a pre-tax loss of approximately $0.1 billion in the fourth quarter of 2014.

3 Wireless Licenses, Goodwill and Other Intangible Assets

Wireless Licenses

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

(dollars in millions)	
Balance at January 1, 2014	$ 75,747
Acquisitions (Note 2)	438
Dispositions (Note 2)	(1,978)
Capitalized interest on wireless licenses	162
Reclassifications, adjustments and other	934
Balance at September 30, 2014	$ 75,303

Reclassifications, adjustments and other includes the exchanges of wireless licenses in 2014 as well as $0.3 billion of Wireless licenses that are classified as held for sale and included in Prepaid expenses and other on our condensed consolidated balance sheet at September 30, 2014 (see Note 2 for additional details).

At September 30, 2014, approximately $2.2 billion of Wireless licenses were under development for commercial service for which we were capitalizing interest costs.

Goodwill

Changes in the carrying amount of Goodwill are as follows:

(dollars in millions)	Wireless	Wireline	Total
Balance at January 1, 2014	$ 18,376	$ 6,258	$ 24,634
Acquisitions (Note 2)	15	10	25
Dispositions (Note 2)	–	(38)	(38)
Reclassifications, adjustments and other	–	(4)	(4)
Balance at September 30, 2014	$ 18,391	$ 6,226	$ 24,617

Other Intangible Assets

The following table displays the composition of Other intangible assets, net:

	At September 30, 2014			At December 31, 2013		
(dollars in millions)	Gross Amount	Accumulated Amortization	Net Amount	Gross Amount	Accumulated Amortization	Net Amount
Customer lists (5 to 13 years)	$ 3,634	$ (2,870)	$ 764	$ 3,639	$ (2,660)	$ 979
Non-network internal-use software (3 to 7 years)	12,841	(8,183)	4,658	11,770	(7,317)	4,453
Other (2 to 25 years)	665	(349)	316	691	(323)	368
Total	$ 17,140	$ (11,402)	$ 5,738	$ 16,100	$ (10,300)	$ 5,800

The amortization expense for Other intangible assets was as follows:

(dollars in millions)	Three Months Ended September 30,	Nine Months Ended September 30,
2014	$ 391	$ 1,178
2013	398	1,183

The estimated future amortization expense for Other intangible assets is as follows:

Years	(dollars in millions)
Remainder of 2014	$ 401
2015	1,379
2016	1,145
2017	959
2018	795

4 Debt

Changes to debt during the nine months ended September 30, 2014 are as follows:

(dollars in millions)	Debt Maturing within One Year	Long-term Debt	Total
Balance at January 1, 2014	$ 3,933	$ 89,658	$ 93,591
Proceeds from long-term borrowings	–	21,575	21,575
Verizon Notes	–	5,000	5,000
Preferred Stock	–	1,650	1,650
Repayments of long-term borrowings and capital leases obligations	(3,363)	(9,231)	(12,594)
Decrease in short-term obligations, excluding current maturities	(426)	–	(426)
Reclassifications of long-term debt	1,097	(1,097)	–
Other	362	72	434
Balance at September 30, 2014	$ 1,603	$ 107,627	$ 109,230

During February 2014, we issued €1.75 billion aggregate principal amount of 2.375% Notes due 2022, €1.25 billion aggregate principal amount of 3.25% Notes due 2026 and £0.85 billion aggregate principal amount of 4.75% Notes due 2034. The issuance of these Notes resulted in cash proceeds of approximately $5.4 billion, net of discounts and issuance costs. The net proceeds were used, in part, to finance the Wireless Transaction. Net proceeds not used to finance the Wireless Transaction were used for general corporate purposes. Also, during February 2014, we issued $0.5 billion aggregate principal amount of 5.90% Notes due 2054 resulting in cash proceeds of approximately $0.5 billion, net of discounts and issuance costs. The net proceeds were used for general corporate purposes.

On March 10, 2014, we announced the commencement of a tender offer (the Tender Offer) to purchase for cash any and all of the series of notes listed in the following table:

(dollars in millions, except for Purchase Price)	Interest Rate	Maturity	Principal Amount Outstanding	Purchase Price [1]	Principal Amount Purchased
Verizon Communications	6.10%	2018	$ 1,500	$ 1,170.07	$ 748
	5.50%	2018	1,500	1,146.91	763
	8.75%	2018	1,300	1,288.35	564
	5.55%	2016	1,250	1,093.62	652
	5.50%	2017	750	1,133.22	353
Cellco Partnership and Verizon Wireless Capital LLC	8.50%	2018	1,000	1,279.63	619
Alltel Corporation	7.00%	2016	300	1,125.26	157
GTE Corporation	6.84%	2018	600	1,196.85	266
					$ 4,122

[1] Per $1,000 principal amount of notes.

The Tender Offer for each series of notes was subject to a financing condition, which was either satisfied or waived with respect to all series. The Tender Offer expired on March 17, 2014 and settled on March 19, 2014. In addition to the purchase price, any accrued and unpaid interest on the purchased notes was paid to the date of purchase. During March 2014, we recorded early debt redemption costs in connection with the Tender Offer (see "Early Debt Redemption").

During March 2014, we issued $4.5 billion aggregate principal amount of fixed and floating rate notes resulting in cash proceeds of approximately $4.5 billion, net of discounts and issuance costs. The issuances consisted of the following: $0.5 billion aggregate principal amount Floating Rate Notes due 2019 that bear interest at a rate equal to three-month LIBOR plus 0.77%,

which rate will be reset quarterly; $0.5 billion aggregate principal amount of 2.55% Notes due 2019; $1.0 billion aggregate principal amount of 3.45% Notes due 2021; $1.25 billion aggregate principal amount of 4.15% Notes due 2024 and $1.25 billion aggregate principal amount of 5.05% Notes due 2034. During March 2014, the net proceeds were used to purchase notes in the Tender Offer described above.

During March 2014, Verizon Wireless redeemed $1.25 billion aggregate principal amount of the Cellco Partnership and Verizon Wireless Capital LLC 8.50% Notes due 2018 at 127.135% of the principal amount of such notes, plus accrued and unpaid interest (see "Early Debt Redemption"). Also, during March 2014, $1.0 billion of LIBOR plus 0.61% Verizon Communications Notes and $1.5 billion of 1.95% Verizon Communications Notes matured and were repaid.

During September 2014, we issued $0.9 billion aggregate principal amount of 4.8% Notes due 2044. The issuance of these Notes resulted in cash proceeds of approximately $0.9 billion, net of discounts and issuance costs. The net proceeds were used for general corporate purposes. Also, during September 2014, we redeemed $0.8 billion aggregate principal amount of Verizon 1.25% Notes due November 2014 and recorded an immaterial amount of early debt redemption costs.

On October 22, 2014, we sold $6.5 billion aggregate principal amount of fixed rate notes, which are expected to settle on October 29, 2014. We expect to receive cash proceeds of approximately $6.425 billion, net of discounts and issuance costs and after reimbursement of certain expenses. The sale consisted of the following: $1.5 billion aggregate principal amount of 3.00% Notes due 2021, $2.5 billion aggregate principal amount of 3.50% Notes due 2024, and $2.5 billion aggregate principal amount of 4.40% Notes due 2034. The net proceeds from the offering will be used to redeem (i) in whole the following series of outstanding notes which have been called for early redemption in November 2014: Verizon 4.90% Notes due 2015, Verizon 5.55% Notes due 2016, Verizon 3.00% Notes due 2016, Verizon 5.50% Notes due 2017, Verizon 8.75% Notes due 2018, Alltel Corporation 7.00% Debentures due 2016 and Cellco Partnership and Verizon Wireless Capital LLC 8.50% Notes due 2018, and (ii) $1.0 billion aggregate principal amount of Verizon 2.50% Notes due 2016. Any proceeds not used for the redemption of these notes will be used for general corporate purposes.

May Exchange Offer

On May 29, 2014, we announced the commencement of a private exchange offer (the May Exchange Offer) to exchange up to all Cellco Partnership and Verizon Wireless Capital LLC's £0.6 billion outstanding aggregate principal amount of 8.875% Notes due 2018 (the 2018 Old Notes) for Verizon's new sterling-denominated Notes due 2024 (the New Notes) and an amount of cash. This exchange offer has been accounted for as a modification of debt. In connection with the May Exchange Offer, which expired on June 25, 2014, we issued £0.7 billion aggregate principal of New Notes and made a cash payment of £22 million in exchange for £0.6 billion aggregate principal amount of tendered 2018 Old Notes. The New Notes bear interest at a rate of 4.073% per annum.

Concurrent with the issuance of the New Notes, we entered into cross currency swaps to fix our future interest and principal payments in U.S. dollars (see Note 6).

July Exchange Offers

On July 23, 2014, we announced the commencement of eleven separate private offers to exchange (the July Exchange Offers) specified series of outstanding Notes issued by Verizon and Alltel Corporation (collectively, the Old Notes) for new Notes to be issued by Verizon. The July Exchange Offers have been accounted for as a modification of debt. On August 21, 2014, Verizon issued $3.3 billion aggregate principal amount of 2.625% Notes due 2020 (the 2020 New Notes), $4.5 billion aggregate principal amount of 4.862% Notes due 2046 (the 2046 New Notes) and $5.5 billion aggregate principal amount of 5.012% Notes due 2054 (the 2054 New Notes) in satisfaction of the exchange offer consideration on tendered Old Notes (not including accrued and unpaid interest on the Old Notes). The following tables list the series of Old Notes included in the July Exchange Offers and the principal amount of each such series accepted by Verizon for exchange:

The table below lists the series of Old Notes included in the July Exchange Offers for the 2020 New Notes

(dollars in millions)	Interest Rate	Maturity	Principal Amount Outstanding	Principal Amount Accepted For Exchange
Verizon Communications	3 65%	2018	$ 4,750	$ 2,052
	2 50%	2016	4,250	1,068
				$ 3,120

The table below lists the series of Old Notes included in the July Exchange Offers for the 2046 New Notes

(dollars in millions)	Interest Rate	Maturity	Principal Amount Outstanding	Principal Amount Accepted For Exchange
Verizon Communications	6 40%	2033	$ 6,000	$ 1,645
	7 75%	2030	2,000	794
	7 35%	2039	1,000	520
	7 75%	2032	400	149
Alltel Corporation	7 875%	2032	700	248
	6 80%	2029	300	65
				$ 3,421

The table below lists the series of Old Notes included in the July Exchange Offers for the 2054 New Notes

(dollars in millions)	Interest Rate	Maturity	Principal Amount Outstanding	Principal Amount Accepted For Exchange
Verizon Communications	6 55%	2043	$ 15 000	$ 4,330
	6 40%	2038	1,750	–
	6 90%	2038	1,250	–
				$ 4,330

Term Loan Agreement

During February 2014, we drew $6 6 billion pursuant to a term loan agreement with a group of major financial institutions to finance, in part, the Wireless Transaction $3 3 billion of the loans under the term loan agreement had a maturity of three years (the 3-Year Loans) and $3 3 billion of the loans under the term loan agreement had a maturity of five years (the 5-Year Loans) The 5-Year Loans provide for the partial amortization of principal during the last two years that they are outstanding Loans under the term loan agreement bear interest at floating rates The term loan agreement contains certain negative covenants, including a negative pledge covenant, a merger or similar transaction covenant and an accounting changes covenant, affirmative covenants and events of default that are customary for companies maintaining an investment grade credit rating In addition, the term loan agreement requires us to maintain a leverage ratio (as defined in the term loan agreement) not in excess of 3 50 1 00, until our credit ratings are equal to or higher than A3 and A- at Moody's Investors Service and Standard & Poor s Ratings Services, respectively

During June 2014 we issued $3 3 billion aggregate principal amount of fixed and floating rate notes resulting in cash proceeds of approximately $3 3 billion, net of discounts and issuance costs The issuances consisted of the following $1 3 billion aggregate principal amount of Floating Rate Notes due 2017 that will bear interest at a rate equal to three-month LIBOR plus 0 40% which will be reset quarterly and $2 0 billion aggregate principal amount of 1 35% Notes due 2017 We used the net proceeds from the offering of these notes to repay the 3-Year Loans on June 12, 2014

During July 2014, we amended the term loan agreement, settled the outstanding $3 3 billion of 5-Year Loans and borrowed $3 3 billion of new loans The new loans mature in July 2019, bear interest at a lower interest rate and require lower amortization payments in 2017 and 2018 In connection with the transaction, which primarily settled on a net basis, we recorded approximately $0 5 billion of proceeds from long-term borrowings and of repayments of long-term borrowings, respectively

Verizon Notes

During February 2014, in connection with the Wireless Transaction we issued $5 0 billion aggregate principal amount of floating rate notes to Vodafone These notes were issued in two separate series, with $2 5 billion due February 21, 2022 and $2 5 billion due February 21, 2025 The Verizon Notes bear interest at a floating rate, which will be reset quarterly, with interest payable quarterly in arrears, beginning May 21, 2014 (see Note 2) The eight-year Verizon Notes bear interest at a floating rate equal to three-month LIBOR, plus 1 222%, and the eleven-year Verizon Notes bear interest at a floating rate equal to three-month LIBOR, plus 1 372%

Preferred Stock

As a result of the Wireless Transaction, we assumed long-term obligations with respect to 5 143% Class D and Class E cumulative Preferred Stock issued by one of the Purchased Entities Both the Class D shares (825,000 shares outstanding) and Class E shares (825,000 shares outstanding) are mandatorily redeemable in April 2020 at $1,000 per share plus any accrued and unpaid dividends Dividends accrue at 5 143% per annum and will be treated as interest expense Both the Class D and Class E shares have been classified as liability instruments and were recorded at fair value as determined at the closing of the Wireless Transaction

Other Credit Facilities

On July 31, 2014, we amended our $6 2 billion credit facility to increase the availability to $8 0 billion and extend the maturity to July 31, 2018 At the same time, we terminated our $2 0 billion 364-day revolving credit agreement As of September 30, 2014, the unused borrowing capacity under this credit facility was approximately $7 9 billion

Early Debt Redemption

During March 2014, we recorded net debt redemption costs of $0 9 billion in connection with the early redemption of $1 25 billion aggregate principal amount of Cellco Partnership and Verizon Wireless Capital LLC 8 50% Notes due 2018, and the purchase of the following notes pursuant to the Tender Offer $0 7 billion of the then outstanding $1 5 billion aggregate principal amount of Verizon 6 10% Notes due 2018 $0 8 billion of the then outstanding $1 5 billion aggregate principal amount of Verizon 5 50% Notes due 2018, $0 6 billion of the then outstanding $1 3 billion aggregate principal amount of Verizon 8 75% Notes due 2018, $0 7 billion of the then outstanding $1 25 billion aggregate principal amount of Verizon 5 55% Notes due 2016, $0 4 billion of the then outstanding $0 75 billion aggregate principal amount of Verizon 5 50% Notes due 2017, $0 6 billion of the then outstanding $1 0 billion aggregate principal amount of Cellco Partnership and Verizon Wireless Capital LLC 8 50% Notes due 2018, $0 2 billion of the then outstanding $0 3 billion aggregate principal amount of Alltel Corporation 7 00% Debentures due 2016 and $0 3 billion of the then outstanding $0 6 billion aggregate principal amount of GTE Corporation 6 84% Debentures due 2018

We recognize early debt redemption costs in Other income and (expense), net on our condensed consolidated statement of income

Guarantees

We guarantee the debentures and first mortgage bonds of our operating telephone company subsidiaries As of September 30, 2014, $3 1 billion aggregate principal amount of these obligations remained outstanding Each guarantee will remain in place for the life of the obligation unless terminated pursuant to its terms, including the operating telephone company no longer being a wholly-owned subsidiary of Verizon

We also guarantee the debt obligations of GTE Corporation that were issued and outstanding prior to July 1, 2003 As of September 30, 2014, $1 4 billion aggregate principal amount of these obligations remain outstanding

Debt Covenants

We and our consolidated subsidiaries are in compliance with all of our debt covenants

5 Wireless Equipment Installment Plans

We offer new and existing customers the option to participate in Verizon Edge, a program that provides eligible wireless customers with the ability to pay for their handset over a period of time (an equipment installment plan) and the right to upgrade their handset after a minimum of 30 days, subject to certain conditions, including making a stated portion of the required device payments, trading in their handset in good working condition and signing a new contract with Verizon. At September 30, 2014, the guarantee liability related to this program was approximately $0.7 billion.

At the time of sale, we impute risk adjusted interest on the receivables associated with Verizon Edge. We record the imputed interest as a reduction to the related accounts receivable. Interest income, which is included within Other income and (expense) net on our condensed consolidated statements of income, is recognized over the financed installment term.

We assess the collectability of our Verizon Edge receivables based upon a variety of factors, including the credit quality of the customer base, payment trends and other qualitative factors. The current portion of our receivables related to Verizon Edge included in Accounts receivable was $1.4 billion at September 30, 2014 and was not material at December 31, 2013. The long-term portion of the equipment installment plan receivables included in Other assets was $0.6 billion at September 30, 2014 and was not material at December 31, 2013.

The credit profiles of our customers with a Verizon Edge plan are similar to those of our customers with a traditional subsidized plan. Customers with a credit profile which carries a higher risk are required to make a down payment for equipment financed through Verizon Edge.

6 Fair Value Measurements

The following table presents the balances of assets and liabilities measured at fair value on a recurring basis as of September 30, 2014.

(dollars in millions)	Level 1 [1]	Level 2 [2]	Level 3 [3]	Total
Assets:				
Short-term investments				
Equity securities	$ 388	$ –	$ –	$ 388
Fixed income securities	–	247	–	247
Other assets				
Fixed income securities	–	908	–	908
Interest rate swaps	–	44	–	44
Cross currency swaps	–	9	–	9
Total	$ 388	$ 1,208	$ –	$ 1,596
Liabilities:				
Other liabilities				
Forward interest rate swaps	$ –	$ 138	$ –	$ 138
Cross currency swaps and other	–	123	–	123
Total	$ –	$ 261	$ –	$ 261

[1] quoted prices in active markets for identical assets or liabilities

[2] observable inputs other than quoted prices in active markets for identical assets and liabilities

[3] no observable pricing inputs in the market

Equity securities consist of investments in common stock of domestic and international corporations measured using quoted prices in active markets.

Fixed income securities consist primarily of investments in municipal bonds that do not have quoted prices in active markets. For these securities, we use alternative matrix pricing resulting in these debt securities being classified as Level 2.

Derivative contracts are valued using models based on readily observable market parameters for all substantial terms of our derivative contracts and thus are classified within Level 2. We use mid-market pricing for fair value measurements of our derivative instruments. Our derivative instruments are recorded on a gross basis.

We recognize transfers between levels of the fair value hierarchy as of the end of the reporting period. There were no transfers within the fair value hierarchy during the nine months ended September 30, 2014.

Fair Value of Short-term and Long-term Debt

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

	At September 30, 2014		At December 31, 2013	
(dollars in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Short- and long-term debt, excluding capital leases	$ 108,685	$ 121,972	$ 93,298	$ 103,527

Derivative Instruments

We enter into derivative transactions to manage our exposure to fluctuations in foreign currency exchange rates, interest rates, and equity and commodity prices. We employ risk management strategies, which may include the use of a variety of derivatives including cross currency swaps, foreign currency and prepaid forwards and collars, interest rate swap agreements, commodity swap and forward agreements and interest rate locks. We do not hold derivatives for trading purposes.

We measure all derivatives, including derivatives embedded in other financial instruments, at fair value and recognize them as either assets or liabilities on our condensed consolidated balance sheets. Changes in the fair values of derivative instruments not qualifying as hedges or any ineffective portion of hedges are recognized in earnings in the current period. Changes in the fair values of derivative instruments used effectively as fair value hedges are recognized in earnings, along with changes in the fair value of the hedged item. Changes in the fair value of the effective portions of cash flow hedges are reported in Other comprehensive loss and recognized in earnings when the hedged item is recognized in earnings.

Interest Rate Swaps

We enter into domestic interest rate swaps to achieve a targeted mix of fixed and variable rate debt. We principally receive fixed rates and pay variable rates based on LIBOR, resulting in a net increase or decrease to Interest expense. These swaps are designated as fair value hedges and hedge against changes in the fair value of our debt portfolio. We record the interest rate swaps at fair value on our condensed consolidated balance sheets as assets and liabilities. The fair value of these contracts was not material at September 30, 2014 and December 31, 2013, respectively. As of September 30, 2014, the total notional amount of the interest rate swaps was $1.8 billion. The ineffective portion of these interest rate swaps was not material for the three and nine months ended September 30, 2014, respectively.

Forward Interest Rate Swaps

In order to manage our exposure to future interest rate changes, during the fourth quarter of 2013, we entered into forward interest rate swaps with a total notional value of $2.0 billion. We designated these contracts as cash flow hedges. In March 2014, we settled these forward interest rate swaps and the pre-tax gain was not material. During the first and second quarters of 2014, we entered into forward interest rate swaps with total notional values of $0.9 billion and $3.1 billion, respectively. During the third quarter of 2014, we entered into forward interest rate swaps with a total notional value of $0.8 billion. We designated these contracts as cash flow hedges.

In October 2014, we settled $1.25 billion of forward interest rate swaps.

Cross Currency Swaps

During the first quarter of 2014, we entered into cross currency swaps designated as cash flow hedges to exchange approximately $5.4 billion of Euro and British Pound Sterling denominated debt into U.S. dollars and to fix our future interest and principal payments in U.S. dollars, as well as to mitigate the impact of foreign currency transaction gains or losses.

During the second quarter of 2014, in connection with the May Exchange Offer, we entered into cross currency swaps designated as cash flow hedges to exchange approximately $1.2 billion of British Pound Sterling denominated debt into U.S. dollars and to fix our future interest and principal payments in U.S. dollars, as well as to mitigate the impact of foreign currency transaction gains or losses.

Verizon Wireless previously entered into cross currency swaps designated as cash flow hedges to exchange approximately $1 6 billion of British Pound Sterling and Euro-denominated debt into U S dollars and to fix our future interest and principal payments in U S dollars, as well as to mitigate the effect of foreign currency transaction gains or losses In June 2014, we settled $0 8 billion of these cross currency swaps as part of the Exchange Offer and the gains with respect to these swaps were not material

A portion of the gains and losses recognized in Other comprehensive income (loss) was reclassified to Other income and (expense), net to offset the related pre-tax foreign currency transaction gain or loss on the underlying debt obligations The fair value of the outstanding swaps was $0 1 billion at September 30, 2014 and was not material at December 31, 2013 During the three and nine months ended September 30, 2014, a pre-tax loss of $0 1 billion and an immaterial pre-tax loss, respectively were recognized in Other comprehensive income (loss) During the three and nine months ended September 30, 2013, a pre-tax gain of $0 1 billion and an immaterial pre-tax loss, respectively, were recognized in Other comprehensive income (loss)

7. Stock-Based Compensation

Verizon Communications Long-Term Incentive Plan

The Verizon Communications Inc Long-Term Incentive Plan (the Plan) permits the granting of stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance stock units and other awards The maximum number of shares available for awards from the Plan is 119 6 million shares

Restricted Stock Units

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

Performance Stock Units

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

The following table summarizes the Restricted Stock Unit and Performance Stock Unit activity

(shares in thousands)	Restricted Stock Units	Performance Stock Units
Outstanding, January 1 2014	16,193	23 724
Granted	5,041	7,080
Payments	(6,165)	(9,153)
Cancelled/Forfeited	(229)	(252)
Outstanding, September 30, 2014	14,840	21,399

As of September 30, 2014 unrecognized compensation expense related to the unvested portion of outstanding RSUs and PSUs was approximately $0 5 billion and is expected to be recognized over approximately two years

The RSUs granted in 2014 have a weighted-average grant date fair value of $47 19 per unit

8 Employee Benefits

We maintain non-contributory defined benefit pension plans for many of our employees In addition, we maintain postretirement health care and life insurance plans for our retirees and their dependents, which are both contributory and non-contributory and include a limit on our share of the cost for certain recent and future retirees In accordance with our accounting policy for pension and other postretirement benefits, operating expenses include pension and benefit related credits and/or charges based on actuarial assumptions, including projected discount rates and an estimated return on plan assets These estimates are updated in the fourth quarter or upon a remeasurement event to reflect actual return on plan assets and updated actuarial assumptions The adjustment will be recognized in the income statement during the fourth quarter or upon a remeasurement event pursuant to our accounting policy for the recognition of actuarial gains and losses

Net Periodic Benefit (Income) Cost

The following table summarizes the benefit (income) cost related to our pension and postretirement health care and life insurance plans

(dollars in millions)	Pension		Health Care and Life	
Three Months Ended September 30,	**2014**	**2013**	**2014**	**2013**
Service cost	$ 82	$ 99	$ 65	$ 79
Amortization of prior service cost (credit)	(2)	2	(63)	(62)
Expected return on plan assets	(296)	(311)	(41)	(36)
Interest cost	259	251	277	273
Net periodic benefit cost	$ 43	$ 41	$ 238	$ 254

(dollars in millions)	Pension		Health Care and Life	
Nine Months Ended September 30,	**2014**	**2013**	**2014**	**2013**
Service cost	$ 245	$ 296	$ 194	$ 238
Amortization of prior service cost (credit)	(6)	5	(190)	(185)
Expected return on plan assets	(886)	(933)	(122)	(108)
Interest cost	777	752	831	821
Remeasurement gain, net	–	(237)	–	–
Net periodic benefit (income) cost	$ 130	$ (117)	$ 713	$ 766

Pension Remeasurement

During the three and six months ended June 30, 2013, we recorded net pre-tax pension remeasurement credits of approximately $0 2 billion, in accordance with our accounting policy to recognize actuarial gains and losses in the period in which they occur The pension remeasurement credits relate to settlements for employees who received lump-sum distributions The credits were primarily driven by an approximately 75 basis point increase in our discount rate assumption used to determine the current year liabilities of one of our pension plans The change in discount rate resulted in a gain of $0 3 billion, partially offset by a loss resulting from the difference between our expected return on assets assumption of 7 5% at December 31, 2012 and our annualized actual return on assets of 7 2% at June 30, 2013, as well as other losses ($0 1 billion) Our weighted-average discount rate assumption increased from 4 2% at December 31 2012 to 5 0% at June 30 2013

During the three months ended September 30 2013 as a result of the settlements noted above we performed a pension remeasurement in accordance with our accounting policy to recognize actuarial gains and losses in the period in which they occur This remeasurement was not material to our condensed consolidated statement of income for the period

During October 2014, the Society of Actuaries finalized new actuarial tables for applying mortality assumptions to measure qualified defined benefit plan and other post-employment benefit obligations We are currently evaluating the impact these new tables may have on our condensed consolidated financial statements, which may be material

Severance Payments

During the three and nine months ended September 30, 2014, we paid severance benefits of $0 1 billion and $0 4 billion, respectively At September 30, 2014, we had a remaining severance liability of $0.4 billion a portion of which includes future contractual payments to employees separated as of September 30, 2014

Employer Contributions

During the three and nine months ended September 30, 2014, we contributed $0 2 billion and $1 1 billion, respectively, to our other postretirement benefit plans During the three and nine months ended September 30, 2014, we contributed $0 7 billion and $1 5 billion respectively, to our qualified pension plans The contributions to our nonqualified pension plans were $0 1 billion during the three and nine months ended September 30, 2014 There have been no material changes with respect to the qualified and nonqualified pension contributions in 2014 as previously disclosed in Part II Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31 2013

9. Equity and Accumulated Other Comprehensive Income

Equity

Changes in the components of Total equity were as follows

(dollars in millions)	Attributable to Verizon	Noncontrolling Interests	Total Equity
Balance at January 1, 2014	$ 38,836	$ 56,580	$ 95,416
Net income	11,856	2,248	14,104
Other comprehensive loss	(1,183)	(23)	(1,206)
Comprehensive income	10 673	2,225	12,898
Issuance of common stock	127	–	127
Contributed capital	(26,850)	–	(26,850)
Dividends declared	(6,674)	–	(6,674)
Common stock in treasury	496	–	496
Purchase of noncontrolling interest	–	(55,960)	(55,960)
Distributions and other	(31)	(1,454)	(1,485)
Balance at September 30, 2014	$ 16,577	$ 1,391	$ 17,968

The changes in Common stock, Contributed capital and Purchase of noncontrolling interest are primarily due to the completion of the Wireless Transaction on February 21 2014 See Note 2 for additional information

Prior to the closing of the Wireless Transaction noncontrolling interests included in our condensed consolidated financial statements primarily consisted of Vodafone's 45% ownership interest in Verizon Wireless The noncontrolling interests that remain after the completion of the Wireless Transaction primarily relate to wireless partnership entities

Common Stock

As a result of the Wireless Transaction, Verizon issued approximately 1 27 billion shares of Verizon common stock

Common stock has been used from time to time to satisfy some of the funding requirements of employee and shareowner plans, including 8 1 million common shares issued from Treasury stock during the nine months ended September 30, 2014, which had an aggregate value of $0 4 billion

Accumulated Other Comprehensive Income

The changes in the balances of Accumulated other comprehensive income by component are as follows

(dollars in millions)	Foreign currency translation adjustments	Unrealized loss on cash flow hedges	Unrealized loss on marketable securities	Defined benefit pension and postretirement plans	Total
Balance at January 1, 2014	$ 853	$ 113	$ 117	$ 1,275	$ 2,358
Other comprehensive income (loss)	(143)	99	14	–	(30)
Amounts reclassified to net income	(911)	(110)	(15)	(117)	(1,153)
Net other comprehensive loss	(1,054)	(11)	(1)	(117)	(1,183)
Balance at September 30, 2014	$ (201)	$ 102	$ 116	$ 1,158	$ 1,175

The amounts presented above in net other comprehensive loss are net of taxes and noncontrolling interests, which are not significant For the nine months ended September 30, 2014, the amounts reclassified to net income related to foreign currency translation adjustments are included in Equity in earnings (losses) of unconsolidated businesses on our condensed consolidated statement of income and are a result of the completion of the Omantel Transaction See Note 2 for additional details For the nine months ended September 30, 2014, the amounts reclassified to net income related to defined benefit pension and postretirement plans were included in Cost of services and sales and Selling, general and administrative expense on our condensed consolidated statement of income For the nine months ended September 30, 2014, all other amounts reclassified to net income were included in Other income and (expense) net on our condensed consolidated statement of income

10. Segment Information

Reportable Segments

We have two reportable segments which we operate and manage as strategic business units and organize by products and services We measure and evaluate our reportable segments based on segment operating income, consistent with the chief operating decision maker's assessment of segment performance

Corporate, eliminations and other includes unallocated corporate expenses, intersegment eliminations recorded in consolidation, the results of other businesses, such as our investments in unconsolidated businesses, pension and other employee benefit related costs lease financing, as well as the historical results of divested operations and other adjustments and gains and losses that are not allocated in assessing segment performance due to their non-operational nature Although such transactions are excluded from the business segment results, they are included in reported consolidated earnings Gains and losses that are not individually significant are included in all segment results as these items are included in the chief operating decision maker's assessment of segment performance Effective January 1, 2014 we have also reclassified the results of certain businesses such as development stage businesses that support our strategic initiatives, from our Wireline segment to Corporate, eliminations and other The impact of this reclassification was not material to our condensed consolidated financial statements or our segment results of operations

On July 1, 2014, our Wireline segment divested a non-strategic business (see Note 2) Accordingly, the historical Wireline results for these operations have been reclassified to Corporate, eliminations and other to reflect comparable segment operating results

Our segments and their principal activities consist of the following

Segment	Description
Wireless	Wireless' communications products and services include wireless voice and data services and equipment sales, which are provided to consumer, business and government customers across the United States
Wireline	Wireline s voice, data and video communications products and enhanced services include broadband video and data, corporate networking solutions, data center and cloud services, security and managed network services and local and long distance voice services We provide these products and services to consumers in the United States, as well as to carriers, businesses and government customers both in the United States and in over 150 other countries around the world

The following table provides operating financial information for our two reportable segments

(dollars in millions)	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
External Operating Revenues				
Wireless				
Retail service	$ 17,543	$ 16,764	$ 52,052	$ 49,327
Other service	794	737	2,313	1,950
Service revenue	18,337	17,501	54,365	51,277
Equipment	2,479	1,921	6,735	5,679
Other	991	952	3,011	2,866
Total Wireless	21,807	20,374	64,111	59,822
Wireline				
Consumer retail	3,902	3,735	11,606	11,020
Small business	613	637	1,858	1,907
Mass Markets	4,515	4,372	13,464	12,927
Strategic services	2,068	2,044	6,207	6,055
Core	1,315	1,490	4,097	4,575
Global Enterprise	3,383	3,534	10,304	10,630
Global Wholesale	1,307	1,374	3,979	4,230
Other	119	109	366	321
Total Wireline	9,324	9,389	28,113	28,108
Total segments	31,131	29,763	92,224	87,930
Corporate, eliminations and other	455	516	1,663	1,555
Total consolidated - reported	$ 31,586	$ 30,279	$ 93,887	$ 89,485
Intersegment Revenues				
Wireless	$ 28	$ 25	$ 86	$ 76
Wireline	252	268	756	804
Total segments	280	293	842	880
Corporate, eliminations and other	(280)	(293)	(842)	(880)
Total consolidated – reported	$ –	$ –	$ –	$ –
Total Operating Revenues				
Wireless	$ 21,835	$ 20,399	$ 64,197	$ 59,898
Wireline	9,576	9,657	28,869	28,912
Total segments	31,411	30,056	93,066	88,810
Reconciling items	175	223	821	675
Total consolidated – reported	$ 31,586	$ 30,279	$ 93,887	$ 89,485
Operating Income				
Wireless	$ 6,955	$ 6,886	$ 21,258	$ 19,768
Wireline	225	147	619	216
Total segments	7,180	7,033	21,877	19,984
Reconciling items	(290)	95	(142)	(79)
Total consolidated – reported	$ 6,890	$ 7,128	$ 21,735	$ 19,905

(dollars in millions)	At September 30, 2014	At December 31, 2013
Assets		
Wireless	$ 158,443	$ 146,429
Wireline	80,135	84,573
Total segments	238,578	231,002
Corporate, eliminations and other	(12,285)	43,096
Total consolidated – reported	$ 226,293	$ 274,098

Corporate eliminations and other at December 31, 2013 is primarily comprised of cash and cash equivalents which were used to complete the Wireless Transaction on February 21, 2014

A reconciliation of the segment operating revenues to consolidated operating revenues is as follows

(dollars in millions)	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Total segment operating revenues	$ 31,411	$ 30,056	$ 93,066	$ 88,810
Impact of divested operations (Note 2)	–	157	256	466
Corporate, eliminations and other	175	66	565	209
Total consolidated operating revenues	$ 31,586	$ 30,279	$ 93,887	$ 89,485

A reconciliation of the total of the reportable segments' operating income to consolidated income before provision for income taxes is as follows

(dollars in millions)	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Total segment operating income	$ 7,180	$ 7,033	$ 21,877	$ 19,984
Gain on spectrum license transactions (Note 2)	–	278	707	278
Pension remeasurement (Note 8)	–	–	–	237
Impact of divested operations (Note 2)	–	8	12	26
Corporate, eliminations and other	(290)	(191)	(861)	(620)
Total consolidated operating income	6,890	7,128	21,735	19,905
Equity in earnings (losses) of unconsolidated businesses	(48)	19	1,811	134
Other income and (expense) net	71	20	(757)	84
Interest expense	(1,255)	(555)	(3,633)	(1,606)
Income Before Provision For Income Taxes	$ 5,658	$ 6,612	$ 19,156	$ 18,517

We generally account for intersegment sales of products and services and asset transfers at current market prices No single customer accounted for more than 10% of our total operating revenues during the three and nine months ended September 30, 2014 and 2013

11. Commitments and Contingencies

In the ordinary course of business Verizon is involved in various commercial litigation and regulatory proceedings at the state and federal level Where it is determined, in consultation with counsel based on litigation and settlement risks, that a loss is probable and estimable in a given matter, the Company establishes an accrual In none of the currently pending matters is the amount of accrual material An estimate of the reasonably possible loss or range of loss in excess of the amounts already accrued cannot be made at this time due to various factors typical in contested proceedings, including (1) uncertain damage theories and demands (2) a less than complete factual record (3) uncertainty concerning legal theories and their resolution by courts or regulators, and (4) the unpredictable nature of the opposing party and its demands We continuously monitor these proceedings as

they develop and adjust any accrual or disclosure as needed We do not expect that the ultimate resolution of any pending regulatory or legal matter in future periods, including the Hicksville matter described below, will have a material effect on our financial condition but it could have a material effect on our results of operations for a given reporting period

During 2003, under a government-approved plan, remediation commenced at the site of a former Sylvania facility in Hicksville, New York that processed nuclear fuel rods in the 1950s and 1960s Remediation beyond original expectations proved to be necessary and a reassessment of the anticipated remediation costs was conducted A reassessment of costs related to remediation efforts at several other former facilities was also undertaken In September 2005, the Army Corps of Engineers (ACE) accepted the Hicksville site into the Formerly Utilized Sites Remedial Action Program This may result in the ACE performing some or all of the remediation effort for the Hicksville site with a corresponding decrease in costs to Verizon To the extent that the ACE assumes responsibility for remedial work at the Hicksville site, an adjustment to a reserve previously established for the remediation may be made Adjustments to the reserve may also be made based upon actual conditions discovered during the remediation at this or any other site requiring remediation

Verizon is currently involved in approximately 70 federal district court actions alleging that Verizon is infringing various patents Most of these cases are brought by non-practicing entities and effectively seek only monetary damages, a small number are brought by companies that have sold products and seek injunctive relief as well These cases have progressed to various stages and a small number may go to trial in the coming 12 months if they are not otherwise resolved

In connection with the execution of agreements for the sales of businesses and investments Verizon ordinarily provides representations and warranties to the purchasers pertaining to a variety of nonfinancial matters, such as ownership of the securities being sold as well as indemnity from certain financial losses From time to time, counterparties may make claims under these provisions, and Verizon will seek to defend against those claims and resolve them in the ordinary course of business

Subsequent to the sale of Verizon Information Services Canada in 2004, we continue to provide a guarantee to publish directories, which was issued when the directory business was purchased in 2001 and had a 30-year term (before extensions) The preexisting guarantee continues, without modification, despite the subsequent sale of Verizon Information Services Canada and the spin-off of our domestic print and Internet yellow pages directories business The possible financial impact of the guarantee, which is not expected to be adverse, cannot be reasonably estimated as a variety of the potential outcomes available under the guarantee result in costs and revenues or benefits that may offset each other We do not believe performance under the guarantee is likely

Verizon Communications Inc. (Verizon or the Company) is a holding company that, acting through its subsidiaries, is one of the world's leading providers of communications, information and entertainment products and services to consumers, businesses and governmental agencies. With a presence in over 150 countries around the world, we offer voice, data and video services and solutions on our wireless and wireline networks that are designed to meet customers' demand for mobility, reliable network connectivity, security and control. We have two reportable segments, Wireless and Wireline. Our wireless business, operating as Verizon Wireless, provides voice and data services and equipment sales across the United States using one of the most extensive and reliable wireless networks. Our wireline business provides consumer, business and government customers with communications products and services, including broadband data and video services, network access, voice, long distance and other communications products and services, and also owns and operates one of the most expansive end-to-end global Internet Protocol (IP) networks. We have a highly skilled, diverse and dedicated workforce of approximately 178,500 employees as of September 30, 2014.

In recent years, Verizon has embarked upon a strategic transformation as 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 address the changing technological landscape, we are focusing our efforts around higher margin and growing areas of our business: wireless data, wireline data and Strategic services, including cloud computing services.

Our strategy requires significant capital investments primarily to acquire wireless spectrum, put the spectrum into service, provide additional capacity for growth in our wireless and wireline networks, invest in the fiber optic network that supports our wireless and wireline businesses, maintain our wireless and wireline networks and develop and maintain significant advanced information technology systems and data system capabilities. We believe that steady and consistent investments in networks and platforms will drive innovative products and services and fuel our growth. Our wireless and wireline networks will continue to be the hallmark of our brand and provide the fundamental strength upon which we build our competitive advantage.

On February 21, 2014, we completed the acquisition of Vodafone Group Plc's (Vodafone) indirect 45% interest in Cellco Partnership d/b/a Verizon Wireless for aggregate consideration of approximately $130 billion (the Wireless Transaction). The consideration paid was primarily comprised of cash of approximately $58.89 billion and Verizon common stock with a value of approximately $61.3 billion. See "Acquisitions and Divestitures" for additional information.

In our Wireless business, during the three months ended September 30, 2014 compared to the similar period in 2013, revenue growth of 7.0% was driven by service revenue growth of 4.8% as the demand for fourth-generation (4G) Long-Term Evolution (LTE) smartphones and tablets continues. Also contributing to the increase in Wireless revenue was equipment revenue growth of 28.9% driven by higher sales of equipment under both the traditional subsidy model and Verizon Edge. At September 30, 2014, retail postpaid connections were 5.2% higher than at September 30, 2013, with smartphones representing 77% of our retail postpaid phone base at September 30, 2014 compared to 67% at September 30, 2013. Also during the three months ended September 30, 2014, postpaid smartphone activations represented 91% of phones activated compared to 85% in the similar period in 2013.

Now that we have substantially completed the deployment of our 4G LTE network, we are focusing the capital spending in our Wireless business on adding capacity and density to our existing 4G LTE network. Our 4G LTE network is available to approximately 98% of the U.S. population in more than 500 markets and covering approximately 308 million people, including those in areas served by our LTE in Rural America partners. Our 4G LTE network provides higher data throughput performance for data services at lower cost compared to those provided via third-generation (3G) networks. In May 2014, we announced the deployment of Advanced Wireless Services (AWS) spectrum in our 4G LTE network. This additional bandwidth, which we refer to as XLTE, provides additional network capacity and is currently available in more than 400 markets. Nearly all of the devices Verizon Wireless currently sells can operate on XLTE. Nearly 79% of our total data traffic in September 2014 was carried on our 4G LTE network.

On February 13, 2014, we introduced our More Everything ® plans which replaced our Share Everything ® plans and provide more value to our customers. These plans, which are available to both new and existing postpaid customers, feature domestic unlimited voice minutes, unlimited domestic and international text, video and picture messaging, cloud storage and a single data allowance that can be shared among multiple devices connected to the Verizon Wireless network. As of September 30, 2014, More Everything accounts represented approximately 57% of our retail postpaid accounts compared to Share Everything plans representing approximately 41% of our retail postpaid accounts as of September 30, 2013. Verizon Wireless offers shared data plans for business, with More Everything plans for Small business and the Nationwide Business Data Packages and Plans

In our Wireline business, revenues declined 0.8% during the three months ended September 30, 2014 compared to the similar period in 2013 primarily due to revenue declines in Global Enterprise Core and Global Wholesale. These decreases were partially offset by revenue increases in Consumer retail driven by FiOS. FiOS represented approximately 76% of Consumer retail revenue during the three months ended September 30, 2014 compared to approximately 71% during the similar period in 2013. As the penetration of FiOS products increases, we continue to seek ways to increase revenue and further realize operating and capital efficiencies as well as maximize profitability. As more applications are developed for this high-speed service, we expect that FiOS will become a hub for managing multiple home services that will eventually be part of the digital grid, including not just entertainment and communications, but also machine-to-machine communications, such as home monitoring, health monitoring, energy management and utilities management.

We continue to enrich the customer value proposition and drive investment returns by creating new and innovative services on our FiOS platform. During 2014, Verizon announced the introduction of FiOS Quantum TV, which provides FiOS TV customers with new features including the ability to record up to 12 shows at once and control live TV from any room in their home. This new service is now available everywhere that FiOS TV is offered. With our FiOS Quantum broadband service, residential and small business customers can achieve symmetrical upload and download speeds up to 500 megabytes per second, which we refer to as SpeedMatch ™.

Also in our Wireline business, total Global Enterprise and Global Wholesale revenues decreased due to declines in core services primarily as a result of lower voice services and data networking revenues as well as the contraction of market rates due to competition. To compensate for the shrinking market for traditional voice service, we continue to build our Wireline segment around data, video and advanced business services – areas where demand for reliable high-speed connections is growing. During the three months ended September 30, 2014, Strategic services revenues totaled $2.1 billion and represented 61% of total Global Enterprise revenues.

We are investing in innovative technology like wireless networks, high-speed fiber and cloud services to position ourselves at the center of growth trends of the future. During the nine months ended September 30, 2014, these investments included capital expenditures of $12.6 billion, acquisitions of wireless licenses of $0.3 billion and acquisitions of investments and businesses of $0.2 billion. During the nine months ended September 30, 2014, we also completed spectrum license transactions and, as a result, we received proceeds of $2.4 billion. See "Cash Flows Used in Investing Activities" and "Acquisitions and Divestitures" for additional information.

By investing in our own capabilities, we are also investing in the markets we serve by providing our communities with an efficient, reliable infrastructure for competing in the information economy. We are committed to putting our customers first and being a responsible member of our communities. Guided by this commitment and by our core values of integrity, respect, performance excellence and accountability, we believe we are well-positioned to produce a long-term return for our shareowners, create meaningful work for ourselves and provide something of lasting value for society.

Trends

We expect the activation of devices on Verizon Edge to contribute positively to our consolidated operating income and our Wireless segment operating income. As more customers adopt Verizon Edge, we expect retail postpaid ARPA (the average revenue per account from retail postpaid accounts) and service revenue to continue to be negatively impacted, and we expect equipment and other revenue to continue to be positively impacted.

There have been no significant changes to the information related to trends affecting our business that was disclosed in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2013, except to the extent described above.

In this section, we discuss our overall results of operations and highlight items of a non-operational nature that are not included in our segment results. We have two reportable segments: Wireless and Wireline, which we operate and manage as strategic business units and organize by products and services. In "Segment Results of Operations," we review the performance of our two reportable segments.

On February 21, 2014, we completed the acquisition of Vodafone's indirect 45% interest in Verizon Wireless. As a result, our results reflect our 55% ownership of Verizon Wireless through the closing of the Wireless Transaction and reflect our full ownership of Verizon Wireless from the closing of the Wireless Transaction through September 30, 2014.

Corporate, eliminations and other includes unallocated corporate expenses such as certain pension and other employee benefit related costs, intersegment eliminations recorded in consolidation, the results of other businesses, such as our investments in unconsolidated businesses, lease financing, as well as the historical results of divested operations and other adjustments and gains and losses that are not allocated in assessing segment performance due to their non-operational nature. Although such transactions are excluded from the business segment results, they are included in reported consolidated earnings. Gains and losses that are not individually significant are included in all segment results as these items are included in the chief operating decision maker's assessment of segment performance. We believe that this presentation assists users of our financial statements in better understanding our results of operations and trends from period to period. Effective January 1, 2014, we have also reclassified the results of certain businesses, such as development stage businesses that support our strategic initiatives, from our Wireline segment to Corporate, eliminations and other. The impact of this reclassification was not material to our condensed consolidated financial statements.

On July 1, 2014, our Wireline segment divested a non-strategic business (see "Acquisitions and Divestitures"). Accordingly, the historical Wireline results for these operations, which were not material to our condensed consolidated financial statements or our segment results of operations, have been reclassified to Corporate, eliminations and other to reflect comparable segment operating results. The results of operations related to this divestiture included within Corporate, eliminations and other are as follows:

(dollars in millions)	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Impact of Divested Operations				
Operating revenues	$ –	$ 157	$ 256	$ 466
Cost of services and sales	–	142	239	423
Selling, general and administrative expense	–	7	5	17

Consolidated Revenues

(dollars in millions)	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Increase/ (Decrease)		Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013	Increase/ (Decrease)	
Wireless								
Service revenue	$ 18,356	$ 17,516	$ 840	4.8%	$ 54,421	$ 51,322	$ 3,099	6.0%
Equipment and other	3,479	2,883	596	20.7	9,776	8,576	1,200	14.0
Total	21,835	20,399	1,436	7.0	64,197	59,898	4,299	7.2
Wireline								
Mass Markets	4,515	4,374	141	3.2	13,464	12,932	532	4.1
Global Enterprise	3,384	3,539	(155)	(4.4)	10,313	10,649	(336)	(3.2)
Global Wholesale	1,552	1,631	(79)	(4.8)	4,713	4,992	(279)	(5.6)
Other	125	113	12	10.6	379	339	40	11.8
Total	9,576	9,657	(81)	(0.8)	28,869	28,912	(43)	(0.1)
Corporate, eliminations and other	175	223	(48)	(21.5)	821	675	146	21.6
Consolidated Revenues	$ 31,586	$ 30,279	$ 1,307	4.3	$ 93,887	$ 89,485	$ 4,402	4.9

The increase in consolidated revenues during the three and nine months ended September 30, 2014 compared to the similar periods in 2013 was primarily due to higher revenues at Wireless as well as higher Mass Markets revenues driven by FiOS services at our Wireline segment. Partially offsetting these increases were lower Global Enterprise and Global Wholesale revenues at our Wireline segment.

Wireless' revenues increased $1.4 billion or 7.0%, and $4.3 billion or 7.2%, respectively, during the three and nine months ended September 30, 2014 compared to the similar periods in 2013 due to growth in service revenue and equipment and other revenue. The increase in service revenue during the three and nine months ended September 30, 2014 compared to the similar periods in 2013 was primarily driven by higher retail postpaid service revenue, which increased largely as a result of an increase in retail postpaid connections as well as the continued increase in penetration of 4G LTE smartphones and tablets through our More Everything plans. Equipment and other revenue increased during the three and nine months ended September 30, 2014 compared to the similar periods in 2013 primarily due to an increase in equipment sales, driven by sales of equipment under both the traditional subsidy model and Verizon Edge. During the three and nine months ended September 30, 2014, retail postpaid connection net additions increased compared to the similar periods in 2013 primarily due to an increase in retail postpaid connection gross additions, partially offset by an increase in our retail postpaid connection churn rate. Retail postpaid connections per account increased as of September 30, 2014 compared to September 30, 2013 primarily due to the increased penetration of tablets.

Wireline's revenues decreased 0.8% and 0.1%, respectively, during the three and nine months ended September 30, 2014 compared to the similar periods in 2013 primarily as a result of declines in Global Enterprise Core and Global Wholesale, partially offset by higher Mass Market revenues driven by FiOS services. During the nine months ended September 30, 2014, the decrease in Wireline's revenues was also partially offset by increased Strategic service revenues within Global Enterprise.

Mass Markets revenues increased $0.1 billion or 3.2%, and $0.5 billion or 4.1%, respectively, during the three and nine months ended September 30, 2014 compared to the similar periods in 2013 primarily due to the expansion of FiOS services (Voice, Internet and Video), including our FiOS Quantum offerings, as well as changes in our pricing strategies, partially offset by the continued decline of local exchange revenues.

Global Enterprise revenues decreased $0.2 billion or 4.4%, and $0.3 billion or 3.2% respectively, during the three and nine months ended September 30, 2014 compared to the similar periods in 2013 primarily due to lower voice services and data networking revenues, the contraction of market rates due to competition and a decline in Core customer premise equipment revenues. This decrease during the nine months ended September 30, 2014 was partially offset by increases in Strategic services revenues, primarily due to increases in our application services, such as our cloud and data center offerings.

Global Wholesale revenues decreased $0.1 billion or 4.8%, and $0.3 billion or 5.6%, respectively, during the three and nine months ended September 30, 2014 compared to the similar periods in 2013 primarily due to a decline in traditional voice revenues and a decline in domestic wholesale connections, partially offset by Ethernet migrations from core customers as well as continuing demand for high-speed digital data services from fiber-to-the-cell customers upgrading their core data circuits to Ethernet facilities.

Consolidated Operating Expenses

(dollars in millions)	Three Months Ended September 30, 2014	2013	Increase/ (Decrease)		Nine Months Ended September 30, 2014	2013	Increase/ (Decrease)	
Cost of services and sales	$ 12,252	$ 10,960	$ 1,292	11.8%	$ 35,528	$ 32,925	$ 2,603	7.9%
Selling, general and administrative expense	8,277	8,037	240	3.0	24,159	24,232	(73)	(0.3)
Depreciation and amortization expense	4,167	4,154	13	0.3	12,465	12,423	42	0.3
Consolidated Operating Expenses	$ 24,696	$ 23,151	$ 1,545	6.7	$ 72,152	$ 69,580	$ 2,572	3.7

Cost of Services and Sales

Cost of services and sales increased during the three and nine months ended September 30, 2014 compared to the similar periods in 2013 primarily due to an increase in cost of equipment sales of $1.4 billion and $2.7 billion, respectively, at our Wireless segment as a result of an increase in the number of devices sold.

Selling, General and Administrative Expense

Selling, general and administrative expense increased during the three months ended September 30, 2014 compared to the similar period in 2013 primarily due to gains recorded during the third quarter of 2013 related to the completion of wireless license transactions. Partially offsetting this increase was a decline in sales commission expense at our Wireless segment.

Selling, general and administrative expense decreased during the nine months ended September 30, 2014 compared to the similar period in 2013 primarily due to larger gains recorded during 2014 related to the completion of wireless license transactions, as compared to gains recorded during 2013 related to the completion of wireless license transactions, partially offset by a pension remeasurement credit recorded during 2013.

Depreciation and Amortization Expense

Depreciation and amortization expense increased during the three and nine months ended September 30, 2014 compared to the similar periods in 2013 primarily due to an increase in net depreciable assets at our Wireless segment.

Non-operational Credits

Non-operational credits included in operating expenses were as follows:

(dollars in millions)	Three Months Ended September 30, 2014	2013	Nine Months Ended September 30, 2014	2013
Gain on spectrum license transactions	$ –	$ 278	$ 707	$ 278
Pension remeasurement	–	–	–	237

See "Other Items" for a description of non-operational items.

Consolidated Operating Income and EBITDA

Consolidated earnings before interest, taxes, depreciation and amortization expenses (Consolidated EBITDA) and Consolidated Adjusted EBITDA, which are presented below, are non-GAAP measures and do not purport to be alternatives to operating income as a measure of operating performance. Management believes that these measures are useful to investors and other users of our financial information in evaluating operating profitability on a more variable cost basis as they exclude the depreciation and amortization expense related primarily to capital expenditures and acquisitions that occurred in prior years, as well as in evaluating operating performance in relation to our competitors. Consolidated EBITDA is calculated by adding back interest, taxes, depreciation and amortization expense, equity in earnings (losses) of unconsolidated businesses and other income and (expense), net to net income.

Consolidated Adjusted EBITDA is calculated by excluding the effect of non-operational items and the impact of divested operations from the calculation of Consolidated EBITDA. Management believes that this measure provides additional relevant and useful information to investors and other users of our financial data in evaluating the effectiveness of our operations and underlying business trends in a manner that is consistent with management's evaluation of business performance. See "Other Items" for additional details regarding these non-operational items.

Operating expenses include pension and benefit related credits and/or charges based on actuarial assumptions, including projected discount rates and an estimated return on plan assets. These estimates will be updated in the fourth quarter or upon a remeasurement event to reflect actual return on plan assets and updated actuarial assumptions. The adjustment will be recognized in the income statement during the fourth quarter or upon a remeasurement event pursuant to our accounting policy for the recognition of actuarial gains/losses. These remeasurements could result in significant charges or credits to one or more of our pension plans.

During the second quarter of 2013, we recorded pension remeasurements in accordance with our accounting policy to recognize actuarial gains and losses in the period in which they occur. During the third quarter of 2013, as a result of the previously recorded settlements, we performed a pension remeasurement which was not material.

It is management's intent to provide non-GAAP financial information to enhance the understanding of Verizon's GAAP financial information, and it should be considered by the reader in addition to, but not instead of, the financial statements prepared in accordance with GAAP. Each non-GAAP financial measure is presented along with the corresponding GAAP measure so as not to imply that more emphasis should be placed on the non-GAAP measure. The non-GAAP financial information presented may be determined or calculated differently by other companies.

(dollars in millions)	Three Months Ended September 30, 2014	2013	Nine Months Ended September 30, 2014	2013
Consolidated Operating Income	$ 6,890	$ 7,128	$ 21,735	$ 19,905
Add Depreciation and amortization expense	4,167	4,154	12,465	12,423
Consolidated EBITDA	$ 11,057	$ 11,282	$ 34,200	$ 32,328
Less Gain on spectrum license transactions	–	(278)	(707)	(278)
Less Pension remeasurement	–	–	–	(237)
Less Impact of divested operations	–	(8)	(12)	(26)
Consolidated Adjusted EBITDA	$ 11,057	$ 10,996	$ 33,481	$ 31,787

The changes in the table above during the three and nine months ended September 30, 2014 compared to the similar periods in 2013 were a result of the factors described in connection with operating revenues and operating expenses.

Other Consolidated Results

Equity in Earnings (Losses) of Unconsolidated Businesses

Equity in earnings (losses) of unconsolidated businesses decreased $0.1 billion during the three months ended September 30, 2014, compared to the similar period in 2013, primarily due to the sale of our interest in Vodafone Omnitel N.V. (Vodafone Omnitel) during the first quarter of 2014, which was part of the consideration for the Wireless Transaction.

Equity in earnings (losses) of unconsolidated businesses increased $1.7 billion during the nine months ended September 30, 2014, compared to the similar period in 2013, primarily due to the gain of $1.9 billion recorded on the sale of our interest in Vodafone Omnitel during the first quarter of 2014.

Other Income and (Expense), Net

Additional information relating to Other income and (expense), net is as follows:

(dollars in millions)	Three Months Ended September 30, 2014	2013	Increase/ (Decrease)		Nine Months Ended September 30, 2014	2013	Increase/ (Decrease)	
Interest income	$ 28	$ 14	$ 14	100.0%	$ 72	$ 41	$ 31	75.6%
Other, net	43	6	37	nm	(829)	43	(872)	nm
Total	$ 71	$ 20	$ 51	nm	$ (757)	$ 84	$ (841)	nm

nm – not meaningful

Other income and (expense), net decreased during the nine months ended September 30, 2014 compared to the similar period in 2013 primarily due to net early debt redemption costs of $0.9 billion recorded during the first quarter of 2014 (see "Other Items").

Interest Expense

(dollars in millions)	Three Months Ended September 30, 2014	2013	Increase/ (Decrease)		Nine Months Ended September 30, 2014	2013	Increase/ (Decrease)	
Total interest costs on debt balances	$ 1,331	$ 745	$ 586	78.7%	$ 3,957	$ 2,159	$ 1,798	83.3%
Less capitalized interest costs	76	190	(114)	(60.0)	324	553	(229)	(41.4)
Total	$ 1,255	$ 555	$ 700	nm	$ 3,633	$ 1,606	$ 2,027	nm
Average debt outstanding	$ 109,503	$ 56,636			$ 107,034	$ 54,524		
Effective interest rate	4.9%	5.3%			4.9%	5.3%		

nm – not meaningful

Total interest costs on debt balances increased during the three and nine months ended September 30, 2014 compared to the similar periods in 2013 primarily due to the issuance of fixed and floating rate notes to finance the Wireless Transaction (see "Acquisitions and Divestitures") resulting in an increase in average debt and a corresponding increase in interest expense, partially offset by a lower effective interest rate (see "Consolidated Financial Condition"). Capitalized interest costs were lower during the three and nine months ended September 30, 2014 compared to the similar periods in 2013 primarily due to a decrease in wireless licenses that are currently under development.

Provision for Income Taxes

(dollars in millions)	Three Months Ended September 30, 2014	2013	Increase/ (Decrease)		Nine Months Ended September 30, 2014	2013	Increase/ (Decrease)	
Provision for income taxes	$ 1,864	$ 1,034	$ 830	80.3%	$ 5,052	$ 2,886	$ 2,166	75.1%
Effective income tax rate	32.9%	15.6%			26.4%	15.6%		

The effective income tax rate is calculated by dividing the provision for income taxes by income before the provision for income taxes. As a result of the completion of the Wireless Transaction, the difference in the effective income tax rate as compared to the statutory federal income tax rate will no longer be significant due to the inclusion of income within our income before the provision for income taxes that was previously attributable to Vodafone's noncontrolling interest in the Verizon Wireless partnership. Prior to the completion of the Wireless Transaction, our annual effective income tax rate was significantly lower than the statutory federal income tax rate due to the inclusion of income attributable to Vodafone's noncontrolling interest in the Verizon Wireless partnership within our income before the provision for income taxes, which resulted in our effective income tax rate being 16.1 and 15.4 percentage points lower during the three and nine months ended September 30, 2013, respectively.

The increase in the provision for income taxes and the effective income tax rate during the three and nine months ended September 30, 2014 compared to the similar periods in 2013 is primarily due to increased income taxes on the incremental income included in Verizon's post-acquisition income before the provision for income taxes resulting from the acquisition of Vodafone's indirect 45% interest in Verizon Wireless on February 21, 2014. The increase during the nine months ended September 30, 2014 compared to the similar period in 2013 was partially offset by the utilization of certain tax credits in the current period.

Unrecognized Tax Benefits

Unrecognized tax benefits were $1.8 billion at September 30, 2014 and $2.1 billion at December 31, 2013. Interest and penalties related to unrecognized tax benefits were $0.2 billion (after-tax) and $0.3 billion (after-tax) at September 30, 2014 and December 31, 2013, respectively. The decrease in unrecognized tax benefits was primarily due to the resolution of issues with the Internal Revenue Service (IRS) involving tax years 2007 through 2009, partially offset by an increase in unrecognized tax benefits related to the acquisition of Vodafone's indirect 45% interest in Verizon Wireless. The uncertain tax benefits related to the acquisition of Vodafone's indirect 45% interest in Verizon Wireless concern pre-acquisition tax controversies and are the subject of an indemnity from Vodafone for which a corresponding indemnity asset has been established.

Verizon and/or its subsidiaries file income tax returns in the U.S. federal jurisdiction, and various state, local and foreign jurisdictions. As a large taxpayer, we are under audit by the IRS and multiple state and foreign jurisdictions for various open tax years. Significant tax examinations and litigation are ongoing in New York City for tax years as early as 2000. It is reasonably possible that the amount of the liability for unrecognized tax benefits could change by a significant amount in the next twelve months. An estimate of the range of the possible change cannot be made until these tax matters are further developed or resolved.

Net Income Attributable to Noncontrolling Interests

(dollars in millions)	Three Months Ended September 30, 2014	2013	Increase/ (Decrease)		Nine Months Ended September 30, 2014	2013	Increase/ (Decrease)	
Net income attributable to noncontrolling interests	$ 99	$ 3,346	$ (3,247)	(97.0)%	$ 2,248	$ 9,201	$ (6,953)	(75.6)%

The decrease in Net income attributable to noncontrolling interests during the three and nine months ended September 30, 2014 compared to the similar periods in 2013 was primarily due to the completion of the Wireless Transaction on February 21, 2014. As a result, our results reflect our 55% ownership of Verizon Wireless through the closing of the Wireless Transaction and reflect our full ownership of Verizon Wireless from the closing of the Wireless Transaction through September 30, 2014. The noncontrolling interests that remained after the completion of the Wireless Transaction primarily relate to wireless partnership entities.

We have two reportable segments, Wireless and Wireline, which we operate and manage as strategic business units and organize by products and services. We measure and evaluate our reportable segments based on segment operating income. The use of segment operating income is consistent with the chief operating decision maker's assessment of segment performance.

Segment earnings before interest, taxes, depreciation and amortization (Segment EBITDA), which is presented below, is a non-GAAP measure and does not purport to be an alternative to operating income as a measure of operating performance. Management believes that this measure is useful to investors and other users of our financial information in evaluating operating profitability on a more variable cost basis as it excludes the depreciation and amortization expenses related primarily to capital expenditures and acquisitions that occurred in prior years, as well as in evaluating operating performance in relation to our competitors. Segment EBITDA is calculated by adding back depreciation and amortization expense to segment operating income.

Wireless Segment EBITDA service margin, also presented below, is calculated by dividing Wireless Segment EBITDA by Wireless service revenues. Wireless Segment EBITDA service margin utilizes service revenues rather than total revenues. Service revenues primarily exclude equipment revenues in order to reflect the impact of providing service to the wireless customer base on an ongoing basis. Wireline EBITDA margin is calculated by dividing Wireline EBITDA by total Wireline revenues.

Wireless

Our Wireless segment is primarily comprised of Cellco Partnership doing business as Verizon Wireless. Cellco Partnership was formed as a joint venture in April 2000 by the combination of the U.S. wireless operations and interests of Verizon and Vodafone. Prior to the completion of the Wireless Transaction, Verizon owned a controlling 55% interest in Verizon Wireless and Vodafone owned the remaining 45%. On February 21, 2014, the Wireless Transaction was completed and Verizon acquired 100% ownership of Verizon Wireless. Verizon Wireless provides wireless communications services across one of the most extensive wireless networks in the United States.

We provide these services and equipment sales to consumer, business and government customers in the United States on a postpaid and prepaid basis. Postpaid connections represent individual lines of service for which a customer is billed in advance a monthly access charge in return for a monthly network service allowance, and usage beyond the allowances is billed monthly in arrears. Our prepaid service enables individuals to obtain wireless services without a long-term contract or credit verification by paying for all services in advance.

Operating Revenues and Selected Operating Statistics

(dollars in millions, except ARPA)	Three Months Ended September 30, 2014	2013	Increase/ (Decrease)		Nine Months Ended September 30, 2014	2013	Increase/ (Decrease)	
Retail service	$ 17,556	$ 16,776	$ 780	4.6%	$ 52,090	$ 49,367	$ 2,723	5.5%
Other service	800	740	60	8.1	2,331	1,955	376	19.2
Service revenue	18,356	17,516	840	4.8	54,421	51,322	3,099	6.0
Equipment	2,480	1,924	556	28.9	6,737	5,690	1,047	18.4
Other	999	959	40	4.2	3,039	2,886	153	5.3
Equipment and other	3,479	2,883	596	20.7	9,776	8,576	1,200	14.0
Total Operating Revenues	$ 21,835	$ 20,399	$ 1,436	7.0	$ 64,197	$ 59,898	$ 4,299	7.2
Connections ('000) [1]								
Retail connections					106,156	101,150	5,006	4.9
Retail postpaid connections					100,103	95,185	4,918	5.2
Net additions in period ('000) [2]								
Retail connections	1,525	1,061	464	43.7	3,501	2,819	682	24.2
Retail postpaid connections	1,516	927	589	63.5	3,496	2,545	951	37.4
Churn Rate								
Retail connections	1.29%	1.28%			1.30%	1.27%		
Retail postpaid connections	1.00%	0.97%			1.00%	0.97%		
Account Statistics								
Retail postpaid ARPA	$ 161.24	$ 155.74	$ 5.50	3.5	$ 160.21	$ 152.84	$ 7.37	4.8
Retail postpaid accounts ('000) [1]					35,435	34,972	463	1.3
Retail postpaid connections per account [1]					2.82	2.72	0.10	3.7

[1] As of end of period.
[2] Excluding acquisitions and adjustments.

Wireless' total operating revenues increased by $1.4 billion or 7.0%, and $4.3 billion or 7.2%, respectively, during the three and nine months ended September 30, 2014 compared to the similar periods in 2013 primarily as a result of growth in service revenue and equipment revenue.

Accounts and Connections

Retail (non-wholesale) postpaid accounts represent retail customers under contract with Verizon Wireless that are directly served and managed by Verizon Wireless and use its branded services. Accounts include More Everything plans and corporate accounts, as well as legacy single connection plans and family plans. A single account may receive monthly wireless services for a variety of connected devices. Retail connections represent our retail customer device connections. Churn is the rate at which service to connections is terminated.

Retail connections under an account may include: smartphones, basic phones, tablets and other Internet devices as well as Home Phone Connect and Home Fusion. We expect to continue to experience retail connection growth based on network service quality and the strength of our product offerings. Retail postpaid connection net additions increased during the three and nine months ended September 30, 2014 compared to the similar periods in 2013 primarily due to an increase in retail postpaid connection gross additions, partially offset by an increase in our retail postpaid connection churn rate. Higher retail postpaid connection gross additions were driven by gross additions of tablets as well as smartphones. During the three and nine months ended September 30, 2014, our retail postpaid connection net additions included approximately 1,074 million and 2.858 million tablets, respectively, as compared to 246 thousand and 824 thousand tablets, respectively, in the similar periods in 2013.

Retail Postpaid Connections per Account

Retail postpaid connections per account is calculated by dividing the total number of retail postpaid connections by the number of retail postpaid accounts as of the end of the period. Retail postpaid connections per account increased 3.7% as of September 30, 2014 compared to September 30, 2013, primarily due to the increased penetration of tablets.

Service Revenue

Service revenue increased by $0.8 billion or 4.8%, and $3.1 billion or 6.0%, respectively, during the three and nine months ended September 30, 2014 compared to the similar periods in 2013 primarily driven by higher retail postpaid service revenue, which increased largely as a result of an increase in retail postpaid connections as well as the continued increase in penetration of 4G LTE smartphones and tablets through our More Everything plans. The penetration of 4G LTE smartphones was driven by the activation of smartphones by new customers as well as existing customers migrating from basic phones and 3G smartphones to 4G LTE smartphones.

The increase in retail postpaid ARPA, which excludes recurring equipment installment billings related to Verizon Edge, during the three and nine months ended September 30, 2014 compared to the similar periods in 2013 was primarily driven by increases in smartphone penetration and retail postpaid connections per account. As of September 30, 2014, we experienced a 3.7% increase in retail postpaid connections per account, compared to September 30, 2013, with smartphones representing 77% of our retail postpaid phone base as of September 30, 2014 compared to 67% as of September 30, 2013. The increased penetration in retail postpaid connections per account is primarily due to increases in Internet data devices, which represented 13.1% of our retail postpaid connection base as of September 30, 2014 compared to 10.2% as of September 30, 2013, primarily due to tablet activations. Additionally, during the nine months ended September 30, 2014, postpaid smartphone activations represented 91% of phones activated compared to 85% in the similar period in 2013.

Other service revenue increased during the three and nine months ended September 30, 2014 compared to the similar periods in 2013 due to growth in wholesale connections.

Equipment and Other Revenue

Equipment and other revenue increased during the three and nine months ended September 30, 2014 compared to the similar periods in 2013 primarily due to an increase in equipment sales, driven by sales of equipment under both the traditional subsidy model and Verizon Edge.

Operating Expenses

(dollars in millions)	Three Months Ended September 30, 2014	2013	Increase/ (Decrease)		Nine Months Ended September 30, 2014	2013	Increase/ (Decrease)	
Cost of services and sales	$ 7,043	$ 5,652	$ 1,391	24.6%	$ 19,641	$ 17,102	$ 2,539	14.8%
Selling, general and administrative expense	5,698	5,801	(103)	(1.8)	16,991	16,915	76	0.4
Depreciation and amortization expense	2,139	2,060	79	3.8	6,307	6,113	194	3.2
Total Operating Expenses	$ 14,880	$ 13,513	$ 1,367	10.1	$ 42,939	$ 40,130	$ 2,809	7.0

Cost of Services and Sales

Cost of services and sales increased during the three and nine months ended September 30, 2014 compared to the similar periods in 2013 primarily due to an increase in cost of equipment sales of $1.4 billion and $2.7 billion, respectively, as a result of an increase in the number of devices sold. The increase for the nine months ended September 30, 2014 was also due to an increase in cost of network services, partially offset by a decrease in cost of data services and decreased data roaming.

Selling, General and Administrative Expense

Selling, general and administrative expense decreased during the three months ended September 30, 2014 compared to the similar period in 2013 primarily due to a decline of $0.1 billion in sales commission expense largely driven by the adoption of Verizon Edge.

Selling, general and administrative expense increased during the nine months ended September 30, 2014 compared to the similar period in 2013 primarily due to higher advertising expense and gains recorded in the first quarter of 2013 related to wireless license exchange agreements, partially offset by lower salary expense and a decline of $0.2 billion in sales commission expense.

Depreciation and Amortization Expense

Depreciation and amortization expense increased during the three and nine months ended September 30, 2014 compared to the similar periods in 2013 primarily driven by an increase in net depreciable assets.

Segment Operating Income and EBITDA

(dollars in millions)	Three Months Ended September 30, 2014	2013	Increase/ (Decrease)		Nine Months Ended September 30, 2014	2013	Increase/ (Decrease)	
Segment Operating Income	$ 6,955	$ 6,886	$ 69	1.0%	$ 21,258	$ 19,768	$ 1,490	7.5%
Add Depreciation and amortization expense	2,139	2,060	79	3.8	6,307	6,113	194	3.2
Segment EBITDA	$ 9,094	$ 8,946	$ 148	1.7	$ 27,565	$ 25,881	$ 1,684	6.5
Segment operating income margin	31.9%	33.8%			33.1%	33.0%		
Segment EBITDA service margin	49.5%	51.1%			50.7%	50.4%		

The changes in the table above during the three and nine months ended September 30, 2014 compared to the similar periods in 2013 were primarily a result of the factors described in connection with operating revenues and operating expenses.

Non-operational items excluded from our Wireless segment Operating income were as follows:

(dollars in millions)	Three Months Ended September 30, 2014	2013	Nine Months Ended September 30, 2014	2013
Gain on spectrum license transactions	$ –	$ 278	$ 707	$ 278

Wireline

Our Wireline segment provides voice, data and video communications products and enhanced services including broadband video and data, corporate networking solutions, data center and cloud services, security and managed network services and local and long distance voice services. We provide these products and services to consumers in the United States, as well as to carriers, businesses and government customers both in the United States and in over 150 other countries around the world.

On July 1, 2014, our Wireline segment divested a non-strategic business (see "Acquisitions and Divestitures"). Accordingly, the historical Wireline results for these operations have been reclassified to Corporate, eliminations and other to reflect comparable segment operating results.

Operating Revenues and Selected Operating Statistics

(dollars in millions)	Three Months Ended September 30, 2014	2013	Increase/ (Decrease)		Nine Months Ended September 30, 2014	2013	Increase/ (Decrease)	
Consumer retail	$ 3,902	$ 3,735	$ 167	4.5%	$ 11,606	$ 11,020	$ 586	5.3%
Small business	613	639	(26)	(4.1)	1,858	1,912	(54)	(2.8)
Mass Markets	4,515	4,374	141	3.2	13,464	12,932	532	4.1
Strategic services	2,068	2,048	20	1.0	6,214	6,059	155	2.6
Core	1,316	1,491	(175)	(11.7)	4,099	4,590	(491)	(10.7)
Global Enterprise	3,384	3,539	(155)	(4.4)	10,313	10,649	(336)	(3.2)
Global Wholesale	1,552	1,631	(79)	(4.8)	4,713	4,992	(279)	(5.6)
Other	125	113	12	10.6	379	339	40	11.8
Total Operating Revenues	$ 9,576	$ 9,657	$ (81)	(0.8)	$ 28,869	$ 28,912	$ (43)	(0.1)
Connections ('000), (1)								
Total voice connections					20,089	21,457	(1,368)	(6.4)
Total Broadband connections					9,146	8,995	151	1.7
FiOS Internet subscribers					6,471	5,946	525	8.8
FiOS Video subscribers					5,533	5,170	363	7.0

(1) As of end of period

Wireline's revenues decreased 0.8% and 0.1%, respectively, during the three and nine months ended September 30, 2014 compared to the similar periods in 2013 primarily as a result of declines in Global Enterprise Core and Global Wholesale, partially offset by higher Consumer retail revenues driven by FiOS services. During the nine months ended September 30, 2014, the decrease in Wireline's revenues was also partially offset by increased Strategic services revenues within Global Enterprise.

Mass Markets

Mass Markets operations provide broadband services (including high-speed Internet, FiOS Internet and FiOS Video services), local exchange (basic service and end-user access) and long distance (including regional toll) voice services to residential and small business subscribers.

Mass Markets revenues increased $0.1 billion or 3.2%, and $0.5 billion or 4.1%, respectively, during the three and nine months ended September 30, 2014 compared to the similar periods in 2013 primarily due to the expansion of FiOS services (Voice, Internet and Video), including our FiOS Quantum offerings, as well as changes in our pricing strategies, partially offset by the continued decline of local exchange revenues. FiOS represented approximately 76% and 75%, respectively, of Consumer retail revenue during the three and nine months ended September 30, 2014, compared to approximately 71% and 70%, respectively, during the similar periods in 2013.

Since October 1, 2013 we grew our subscriber base by 0.5 million FiOS Internet subscribers and 0.4 million FiOS Video subscribers, while also consistently improving penetration rates within our FiOS service areas. As of September 30, 2014, we achieved penetration rates of 40.6% and 35.5% for FiOS Internet and FiOS Video, respectively, compared to penetration rates of 39.2% and 34.9% for FiOS Internet and FiOS Video, respectively, as of September 30, 2013.

The increase in Mass Markets revenues was partially offset by the decline of local exchange revenues. This decline was primarily due to a 5.9% decline in Consumer retail voice connections resulting primarily from competition and technology substitution with wireless, and competing voice over IP, broadband and cable services. Total voice connections include traditional switched access lines in service as well as FiOS digital voice connections. There was also a decline in Small business retail voice connections, primarily reflecting competition and a shift to both IP and high-speed circuits.

Global Enterprise

Global Enterprise offers Strategic services including network products and solutions, advanced communications services, and other core communications services to medium and large business customers, multinational corporations and state and federal government customers.

Global Enterprise revenues decreased $0.2 billion or 4.4%, and $0.3 billion or 3.2%, respectively, during the three and nine months ended September 30, 2014 compared to the similar periods in 2013 primarily due to a decline of $0.1 billion or 11.9%, and $0.4 billion or 11.5%, respectively, related to lower voice services and data networking revenues, which consist of traditional circuit-based services such as frame relay, private line and legacy voice and data services. These core services declined compared to the similar periods in 2013 as our customer base continued to migrate to next generation IP services. Also contributing to the decrease was the contraction of market rates due to competition and a decline in Core customer premise equipment revenues. The decrease during the nine months ended September 30, 2014 compared to the similar period in 2013 was partially offset by an increase in Strategic services revenues of $0.2 billion, or 2.6%, primarily due to increases in our application services, such as our cloud and data center offerings.

Global Wholesale

Global Wholesale provides communications services including data, voice and local dial tone and broadband services primarily to local, long distance and other carriers that use our facilities to provide services to their customers.

Global Wholesale revenues decreased $0.1 billion or 4.8% and $0.3 billion or 5.6%, respectively, during the three and nine months ended September 30, 2014 compared to the similar periods in 2013 primarily due to a decline in traditional voice revenues and a 6.5% decline in domestic wholesale connections as of September 30, 2014 compared to September 30, 2013. The traditional voice revenue declines are primarily due to a decrease in minutes of use and the effect of technology substitution. Also contributing to the decline in voice revenues is the continuing contraction of market rates due to competition. Partially offsetting the overall decrease in wholesale revenues were Ethernet migrations from core customers as well as continuing demand for high-speed digital data services from fiber-to-the-cell customers upgrading their core data circuits to Ethernet facilities. As a result of the customer migrations, at September 30, 2014, the number of core data circuits experienced a 13.7% decline compared to September 30, 2013.

Operating Expenses

(dollars in millions)	Three Months Ended September 30, 2014	2013	Increase/ (Decrease)		Nine Months Ended September 30, 2014	2013	Increase/ (Decrease)	
Cost of services and sales	$ 5,325	$ 5,342	$ (17)	(0.3)%	$ 16,006	$ 15,925	$ 81	0.5%
Selling, general and administrative expense	2,048	2,094	(46)	(2.2)	6,228	6,517	(289)	(4.4)
Depreciation and amortization expense	1,978	2,074	(96)	(4.6)	6,016	6,254	(238)	(3.8)
Total Operating Expenses	$ 9,351	$ 9,510	$ (159)	(1.7)	$ 28,250	$ 28,696	$ (446)	(1.6)

Cost of Services and Sales

During the three months ended September 30, 2014, Cost of services and sales decreased compared to the similar period in 2013 primarily due to a decrease in employee costs and a decline in access costs, driven by declines in overall wholesale long distance volumes which were partially offset by an increase in content costs of $0.1 billion associated with continued FiOS subscriber growth and programming license fee increases.

During the nine months ended September 30, 2014, Cost of services and sales increased compared to the similar period in 2013 primarily due to an increase in content costs of $0.3 billion associated with continued FiOS subscriber growth and programming license fee increases, partially offset by a decline in employee costs and access costs, driven by declines in overall wholesale long distance volumes.

Selling, General and Administrative Expense

During the three months ended September 30, 2014, Selling, general and administrative expense was consistent with the similar period in 2013. During the nine months ended September 30, 2014, Selling, general and administrative expense decreased compared to the similar period in 2013 primarily due to declines in employee costs, primarily as a result of lower headcount. This decrease was partially offset by higher regulatory expenses.

Depreciation and Amortization Expense

During the three and nine months ended September 30, 2014, Depreciation and amortization expense decreased compared to the similar periods in 2013 primarily due to a decrease in net depreciable assets.

Segment Operating Income and EBITDA

(dollars in millions)	Three Months Ended September 30, 2014	2013	Increase/ (Decrease)		Nine Months Ended September 30, 2014	2013	Increase/ (Decrease)	
Segment Operating Income	$ 225	$ 147	$ 78	53.1%	$ 619	$ 216	$ 403	nm
Add Depreciation and amortization expense	1,978	2,074	(96)	(4.6)	6,016	6,254	(238)	(3.8)%
Segment EBITDA	$ 2,203	$ 2,221	$ (18)	(0.8)	$ 6,635	$ 6,470	$ 165	2.6
Segment operating income margin	2.3%	1.5%			2.1%	0.7%		
Segment EBITDA margin	23.0%	23.0%			23.0%	22.4%		

nm – not meaningful

The changes in the table above during the three and nine months ended September 30, 2014 compared to the similar periods in 2013 were primarily a result of the factors described in connection with operating revenues and operating expenses.

Non-operational items excluded from our Wireline segment Operating income were as follows:

(dollars in millions)	Three Months Ended September 30, 2014	2013	Nine Months Ended September 30, 2014	2013
Impact of divested operations	$ -	$ 8	$ 12	$ 26

Gain on Spectrum License Transactions

During the second quarter of 2014, we completed license exchange transactions with T-Mobile USA, Inc. (T-Mobile USA) to exchange certain AWS and Personal Communication Services (PCS) licenses. The exchange included a number of swaps that we expect will result in more efficient use of the AWS and PCS bands. As a result of these exchanges, we received $0.9 billion of AWS and PCS spectrum licenses at fair value and we recorded an immaterial gain.

During the second quarter of 2014, we completed transactions pursuant to two additional agreements with T-Mobile USA with respect to our remaining 700 MHz A block spectrum licenses. Under one agreement, we sold certain of these licenses to T-Mobile USA in exchange for cash consideration of approximately $2.4 billion, and under the second agreement we exchanged the remainder of our 700 MHz A block spectrum licenses as well as AWS and PCS spectrum licenses for AWS and PCS spectrum licenses. As a result, we received $1.6 billion of AWS and PCS spectrum licenses at fair value and we recorded a pre-tax gain of approximately $0.7 billion in Selling, general and administrative expense on our condensed consolidated statement of income for the nine months ended September 30, 2014.

During the third quarter of 2013, after receiving the required regulatory approvals, Verizon Wireless sold 39 lower 700 MHz B block spectrum licenses to AT&T Inc. (AT&T) in exchange for a payment of $1.9 billion and the transfer by AT&T to Verizon Wireless of AWS (10 MHz) licenses in certain markets in the western United States. Verizon Wireless also sold certain lower 700 MHz B block spectrum licenses to an investment firm for a payment of $0.2 billion. As a result, we received $0.5 billion of AWS licenses at fair value and we recorded a pretax gain of approximately $0.3 billion in Selling, general and administrative expense on our condensed consolidated statements of income for the three and nine months ended September 30, 2013.

The Consolidated Adjusted EBITDA non-GAAP measure presented in the Consolidated Operating Income and EBITDA discussion (See "Consolidated Results of Operations") excludes the gain on the spectrum license transactions described above.

Wireless Transaction Costs

As a result of the third-party indebtedness incurred to finance the Wireless Transaction, we incurred interest expense of $0.4 billion during the nine months ended September 30, 2014 (see "Consolidated Financial Condition") and $0.1 billion during the nine months ended September 30, 2013.

These amounts represent only the interest expense incurred prior to the closing of the Wireless Transaction.

Impact of Divested Operations

On July 1, 2014, we sold a non-strategic Wireline business, which provides communications solutions to a variety of government agencies.

The Consolidated Adjusted EBITDA non-GAAP measure presented in the Consolidated Operating Income and EBITDA discussion (See "Consolidated Results of Operations") excludes the historical financial results of the divested operations described above.

Gain on Sale of Omantel Interest

As a result of the sale of the Omantel interest on February 21, 2014, which was part of the consideration for the Wireless Transaction, we recorded a gain of $1.9 billion in Equity in earnings (losses) of unconsolidated businesses on our condensed consolidated statement of income for the nine months ended September 30, 2014.

Early Debt Redemption Costs

During March 2014, we recorded net debt redemption costs of $0.9 billion in connection with the early redemption of $1.25 billion aggregate principal amount of Cellco Partnership and Verizon Wireless Capital LLC 8.50% Notes due 2018, and the purchase of the following notes pursuant to a tender offer (the Tender Offer): $0.7 billion of the then outstanding $1.5 billion aggregate principal amount of Verizon 6.10% Notes due 2018, $0.6 billion of the then outstanding $1.5 billion aggregate principal amount of Verizon 5.50% Notes due 2018, $0.6 billion of the then outstanding $1.3 billion aggregate principal amount of Verizon 8.75%

Notes due 2018, $0 7 billion of the then outstanding $1 25 billion aggregate principal amount of Verizon 5 55% Notes due 2016, $0 4 billion of the then outstanding $0 75 billion aggregate principal amount of Verizon 5 50% Notes due 2017, $0 6 billion of the then outstanding $1 0 billion aggregate principal amount of Cellco Partnership and Verizon Wireless Capital LLC 8 50% Notes due 2018, $0 2 billion of the then outstanding $0 3 billion aggregate principal amount of Alltel Corporation 7 00% Debentures due 2016 and $0 3 billion of the then outstanding $0 6 billion aggregate principal amount of GTE Corporation 6 84% Debentures due 2018

Pension Remeasurement

During the three and six months ended June 30, 2013, we recorded net pre-tax pension remeasurement credits of approximately $0.2 billion, in accordance with our accounting policy to recognize actuarial gains and losses in the period in which they occur The pension remeasurement credits relate to settlements for employees who received lump-sum distributions The credits were primarily driven by an approximately 75 basis point increase in our discount rate assumption used to determine the current year liabilities of one of our pension plans The change in discount rate resulted in a gain of $0 3 billion partially offset by a loss resulting from the difference between our expected return on assets assumption of 7 5% at December 31, 2012 and our annualized actual return on assets of 7 2% at June 30 2013, as well as other losses ($0 1 billion) Our weighted-average discount rate assumption increased from 4 2% at December 31 2012 to 5 0% at June 30, 2013

The Consolidated Adjusted EBITDA non-GAAP measure presented in the Consolidated Operating Income and EBITDA discussion (See "Consolidated Results of Operations") excludes the pension remeasurement described above

(dollars in millions)	Nine Months Ended September 30, 2014	2013	Change
Cash Flows Provided By (Used In)			
Operating activities	$ 23,157	$ 28,387	$ (5,230)
Investing activities	(10,430)	(10,023)	(407)
Financing activities	(59,037)	35,253	(94,290)
Increase (Decrease) In Cash and Cash Equivalents	$ (46,310)	$ 53,617	$ (99,927)

We use the net cash generated from our operations to fund network expansion and modernization, repay external financing, pay dividends and invest in new businesses Our sources of funds, primarily from operations and, to the extent necessary, from external financing arrangements, are sufficient to meet ongoing operating and investing requirements The cash portion of the purchase price for the Wireless Transaction was primarily funded by the incurrence of third-party indebtedness (see "Acquisitions and Divestitures") We expect that our capital spending requirements will continue to be financed primarily through internally generated funds Debt or equity financing may be needed to fund additional investments or development activities or to maintain an appropriate capital structure to ensure our financial flexibility Our cash and cash equivalents are primarily held domestically in diversified accounts and are invested to maintain principal and liquidity Accordingly, we do not have significant exposure to foreign currency fluctuations See "Market Risk" for additional information regarding our foreign currency risk management strategies

Our available external financing arrangements include credit available under credit facilities and other bank lines of credit, vendor financing arrangements issuances of registered debt or equity securities and privately-placed capital market securities We may also issue short-term debt through an active commercial paper program and have an $8 billion credit facility to support such commercial paper issuances

Cash Flows Provided By Operating Activities

Our primary source of funds continues to be cash generated from operations primarily from our Wireless segment Net cash provided by operating activities during the nine months ended September 30, 2014 decreased by $5 2 billion compared to the similar period in 2013 primarily due to a $3 2 billion increase in income tax payments due to the incremental income included in Verizon's income since the closing of the Wireless Transaction and the impact of bonus depreciation recorded in 2013 Also contributing to the decrease was a $2 5 billion increase in interest payments primarily due to the incremental debt needed to fund the Wireless Transaction as well as a $1 5 billion increase in pension contributions The decline was partially offset by an increase in earnings at our Wireless segment

On February 21, 2014, we completed the acquisition of Vodafone's indirect 45% interest in Verizon Wireless which among other benefits discussed herein, also provides us full access to the cash flows of Verizon Wireless Having full access to all the cash flows from our wireless business gives us the ability to continue to invest in our networks and spectrum, meet evolving customer requirements for products and services and take advantage of new growth opportunities across our lines of business

We do not expect to make any material employer contributions to our qualified pension plans in the fourth quarter of 2014

Cash Flows Used In Investing Activities

Capital Expenditures

Capital expenditures continue to be our primary use of capital resources as they facilitate the introduction of new products and services, enhance responsiveness to competitive challenges and increase the operating efficiency and productivity of our networks

Capital expenditures, including capitalized software, were as follows

(dollars in millions)	Nine Months Ended September 30, 2014	2013
Wireless	$ 7 808	$ 6,720
Wireline	4 194	4,467
Other	622	620
	$ 12,624	$ 11,807
Total as a percentage of revenue	13 4%	13.2%

The increase in capital expenditures during the nine months ended September 30, 2014 compared to the similar period in 2013 was primarily due to investments to increase the capacity of our 4G LTE network partially offset by lower capital expenditures at Wireline as a result of decreased legacy spending requirements

Acquisitions

In February 2014, Verizon acquired a business dedicated to the development of IP television for cash consideration that was not significant

Dispositions

During the nine months ended September 30, 2014, we received proceeds of $2 4 billion related to spectrum license transactions and $0 1 billion related to the disposition of a non-strategic business See "Acquisitions and Divestitures" for additional information

Cash Flows Provided By (Used In) Financing Activities

We seek to maintain a mix of fixed and variable rate debt to lower borrowing costs within reasonable risk parameters and to protect against earnings and cash flow volatility resulting from changes in market conditions During the nine months ended September 30, 2014 and 2013, net cash provided by (used in) financing activities was $(59 0) billion and $35 3 billion, respectively The change in cash flows used in financing activities during the nine months ended September 30, 2014 as compared to the similar period in 2013 was primarily driven by the use of $58 89 billion as part of the consideration for the Wireless Transaction See "Acquisitions and Divestitures" for additional information

During February 2014, we issued €1 75 billion aggregate principal amount of 2 375% Notes due 2022, €1 25 billion aggregate principal amount of 3 25% Notes due 2026 and £0 85 billion aggregate principal amount of 4 75% Notes due 2034 The issuance of these Notes resulted in cash proceeds of approximately $5 4 billion, net of discounts and issuance costs The net proceeds were used, in part, to finance the Wireless Transaction Net proceeds not used to finance the Wireless Transaction were used for general corporate purposes Also, during February 2014, we issued $0 5 billion aggregate principal amount of 5 90% Notes due 2054 resulting in cash proceeds of approximately $0 5 billion, net of discounts and issuance costs The net proceeds were used for general corporate purposes

On March 10, 2014 we announced the commencement of the Tender Offer to purchase for cash any and all of the series of notes listed in the following table

(dollars in millions, except for Purchase Price)	Interest Rate	Maturity	Principal Amount Outstanding	Purchase Price [1]	Principal Amount Purchased
Verizon Communications	6 10%	2018	$ 1,500	$ 1 170 07	$ 748
	5 50%	2018	1,500	1,146 91	763
	8 75%	2018	1,300	1,288 35	564
	5 55%	2016	1,250	1,093 62	652
	5 50%	2017	750	1 133,22	353
Cellco Partnership and Verizon Wireless Capital LLC	8 50%	2018	1,000	1,279 63	619
Alltel Corporation	7 00%	2016	300	1,125 26	157
GTE Corporation	6 84%	2018	600	1,196 85	266
					$ 4,122

[1] Per $1,000 principal amount of notes

The Tender Offer for each series of notes was subject to a financing condition, which was either satisfied or waived with respect to all series The Tender Offer expired on March 17 2014 and settled on March 19, 2014 In addition to the purchase price, any accrued and unpaid interest on the purchased notes was paid to the date of purchase During March 2014, we recorded early debt redemption costs in connection with the Tender Offer (see "Early Debt Redemption")

During March 2014, we issued $4 5 billion aggregate principal amount of fixed and floating rate notes resulting in cash proceeds of approximately $4 5 billion, net of discounts and issuance costs The issuances consisted of the following $0 5 billion aggregate principal amount Floating Rate Notes due 2019 that bear interest at a rate equal to three-month LIBOR plus 0 77% which rate will be reset quarterly, $0.5 billion aggregate principal amount of 2 55% Notes due 2019, $1 0 billion aggregate principal amount of 3 45% Notes due 2021 $1.25 billion aggregate principal amount of 4 15% Notes due 2024 and $1 25 billion aggregate principal amount of 5 05% Notes due 2034 During March 2014, the net proceeds were used to purchase notes in the Tender Offer described above

During March 2014, Verizon Wireless redeemed $1 25 billion aggregate principal amount of the Cellco Partnership and Verizon Wireless Capital LLC 8 50% Notes due 2018 at 127 135% of the principal amount of such notes, plus accrued and unpaid interest (see "Early Debt Redemption") Also, during March 2014, $1 0 billion of LIBOR plus 0 61% Verizon Communications Notes and $1 5 billion of 1 95% Verizon Communications Notes matured and were repaid

During September 2014, we issued $0 9 billion aggregate principal amount of 4 8% Notes due 2044 The issuance of these Notes resulted in cash proceeds of approximately $0 9 billion, net of discounts and issuance costs The net proceeds were used for general corporate purposes Also, during September 2014, we redeemed $0 8 billion aggregate principal amount of Verizon 1.25% Notes due November 2014 and recorded an immaterial amount of early debt redemption costs

On October 22, 2014, we sold $6 5 billion aggregate principal amount of fixed rate notes, which are expected to settle on October 29, 2014 We expect to receive cash proceeds of approximately $6 425 billion, net of discounts and issuance costs and after reimbursement of certain expenses The sale consisted of the following $1 5 billion aggregate principal amount of 3 00% Notes due 2021, $2 5 billion aggregate principal amount of 3 50% Notes due 2024 and $2 5 billion aggregate principal amount of 4 40% Notes due 2034. The net proceeds from the offering will be used to redeem (i) in whole the following series of outstanding notes which have been called for early redemption in November 2014. Verizon 4 90% Notes due 2015, Verizon 5 55% Notes due 2016, Verizon 3 00% Notes due 2016, Verizon 5 50% Notes due 2017, Verizon 8 75% Notes due 2018, Alltel Corporation 7 00% Debentures due 2016 and Cellco Partnership and Verizon Wireless Capital LLC 8 50% Notes due 2018 and (ii) $1 0 billion aggregate principal amount of Verizon 2 50% Notes due 2016 Any proceeds not used for the redemption of these notes will be used for general corporate purposes

Verizon may continue to acquire debt securities issued by Verizon and its affiliates in the future through open market purchases, privately negotiated transactions, tender offers, exchange offers or otherwise, upon such terms and at such prices as Verizon may from time to time determine for cash or other consideration.

May Exchange Offer

On May 29, 2014, we announced the commencement of a private exchange offer (the May Exchange Offer) to exchange up to all Cellco Partnership and Verizon Wireless Capital LLC's £0.6 billion outstanding aggregate principal amount of 8.875% Notes due 2018 (the 2018 Old Notes) for Verizon's new sterling-denominated Notes due 2024 (the New Notes) and an amount of cash. This exchange offer has been accounted for as a modification of debt. In connection with the May Exchange Offer, which expired on June 25, 2014, we issued £0.7 billion aggregate principal of New Notes and made a cash payment of £22 million in exchange for £0.6 billion aggregate principal amount of tendered 2018 Old Notes. The New Notes bear interest at a rate of 4.073% per annum.

Concurrent with the issuance of the New Notes, we entered into cross currency swaps to fix our future interest and principal payments in U.S. dollars (see "Market Risk").

July Exchange Offers

On July 23, 2014, we announced the commencement of eleven separate private offers to exchange (the July Exchange Offers) specified series of outstanding Notes issued by Verizon and Alltel Corporation (collectively, the Old Notes) for new Notes to be issued by Verizon. The July Exchange Offers have been accounted for as a modification of debt. On August 21, 2014, Verizon issued $3.3 billion aggregate principal amount of 2.625% Notes due 2020 (the 2020 New Notes), $4.5 billion aggregate principal amount of 4.862% Notes due 2046 (the 2046 New Notes) and $5.5 billion aggregate principal amount of 5.012% Notes due 2054 (the 2054 New Notes) in satisfaction of the exchange offer consideration on tendered Old Notes (not including accrued and unpaid interest on the Old Notes). The following tables list the series of Old Notes included in the July Exchange Offers and the principal amount of each such series accepted by Verizon for exchange.

The table below lists the series of Old Notes included in the July Exchange Offers for the 2020 New Notes.

(dollars in millions)	Interest Rate	Maturity	Principal Amount Outstanding	Principal Amount Accepted For Exchange
Verizon Communications	3.65%	2018	$ 4,750	$ 2,052
	2.50%	2016	4,250	1,068
				$ 3,120

The table below lists the series of Old Notes included in the July Exchange Offers for the 2046 New Notes.

(dollars in millions)	Interest Rate	Maturity	Principal Amount Outstanding	Principal Amount Accepted For Exchange
Verizon Communications	6.40%	2033	$ 6,000	$ 1,645
	7.75%	2030	2,000	794
	7.35%	2039	1,000	520
	7.75%	2032	400	149
Alltel Corporation	7.875%	2032	700	248
	6.80%	2029	300	65
				$ 3,421

The table below lists the series of Old Notes included in the July Exchange Offers for the 2054 New Notes.

(dollars in millions)	Interest Rate	Maturity	Principal Amount Outstanding	Principal Amount Accepted For Exchange
Verizon Communications	6.55%	2043	$ 15,000	$ 4,330
	6.40%	2038	1,750	–
	6.90%	2038	1,250	–
				$ 4,330

Term Loan Agreement

During February 2014, we drew $6.6 billion pursuant to a term loan agreement with a group of major financial institutions to finance, in part, the Wireless Transaction. $3.3 billion of the loans under the term loan agreement had a maturity of three years (the 3-Year Loans) and $3.3 billion of the loans under the term loan agreement had a maturity of five years (the 5-Year Loans). The 5-Year Loans provide for the partial amortization of principal during the last two years that they are outstanding. Loans under the term loan agreement bear interest at floating rates. The term loan agreement contains certain negative covenants, including a negative pledge covenant, a merger or similar transaction covenant and an accounting changes covenant; affirmative covenants and events of default that are customary for companies maintaining an investment grade credit rating. In addition, the term loan agreement requires us to maintain a leverage ratio (as defined in the term loan agreement) not in excess of 3.50:1.00 until our credit ratings are equal to or higher than A3 and A- at Moody's Investors Service and Standard & Poor's Ratings Services, respectively.

During June 2014, we issued $3.3 billion aggregate principal amount of fixed and floating rate notes resulting in cash proceeds of approximately $3.3 billion, net of discounts and issuance costs. The issuances consisted of the following: $1.3 billion aggregate principal amount of Floating Rate Notes due 2017 that will bear interest at a rate equal to three-month LIBOR plus 0.40% which will be reset quarterly and $2.0 billion aggregate principal amount of 1.35% Notes due 2017. We used the net proceeds from the offering of these notes to repay the 3-Year Loans on June 12, 2014.

During July 2014, we amended the term loan agreement, settled the outstanding $3.3 billion of 5-Year Loans and borrowed $3.3 billion of new loans. The new loans mature in July 2019, bear interest at a lower interest rate and require lower amortization payments in 2017 and 2018. In connection with the transaction, which primarily settled on a net basis, we recorded approximately $0.5 billion of proceeds from long-term borrowings and of repayments of long-term borrowings, respectively.

Other Credit Facilities

On July 31, 2014, we amended our $6.2 billion credit facility to increase the availability to $8.0 billion and extend the maturity to July 31, 2018. At the same time, we terminated our $2.0 billion 364-day revolving credit agreement. As of September 30, 2014, the unused borrowing capacity under this credit facility was approximately $7.9 billion.

Early Debt Redemption

During March 2014, we recorded net debt redemption costs of $0.9 billion in connection with the early redemption of $1.25 billion aggregate principal amount of Cellco Partnership and Verizon Wireless Capital LLC 8.50% Notes due 2018, and the purchase of the following notes pursuant to the Tender Offer: $0.7 billion of the then outstanding $1.5 billion aggregate principal amount of Verizon 6.10% Notes due 2018, $0.8 billion of the then outstanding $1.5 billion aggregate principal amount of Verizon 5.50% Notes due 2018, $0.6 billion of the then outstanding $1.3 billion aggregate principal amount of Verizon 8.75% Notes due 2018, $0.7 billion of the then outstanding $1.25 billion aggregate principal amount of Verizon 5.55% Notes due 2016, $0.4 billion of the then outstanding $0.75 billion aggregate principal amount of Verizon 5.50% Notes due 2017, $0.6 billion of the then outstanding $1.0 billion aggregate principal amount of Cellco Partnership and Verizon Wireless Capital LLC 8.50% Notes due 2018, $0.2 billion of the then outstanding $0.3 billion aggregate principal amount of Alltel Corporation 7.00% Debentures due 2016 and $0.3 billion of the then outstanding $0.6 billion aggregate principal amount of GTE Corporation 6.84% Debentures due 2018.

Other, net

The change in Other, net financing activities during the nine months ended September 30, 2014 compared to the similar period in 2013 was primarily driven by a decline in tax distributions to Vodafone pursuant to the Cellco Partnership agreement. As a result of the completion of the Wireless Transaction, the final tax distribution was made in the second quarter of 2014. Partially offsetting the decline in tax distributions to Vodafone were net early debt redemption costs of $0.9 billion.

Dividends

As in prior periods, dividend payments were a significant use of capital resources. During the third quarter of 2014, Verizon's Board of Directors increased our quarterly dividend payments by 3.8% to $.55 per share from $.53 per share in the same period in 2013. This is the eighth consecutive year that the Board has approved a quarterly dividend increase.

During the nine months ended September 30, 2014, we paid $5.7 billion in cash dividends. During the nine months ended September 30, 2013, we paid $4.4 billion in cash dividends. The increase in cash dividends is primarily due to the issuance of approximately 1.27 billion shares of Verizon common stock as part of the consideration paid to complete the Wireless Transaction.

Common stock has been used from time to time to satisfy some of the funding requirements of employee and shareowner plans, including 8.1 million common shares issued from Treasury stock during the nine months ended September 30, 2014, which had an aggregate value of $0.4 billion.

Special Distribution

In May 2013, the Board of Representatives of Verizon Wireless declared a distribution to its owners, which was paid in the second quarter of 2013 in proportion to their partnership interests on the payment date, in the aggregate amount of $7.0 billion. As a result, Vodafone received a cash payment of $3.15 billion and the remainder of the distribution was received by Verizon.

As a result of the completion of the Wireless Transaction on February 21, 2014, we now have full ownership of Verizon Wireless and will no longer make special distributions to Vodafone.

Common Stock

As a result of the Wireless Transaction, Verizon issued approximately 1.27 billion shares of Verizon common stock.

On March 7, 2014, the Verizon Board of Directors approved a share buyback program, which authorizes the repurchase of up to 100 million shares of Verizon common stock terminating no later than the close of business on February 28, 2017. The program permits Verizon to repurchase shares over time, with the amount and timing of repurchases depending on market conditions and corporate needs.

Verizon did not repurchase any shares of Verizon common stock through its authorized share buyback program during the nine months ended September 30, 2014.

Covenants

Our credit agreements contain covenants that are typical for large, investment grade companies. These covenants include requirements to pay interest and principal in a timely fashion, pay taxes, maintain insurance with responsible and reputable insurance companies, preserve our corporate existence, keep appropriate books and records of financial transactions, maintain our properties, provide financial and other reports to our lenders, limit pledging and disposition of assets and mergers and consolidations, and other similar covenants. Additionally, the term loan credit agreement requires us to maintain a leverage ratio (as such term is defined in those agreements) not in excess of 3.50:1.00 until our credit ratings are equal to or higher than A3 and A- at Moody's Investors Service and Standard & Poor's Ratings Services, respectively.

We and our consolidated subsidiaries are in compliance with all of our debt covenants.

Decrease in Cash and Cash Equivalents

Our Cash and cash equivalents at September 30, 2014 totaled $7.2 billion, a $46.3 billion decrease compared to Cash and cash equivalents at December 31, 2013, primarily as a result of the completion of the Wireless Transaction.

Free Cash Flow

Free cash flow is a non-GAAP financial measure that management believes is useful to investors and other users of Verizon's financial information in evaluating cash available to pay debt and dividends. Free cash flow is calculated by subtracting capital expenditures from net cash provided by operating activities. The following table reconciles Net cash provided by operating activities to Free cash flow.

(dollars in millions)	Nine Months Ended September 30, 2014	2013	Change
Net cash provided by operating activities	$ 23,157	$ 28,387	$ (5,230)
Less: Capital expenditures (including capitalized software)	12,624	11,807	817
Free cash flow	$ 10,533	$ 16,580	$ (6,047)

The change in Free cash flow during the nine months ended September 30, 2014 compared to the similar period in 2013 was primarily due to a $3.2 billion increase in income tax payments, a $1.5 billion increase in interest payments, a $1.5 billion increase in pension contributions and higher capital expenditures. Subsequent to the completion of the Wireless Transaction on February 21, 2014, we now have full access to all of the cash flows generated by our wireless business.

We are exposed to various types of market risk in the normal course of business, including the effects of interest rate changes, foreign currency exchange rate fluctuations, changes in investment, equity and commodity prices and changes in corporate tax rates We employ risk management strategies which may include the use of a variety of derivatives including cross currency swaps, foreign currency and prepaid forwards and collars, interest rate swap agreements, commodity swap and forward agreements and interest rate locks We do not hold derivatives for trading purposes

It is our general policy to enter into interest rate foreign currency and other derivative transactions only to the extent necessary to achieve our desired objectives in limiting our exposure to various market risks Our objectives include maintaining a mix of fixed and variable rate debt to lower borrowing costs within reasonable risk parameters and to protect against earnings and cash flow volatility resulting from changes in market conditions We do not hedge our market risk exposure in a manner that would completely eliminate the effect of changes in interest rates and foreign exchange rates on our earnings We do not expect that our net income, liquidity and cash flows will be materially affected by these risk management strategies

Interest Rate Risk

We are exposed to changes in interest rates, primarily on our short-term debt and the portion of long-term debt that carries floating interest rates As of September 30, 2014, approximately 85% of the aggregate principal amount of our total debt portfolio consisted of fixed rate indebtedness, including the effect of interest rate swap agreements designated as hedges The impact of a 100 basis point change in interest rates affecting our floating rate debt would result in a change in annual interest expense, including our interest rate swap agreements that are designated as hedges, of approximately $0 2 billion The interest rates on substantially all of our existing long-term debt obligations are unaffected by changes to our credit ratings

Interest Rate Swaps

We enter into domestic interest rate swaps to achieve a targeted mix of fixed and variable rate debt We principally receive fixed rates and pay variable rates based on LIBOR, resulting in a net increase or decrease to Interest expense These swaps are designated as fair value hedges and hedge against changes in the fair value of our debt portfolio We record the interest rate swaps at fair value on our condensed consolidated balance sheets as assets and liabilities The fair value of these contracts was not material at September 30 2014 and December 31, 2013, respectively As of September 30, 2014, the total notional amount of the interest rate swaps was $1 8 billion The ineffective portion of these interest rate swaps was not material for the three and nine months ended September 30 2014, respectively

Forward Interest Rate Swaps

In order to manage our exposure to future interest rate changes, during the fourth quarter of 2013, we entered into forward interest rate swaps with a total notional value of $2 0 billion We designated these contracts as cash flow hedges In March 2014, we settled these forward interest rate swaps and the pre-tax gain was not material During the first and second quarters of 2014 we entered into forward interest rate swaps with total notional values of $0 9 billion and $3 1 billion, respectively During the third quarter of 2014, we entered into forward interest rate swaps with a total notional value of $0 8 billion We designated these contracts as cash flow hedges

In October 2014, we settled $1 25 billion of forward interest rate swaps

Foreign Currency Translation

The functional currency for our foreign operations is primarily the local currency The translation of income statement and balance sheet amounts of our foreign operations into U S dollars is recorded as cumulative translation adjustments, which are included in Accumulated other comprehensive income in our condensed consolidated balance sheets Gains and losses on foreign currency transactions are recorded in the condensed consolidated statements of income in Other income and (expense), net At September 30 2014, our primary translation exposure was to the British Pound Sterling, the Euro, the Australian Dollar, the Indian Rupee and the Japanese Yen

Cross Currency Swaps

During the first quarter of 2014, we entered into cross currency swaps designated as cash flow hedges to exchange approximately $5 4 billion of Euro and British Pound Sterling denominated debt into U S dollars and to fix our future interest and principal payments in U S dollars, as well as to mitigate the impact of foreign currency transaction gains or losses

During the second quarter of 2014, in connection with the May Exchange Offer, we entered into cross currency swaps designated as cash flow hedges to exchange approximately $1 2 billion of British Pound Sterling denominated debt into U S dollars and to fix our future interest and principal payments in U S dollars, as well as to mitigate the impact of foreign currency transaction gains or losses

Verizon Wireless previously entered into cross currency swaps designated as cash flow hedges to exchange approximately $1 6 billion of British Pound Sterling and Euro-denominated debt into U S dollars and to fix our future interest and principal payments in U S dollars, as well as to mitigate the effect of foreign currency transaction gains or losses In June 2014, we settled $0 8 billion of these cross currency swaps as part of the Exchange Offer and the gains with respect to these swaps were not material

A portion of the gains and losses recognized in Other comprehensive income (loss) was reclassified to Other income and (expense), net to offset the related pre-tax foreign currency transaction gain or loss on the underlying debt obligations The fair value of the outstanding swaps was $0 1 billion at September 30, 2014 and was not material at December 31, 2013 During the three and nine months ended September 30, 2014 a pre-tax loss of $0 1 billion and an immaterial pre-tax loss, respectively, were recognized in Other comprehensive income (loss) During the three and nine months ended September 30, 2013, a pre-tax gain of $0 1 billion and an immaterial pre-tax loss, respectively, were recognized in Other comprehensive income (loss)

Wireless

Wireless Transaction

On September 2 2013, Verizon entered into a stock purchase agreement (the Stock Purchase Agreement) with Vodafone Group Plc (Vodafone) and Vodafone 4 Limited (Seller), pursuant to which Verizon agreed to acquire Vodafone s indirect 45% interest in Cellco Partnership d/b/a Verizon Wireless (the Partnership, and such interest, the Vodafone Interest) for aggregate consideration of approximately $130 billion

On February 21, 2014, pursuant to the terms and subject to the conditions set forth in the Stock Purchase Agreement, Verizon acquired (the Wireless Transaction) from Seller all of the issued and outstanding capital stock (the Transferred Shares) of Vodafone Americas Finance 1 Inc , a subsidiary of Seller (VF1 Inc), which indirectly through certain subsidiaries (together with VF1 Inc the Purchased Entities) owned the Vodafone Interest In consideration for the Transferred Shares, upon completion of the Wireless Transaction, Verizon (i) paid approximately $58 89 billion in cash, (ii) issued approximately 1 27 billion shares of Verizon's common stock, par value $0 10 per share (the Stock Consideration), which was valued at approximately $61 3 billion at the closing of the Wireless Transaction, (iii) issued senior unsecured Verizon notes in an aggregate principal amount of $5 0 billion (the Verizon Notes) (iv) sold Verizon's indirectly owned 23 1% interest in Vodafone Omnitel N V (Omnitel, and such interest, the Omnitel Interest), valued at $3 5 billion and (v) provided other consideration, which included the assumption of preferred stock valued at approximately $1 7 billion The total cash paid to Vodafone and the other costs of the Wireless Transaction, including financing, legal and bank fees, were financed through the incurrence of third-party indebtedness (see "Consolidated Financial Condition")

In accordance with the accounting standard on consolidation, a change in a parent s ownership interest while the parent retains a controlling financial interest in its subsidiary is accounted for as an equity transaction and remeasurement of assets and liabilities of previously controlled and consolidated subsidiaries is not permitted As a result, we accounted for the Wireless Transaction by adjusting the carrying amount of the noncontrolling interest to reflect the change in Verizon's ownership interest in the Partnership Any difference between the fair value of the consideration paid and the amount by which the noncontrolling interest is adjusted has been recognized in equity attributable to Verizon

Omnitel Transaction

On February 21 2014, Verizon and Vodafone also consummated the sale of the Omnitel Interest (the Omnitel Transaction) by a subsidiary of Verizon to a subsidiary of Vodafone in connection with the Wireless Transaction pursuant to a separate share purchase agreement As a result, during the nine months ended September 30, 2014, we recognized a pre-tax gain of $1 9 billion on the disposal of the Omnitel interest in Equity in earnings (losses) of unconsolidated businesses on our condensed consolidated statement of income

Verizon Notes

The Verizon Notes were issued to Vodafone pursuant to Verizon's existing indenture The Verizon Notes were issued in two separate series, with $2 5 billion due February 21, 2022 (the eight-year Verizon Notes) and $2 5 billion due February 21, 2025

(the eleven-year Verizon Notes) The Verizon Notes bear interest at a floating rate, which will be reset quarterly, with interest payable quarterly in arrears, beginning May 21, 2014 The eight-year Verizon Notes bear interest at a floating rate equal to three-month LIBOR, plus 1 222%, and the eleven-year Verizon Notes bear interest at a floating rate equal to three-month LIBOR, plus 1 372% The indenture that governs the Verizon Notes contains certain negative covenants, including a negative pledge covenant and a merger or similar transaction covenant, affirmative covenants and events of default that are customary for companies maintaining an investment grade credit rating An event of default for either series of the Verizon Notes may result in acceleration of the entire principal amount of all debt securities of that series Beginning two years after the closing of the Wireless Transaction, Verizon may redeem all or any portion of the outstanding Verizon Notes held by Vodafone or any of its affiliates for a redemption price of 100% of the principal amount plus accrued and unpaid interest The Verizon Notes may only be transferred by Vodafone to third parties in specified amounts during specified periods, commencing January 1, 2017 Any Verizon Notes held by third parties will not be redeemable by Verizon prior to their maturity dates Verizon has agreed to file a registration statement with respect to the Verizon Notes at least three months prior to the Verizon Notes becoming transferable

Other Consideration

Included in the other consideration provided to Vodafone is the indirect assumption of long-term obligations with respect to 5 143% Class D and Class E cumulative preferred stock (Preferred Stock) issued by one of the Purchased Entities Both the Class D shares (825,000 shares outstanding) and Class E shares (825,000 shares outstanding) are mandatorily redeemable in April 2020 at $1,000 per share plus any accrued and unpaid dividends Dividends accrue at 5.143% per annum and will be treated as interest expense Both the Class D and Class E shares have been classified as liability instruments and were recorded at fair value as determined at the closing of the Wireless Transaction

Deferred Tax Liabilities

Certain deferred taxes directly attributable to the Wireless Transaction have been calculated based on an analysis of taxes attributable to the difference between the tax basis of the investment in the noncontrolling interest that is assumed compared to Verizon's book basis As a result, Verizon recorded a deferred tax liability of approximately $13 5 billion

Spectrum License Transactions

During the second quarter of 2014, we completed license exchange transactions with T-Mobile USA to exchange certain AWS and PCS licenses The exchange included a number of swaps that we expect will result in more efficient use of the AWS and PCS bands As a result of these exchanges, we received $0 9 billion of AWS and PCS spectrum licenses at fair value and we recorded an immaterial gain

During the second quarter of 2014, we completed transactions pursuant to two additional agreements with T-Mobile USA with respect to our remaining 700 MHz A block spectrum licenses Under one agreement we sold certain of these licenses to T-Mobile USA in exchange for cash consideration of approximately $2 4 billion, and under the second agreement we exchanged the remainder of our 700 MHz A block spectrum licenses as well as AWS and PCS spectrum licenses for AWS and PCS spectrum licenses As a result, we received $1 6 billion of AWS and PCS spectrum licenses at fair value and we recorded a pre-tax gain of approximately $0 7 billion in Selling, general and administrative expense on our condensed consolidated statement of income for the nine months ended September 30, 2014

During September 2014, we entered into a license exchange agreement with affiliates of AT&T to exchange certain AWS and PCS spectrum licenses This non-cash exchange, which is subject to approval by the Federal Communications Commission (FCC) and other customary closing conditions is expected to close in the first quarter of 2015 Upon completion of the transaction, we expect to record an immaterial gain

During the three and nine months ended September 30, 2014, we acquired various other wireless licenses and markets for cash consideration that was not significant

Wireline

On July 1, 2014, we sold a non-strategic Wireline business, which provides communications solutions to a variety of government agencies, for net cash proceeds of $0 1 billion and recorded an immaterial gain

Other

During February 2014, Verizon acquired a business dedicated to the development of Internet Protocol (IP) television for cash

consideration that was not significant

On October 7, 2014, Redbox Instant by Verizon, a venture between Verizon and Redbox Automated Retail LLC (Redbox), a wholly-owned subsidiary of Outerwall Inc ceased providing service to its customers In accordance with an agreement between the parties, Redbox withdrew from the venture on October 20, 2014 and Verizon will wind down and dissolve the venture during the next few months As a result of the termination of the venture, we expect to record a pre-tax loss of approximately $0 1 billion in the fourth quarter of 2014

Regulatory and Competitive Trends

There have been no material changes to Regulatory and Competitive Trends as previously disclosed in Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2013

Environmental Matters

During 2003, under a government-approved plan, remediation commenced at the site of a former Sylvania facility in Hicksville, New York that processed nuclear fuel rods in the 1950s and 1960s Remediation beyond original expectations proved to be necessary and a reassessment of the anticipated remediation costs was conducted A reassessment of costs related to remediation efforts at several other former facilities was also undertaken In September 2005, the Army Corps of Engineers (ACE) accepted the Hicksville site into the Formerly Utilized Sites Remedial Action Program This may result in the ACE performing some or all of the remediation effort for the Hicksville site with a corresponding decrease in costs to Verizon To the extent that the ACE assumes responsibility for remedial work at the Hicksville site, an adjustment to a reserve previously established for the remediation may be made Adjustments to the reserve may also be made based upon actual conditions discovered during the remediation at this or any other site requiring remediation

Recent Accounting Standards

In April 2014, the accounting standard update related to the reporting of discontinued operations and disclosures of disposals of components of an entity was issued This standard update changes the criteria for reporting discontinued operations and enhances convergence of the reporting requirements for discontinued operations As a result of this standard update, a disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has, or will have, a major effect on an entity's operations and financial results This standard update is effective as of the first quarter of 2015, however, earlier adoption is permitted

In May 2014 the accounting standard update related to the recognition of revenue from contracts with customers was issued This standard update clarifies the principles for recognizing revenue and develops a common revenue standard for U S generally accepted accounting principles (GAAP) and International Financial Reporting Standards The standard update intends to provide a more robust framework for addressing revenue issues, improve comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets and provide more useful information to users of financial statements through improved disclosure requirements Upon adoption of this standard update, we expect that the allocation and timing of revenue recognition will be impacted We expect to adopt this standard update during the first quarter of 2017

There are two adoption methods available for implementation of the standard update related to the recognition of revenue from contracts with customers Under one method, the guidance is applied retrospectively to contracts for each reporting period presented, subject to allowable practical expedients Under the other method, the guidance is applied to contracts not completed as of the date of initial application, recognizing the cumulative effect of the change as an adjustment to the beginning balance of retained earnings, and also requires additional disclosures comparing the results to the previous guidance We are currently evaluating these adoption methods and the impact that this standard update will have on our condensed consolidated financial statements

In June 2014, the accounting standard update related to the accounting for share-based payments when the terms of an award provide that a performance target could be achieved after the requisite service period was issued The standard update resolves the diverse accounting treatment for these share-based payments by requiring that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition The requisite service period ends when the employee can cease rendering service and still be eligible to vest in the award if the performance target is achieved We will adopt this standard update during the first quarter of 2016 The adoption of this standard update is not expected to have a

significant impact on our condensed consolidated financial statements

In this report we have made forward-looking statements These statements are based on our estimates and assumptions and are subject to risks and uncertainties Forward-looking statements include the information concerning our possible or assumed future results of operations Forward-looking statements also include those preceded or followed by the words "anticipates" "believes," "estimates" "hopes" or similar expressions For those statements we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995

The following important factors, along with those discussed elsewhere in this report and in other filings with the Securities and Exchange Commission (SEC), could affect future results and could cause those results to differ materially from those expressed in the forward-looking statements

- the ability to realize the expected benefits of the Wireless Transaction in the timeframe expected or at all
- an adverse change in the ratings afforded our debt securities by nationally accredited ratings organizations or adverse conditions in the credit markets affecting the cost, including interest rates, and/or availability of further financing,
- significantly increased levels of indebtedness as a result of the Wireless Transaction,
- changes in tax laws or treaties, or in their interpretation
- adverse conditions in the U S and international economies
- material adverse changes in labor matters, including labor negotiations, and any resulting financial and/or operational impact,
- material changes in technology or technology substitution
- disruption of our key suppliers' provisioning of products or services,
- changes in the regulatory environment in which we operate, including any increase in restrictions on our ability to operate our networks,
- breaches of network or information technology security, natural disasters, terrorist attacks or acts of war or significant litigation and any resulting financial impact not covered by insurance,
- the effects of competition in the markets in which we operate,
- changes in accounting assumptions that regulatory agencies, including the SEC, may require or that result from changes in the accounting rules or their application, which could result in an impact on earnings,
- significant increases in benefit plan costs or lower investment returns on plan assets, and
- the inability to implement our business strategies

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Information relating to market risk is included in Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations under the caption "Market Risk."

Item 4. Controls and Procedures

Our chief executive officer and chief financial officer have evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934), as of the end of the period covered by this quarterly report. Based on this evaluation, our chief executive officer and chief financial officer have concluded that our disclosure controls and procedures were effective as of September 30, 2014.

In the ordinary course of business, we review our system of internal control over financial reporting and make changes to our systems and processes intended to ensure an effective internal control environment. We are continuing an initiative to implement new financial systems that will continue in phases over the next several quarters. We are also continuing an initiative to standardize and centralize transaction-processing activities within our accounting processes, which we expect to continue over the next several years. These initiatives will incorporate certain changes in personnel as well. In connection with these initiatives and the resulting changes in our financial systems and transaction-processing activities, the Company continues to enhance the design and documentation of our internal control processes to ensure that controls over our financial reporting remain effective.

Except as noted above, there were no changes in the Company's internal control over financial reporting during the third quarter of 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On September 15, 2010, the U.S. Bank National Association (U.S. Bank), as Litigation Trustee for the Idearc Inc. Litigation Trust (Litigation Trust), filed suit in U.S. District Court for the Northern District of Texas against Verizon and certain subsidiaries challenging the November 2006 spin-off of Verizon's former directories business then known as Idearc Inc. U.S. Bank, which represents a group of creditors who filed claims in Idearc's bankruptcy, alleged that Idearc was insolvent at the time of the spin-off or became insolvent shortly thereafter. The Litigation Trust sought over $9 billion in damages. In its June 18, 2013 decision, the District Court entered judgment for Verizon and its subsidiaries and ruled that U.S. Bank would "take nothing" on its claims. U.S. Bank appealed the decision to the U.S. Court of Appeals for the Fifth Circuit, which upheld the District Court's decision on July 30, 2014. The Litigation Trust has until December 15, 2014, to seek further review of the decision by the United States Supreme Court.

On October 25, 2011, a Litigation Trust created during the bankruptcy proceedings of FairPoint Communications, Inc. filed a complaint in state court in Mecklenburg County, North Carolina, against Verizon and other related entities. The complaint claimed that FairPoint's acquisition of Verizon's landline operations in Maine, New Hampshire and Vermont in March 2008 was structured and carried out in a way that left FairPoint insolvent or led to its insolvency shortly thereafter and ultimately to its October 2009 bankruptcy. The Litigation Trust sought approximately $2 billion in damages. Verizon removed the case to the United States District Court for the Western District of North Carolina in November 2011. At the close of discovery in February 2013, Verizon filed a summary judgment motion to dismiss the two counts in the complaint—constructive fraudulent transfer and actual fraudulent transfer. On June 12, 2013, the District Court granted Verizon's summary judgment motion in part, dismissing the Litigation Trust's constructive fraudulent transfer claim. A bench trial limited to the actual fraudulent transfer claim concluded December 13, 2013. On June 18, 2014, Verizon and the Litigation Trust entered into a settlement agreement, the terms of which are not material to our business. The settlement agreement was approved by the Bankruptcy Court on September 18, 2014 and the matter was dismissed by the District Court on October 16, 2014.

In October 2013, the California Attorney General's Office notified Verizon California Inc. and other Verizon companies of potential violations of California state hazardous waste statutes primarily arising from the disposal of electronic components, batteries and aerosol cans at certain California facilities. We are cooperating with this investigation and continue to review our operations relating to the management of hazardous waste. While penalties relating to the alleged violations could exceed $100,000, we do not expect that any penalties ultimately incurred will be material.

Item 1A. Risk Factors

There have been no material changes to our risk factors as previously disclosed in Part I, Item 1A, of our Annual Report on Form 10-K for the year ended December 31, 2013.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On March 7, 2014, the Verizon Board of Directors approved a share buyback program, which authorizes the repurchase of up to 100 million shares of Verizon common stock terminating no later than the close of business on February 28, 2017. The program permits Verizon to repurchase shares over time, with the amount and timing of repurchases depending on market conditions and corporate needs.

Verizon did not repurchase any shares of Verizon common stock through its authorized share buyback program during the three months ended September 30, 2014. At September 30, 2014, the maximum number of shares that could be purchased by or on behalf of Verizon under our share buyback program was 100 million.

Item 6. Exhibits

Exhibit Number	Description
12	Computation of Ratio of Earnings to Fixed Charges
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.PRE	XBRL Taxonomy Presentation Linkbase Document
101.CAL	XBRL Taxonomy Calculation Linkbase Document
101.LAB	XBRL Taxonomy Label Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

VERIZON COMMUNICATIONS INC.

Date: October 28, 2014

By: /s/ Anthony T. Skiadas
Anthony T. Skiadas
Senior Vice President and Controller
(Principal Accounting Officer)

Exhibit Index

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101.INS	XBRL Instance Document
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101.CAL	XBRL Taxonomy Calculation Linkbase Document
101.LAB	XBRL Taxonomy Label Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

EXHIBIT 12

Computation of Ratio of Earnings to Fixed Charges
Verizon Communications Inc. and Subsidiaries

(dollars in millions)	Nine Months Ended September 30, 2014
Earnings:	
Income before provision for income taxes	$ 19,156
Equity in earnings of unconsolidated businesses	(1,811)
Dividends from unconsolidated businesses	26
Interest expense (1)	3,633
Portion of rent expense representing interest	674
Amortization of capitalized interest	143
Earnings, as adjusted	$ 21,821
Fixed Charges:	
Interest expense (1)	$ 3,633
Portion of rent expense representing interest	674
Capitalized interest	324
Fixed charges	$ 4,631
Ratio of earnings to fixed charges	4.71

(1) We classify interest expense recognized on uncertain tax positions as income tax expense and therefore such interest expense is not included in the Ratio of Earnings to Fixed Charges

EXHIBIT 31.1

I, Lowell C. McAdam, certify that

1 I have reviewed this quarterly report on Form 10-Q of Verizon Communications Inc.;

2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4 The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5 The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 28, 2014

/s/ Lowell C. McAdam
Lowell C. McAdam
Chairman and Chief Executive Officer

EXHIBIT 31.2

I, Francis J. Shammo, certify that

1 I have reviewed this quarterly report on Form 10-Q of Verizon Communications Inc.;

2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4 The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5 The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 28, 2014

/s/ Francis J. Shammo
Francis J. Shammo
Executive Vice President
and Chief Financial Officer

EXHIBIT 32 1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002, PURSUANT TO SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE

I, Lowell C McAdam, Chairman and Chief Executive Officer of Verizon Communications Inc (the Company), certify that

(1) the report of the Company on Form 10-Q for the quarterly period ending September 30, 2014 (the Report) fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934 (the Exchange Act), and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods referred to in the Report

Date October 28, 2014

/s/ Lowell C McAdam
Lowell C McAdam
Chairman and Chief Executive Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Verizon Communications Inc and will be retained by Verizon Communications Inc and furnished to the Securities and Exchange Commission or its staff upon request

EXHIBIT 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002, PURSUANT TO SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE

I, Francis J Shammo, Executive Vice President and Chief Financial Officer of Verizon Communications Inc (the Company), certify that

(1) the report of the Company on Form 10-Q for the quarterly period ending September 30, 2014 (the Report) fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934 (the Exchange Act), and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods referred to in the Report

Date October 28, 2014

/s/ Francis J Shammo
Francis J Shammo
Executive Vice President
and Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Verizon Communications Inc and will be retained by Verizon Communications Inc and furnished to the Securities and Exchange Commission or its staff upon request

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D C 20549

FORM 10-K

(Mark one)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2013

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission file number 1-8606

Verizon Communications Inc.

(Exact name of registrant as specified in its charter)

Delaware	23-2259884
(State or other jurisdiction of incorporation or organization)	(I R S Employer Identification No)
140 West Street New York, New York	10007
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (212) 395-1000

Securities registered pursuant to Section 12(b) of the Act

Title of each class	Name of each exchange on which registered
Common Stock, $ 10 par value	New York Stock Exchange The NASDAQ Global Select Market London Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act Yes ✓ No __

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act Yes __ No ✓

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days Yes ✓ No __

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232 405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files) Yes ✓ No __

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K ✓

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check one)

Large accelerated filer ✓	Accelerated filer __	Non-accelerated filer __	Smaller reporting company __

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act) Yes __ No ✓

At June 28, 2013, the aggregate market value of the registrant's voting stock held by non-affiliates was approximately $144,030,746,074.

At February 24, 2014, 4,141,140,749 shares of the registrant's common stock were outstanding, after deducting 101,233,491 shares held in treasury.

Documents Incorporated By Reference:

Portions of the registrant's Annual Report to Shareowners for the year ended December 31, 2013 (Parts I and II)

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Certifications

General

Verizon Communications Inc. (Verizon, or the Company) is a holding company that, acting through its subsidiaries, is one of the world's leading providers of communications, information and entertainment products and services to consumers, businesses and governmental agencies with a presence in over 150 countries around the world. Formerly known as Bell Atlantic Corporation, we were incorporated in 1983 under the laws of the State of Delaware. We began doing business as Verizon on June 30, 2000 following our merger with GTE Corporation. We have a highly diverse workforce of approximately 176,800 employees.

Our principal executive offices are located at 140 West Street, New York, New York 10007 (telephone number 212-395-1000).

We have two reportable segments, Wireless and Wireline, which we operate and manage as strategic business segments and organize by products and services.

Wireless	Wireless' communications products and services include wireless voice and data services and equipment sales, which are provided to consumer, business and government customers across the United States.
Wireline	Wireline's voice, data and video communications products and enhanced services include broadband video and data, corporate networking solutions, data center and cloud services, security and managed network services and local and long distance voice services. We provide these products and services to consumers in the United States, as well as to carriers, businesses and government customers both in the United States and in over 150 other countries around the world.

The following portions of the 2013 Verizon Annual Report to Shareowners are incorporated into this report:

- "Overview" on pages 10 through 12, and,
- "Segment Results of Operations" on pages 17 through 22 and in Note 13 to the consolidated financial statements on pages 65 through 67.

Wireless

Background

Our Wireless segment is primarily comprised of Cellco Partnership doing business as Verizon Wireless. Cellco Partnership is a joint venture formed in April 2000 by the combination of the U.S. wireless operations and interests of Verizon and Vodafone Group Plc (Vodafone). As of December 31, 2013, Verizon owned a controlling 55% interest in Verizon Wireless and Vodafone owned the remaining 45%. Verizon Wireless provides wireless communication services across one of the most extensive wireless networks in the United States and has the largest fourth-generation (4G) Long-Term Evolution (LTE) technology and third-generation (3G) Evolution - Data Optimized (EV-DO) networks of any U.S. wireless service provider.

On September 2, 2013, Verizon entered into a stock purchase agreement with Vodafone and Vodafone 4 Limited, pursuant to which Verizon agreed to acquire Vodafone's indirect 45% interest in Cellco Partnership d/b/a Verizon Wireless for aggregate consideration of approximately $130 billion (the Wireless Transaction). We completed the transaction on February 21, 2014 and acquired 100% ownership of Verizon Wireless. The consideration paid was primarily comprised of cash and Verizon common stock.

Verizon Wireless is the largest wireless service provider in the United States as measured by retail connections and revenue. At December 31, 2013, Verizon Wireless had 102.8 million retail connections and 2013 revenues of approximately $81.0 billion, representing approximately 67% of Verizon's aggregate revenues.

We have substantially completed the deployment of our 4G LTE network. Our 4G LTE network is available to 97% of the U.S. population in more than 500 markets covering approximately 305 million people, including those in areas served by our LTE in Rural America partners. Under this program, we are working with wireless carriers in rural areas to collaboratively build and operate a 4G LTE network using each carrier's network assets and our core 4G LTE equipment and 700 MHz C-Block spectrum. Our 4G LTE network provides higher data throughput performance for data services at a lower cost compared to that provided via 3G networks.

Wireless Service and Product Offerings

Our wireless services are available to our customers receiving service under the Verizon Wireless brand. In addition, customers can obtain wireless products and services that operate on our network from resellers that purchase network access from us on a wholesale basis.

Wireless Services

We offer our wireless services on a postpaid and prepaid basis. Retail (non-wholesale) postpaid accounts represent retail customers under contract with Verizon Wireless that are directly served and managed by Verizon Wireless and use its branded services. Our postpaid account plans include More Everything ℠ plans, single connection plans, plans tailored to the needs of our corporate customers, as well as legacy single connection plans and family plans that we no longer offer to new accounts. A single account may receive monthly wireless services for a variety of connected devices. Postpaid connections represent individual lines of service for which a customer is billed in advance a monthly access charge in return for a monthly network service allowance (access service revenues), and usage beyond the allowance is billed in arrears (usage service revenues). Approximately 94% of our retail connections received our wireless services on a postpaid basis as of December 31, 2013. Our prepaid service enables individuals to obtain wireless services without a long-term contract or credit verification by paying for all services in advance.

Our wireless plans offer various packages of services that allow customers, regardless of the device, to select the plan that best matches their network usage patterns. On February 13, 2014, we introduced our More Everything plans which replaced our Share Everything ℠ plans and provide more value to our customers. These plans, which are available to both new and existing postpaid customers, feature domestic unlimited voice minutes, unlimited domestic and international text, video and picture messaging, cloud storage and a single data allowance that can be shared among up to 10 devices connected to the Verizon Wireless network. Customers with Verizon Edge, which provides a device payment plan option, also will receive discounted monthly access fees on More Everything plans. For an additional monthly access fee, our customers have the option of sharing long distance and roaming minutes among their devices for calls from the United States to and calls while within, Canada and Mexico. The More Everything plans also include the Mobile Hotspot service on our smartphones at no additional charge. The Mobile Hotspot service allows a customer to use our network to create a Wi-Fi network that can be used by Wi-Fi enabled devices. Verizon Wireless also offers shared data plans for business with the More Everything plans for Small Business and the Nationwide Business Data Packages and Plans. As of December 31, 2013, Share Everything accounts represented approximately 46% of our retail postpaid accounts, compared to approximately 23% as of December 31, 2012.

We offer a wide variety of wireless services, including Internet access via our broad range of devices. Our customers can access the Internet on all of our smartphones, as well as our basic phones that include HTML web-browsing capability. We also offer service that enables our customers to access the Internet wirelessly at broadband speeds on notebook computers and tablets that either have embedded 4G LTE or 3G EV-DO modules or that are used in conjunction with separate devices that enable access to this service, such as smartphones and USB modems as well as Jetpacks ™ and other dedicated devices that provide a mobile Wi-Fi connection. These devices can be added to the customer's More Everything plan for an additional monthly fee, or the customer can obtain a separate plan for the device at various price points, depending upon both the size of the data allowance purchased and the device covered by the plan.

In addition, we offer messaging services, which enable our customers to send and receive text, picture and video messages. Our customers can access multimedia offerings, mostly provided by third parties, consisting of applications providing music, video, gaming, news and other content, while our business-focused offerings, which are designed to increase productivity, include solutions that enable customers to access the Internet and their corporate intranets, as well as products that enable wireless e-mail across our diverse portfolio of wireless devices. Our location-based services provide our customers with directions to their destination and enable our business customers to locate, monitor and communicate with their mobile field workers. Our global data services allow our customers to access data services on our Global Ready Phones from hundreds of international destinations and to access the Internet at such destinations with laptops that are either Global Ready, tethered to a Global Ready Phone, or are used in conjunction with other Global Ready devices, such as certain USB modems or Jetpacks. In addition, our customers have access to more than one million applications and services developed and distributed by third parties, such as those offered via Google Play ℠ accessible on our smartphones running on the Google, Inc. (Google) Android operating system, those offered via the Apple, Inc. (Apple) iTunes store, accessible through smartphones and tablets running on the Apple iOS operating system, those offered by Microsoft Inc. (Microsoft), via Microsoft's Windows Phone OS operating system and those offered by BlackBerry Limited (BlackBerry), through its BlackBerry App World ™ storefront.

Our customers can make and receive calls on their home phone handsets using our wireless network through our Home Phone

Connect service or Verizon 4G LTE Broadband Router with Voice service. We also offer HomeFusion ℠ Broadband, a high-speed Internet service that provides customers with Internet connections in their homes using our 4G LTE network.

In addition, we provide network access and, in some cases, enhanced value added services to support telemetry-type applications, which are characterized by machine-to-machine (M2M) wireless connections. Our M2M services support devices that are used by a variety of vertical market segments, including healthcare, education, manufacturing, utilities, distribution and consumer products. For example, companies purchase network access and, in some cases, enhanced services from us in order to connect with and monitor equipment, such as medical devices used to monitor patients, fleet management devices used to monitor company-operated vehicles and utility monitoring devices used for smart grid applications. Other companies purchase network access and, in some cases, enhanced services from us to support devices that are included in a service they, in turn, sell to end users. We also support telematics services for some of the largest automotive manufacturers. We expect that consumer use of M2M wireless connections, such as home monitoring, health monitoring, energy management and utilities management will increase as consumers integrate these devices into their mobile lifestyle.

Wireless Devices

We offer several categories of wireless devices, including smartphones, tablets and other Internet access devices as well as basic phones.

Smartphones. Our device line-up includes an array of smartphones that are enabled to utilize our 4G LTE and/or 3G EV-DO high-speed data services and run on various operating platforms, such as Apple iOS, Google Android, BlackBerry OS, and Windows Phone OS. In August 2013, we launched the new Verizon Edge device payment plan option which now allows customers to trade in their phone for a new phone after a minimum of thirty days, subject to certain conditions.

Tablets and Other Internet Devices. We offer a variety of 4G LTE and/or 3G EV-DO-enabled tablets from multiple manufacturers that run primarily on either the Apple iOS, Google Android or Microsoft Windows operating system. In 2013, we launched the Ellipsis 7 tablet, which is available exclusively from Verizon Wireless. The tablets we offer also permit our customers to access the Internet via a Wi-Fi connection. In addition, we offer dedicated devices that provide a mobile Wi-Fi 4G LTE and/or 3G EV-DO connection, which we refer to as Jetpacks, capable of connecting multiple Wi-Fi enabled devices to the Internet at one time. Our customers can also access the Internet wirelessly at broadband speeds on their computers via data cards, USB modems or through the use of certain laptop computers and netbooks with embedded 4G LTE and 3G EV-DO Mobile Broadband modules offered by original equipment manufacturers (OEMs). During 2013, we continued to experience strong subscriber demand for tablets and other Internet devices, and the percentage of our retail postpaid connection base represented by connections to these devices continued to increase.

Basic Phones. Most of the basic phones we offer are 3G EV-DO-enabled and have HTML-browsing capability.

We purchase wireless devices and accessories from a number of manufacturers, with the substantial majority of our purchases made from Apple, Motorola Mobility, Samsung, LG Electronics, BlackBerry, HTC, Hitachi and Quality One Wireless (through which we purchase Pantech devices and accessories).

A key component of all wireless devices is the chipset, which contains the "intelligence" of the device. The LTE chipsets used in our 4G LTE-enabled devices are manufactured by various companies, each using its own 4G LTE chipset technology. For the manufacture and supply of our CDMA-1XRTT and EV-DO chipsets, most of our wireless device suppliers rely on Qualcomm Incorporated (Qualcomm). We also sell phones that include CDMA-1XRTT and EV-DO chipsets manufactured by VIA Telecom under license from Qualcomm. In addition, there are a number of other components common to wireless phones provided by various electronic component manufacturers that we do not deal with directly.

Strategic Initiatives

We have undertaken several initiatives to develop innovative devices, data services and applications available to run on our networks, including the following:

- *Mobile Video.* Video content is projected to account for a majority of mobile network traffic by 2018. We believe the growth in video consumption using mobile devices provides us with an opportunity for revenue growth. We have made investments in converging technologies and services involving content delivery networks, video streaming and related consumer hardware to leverage new content models. Our 4G LTE network enables us to move towards a unified video strategy that positions us to take advantage of this growth opportunity. For example, we are using Multimedia Broadcast Multicast Service technology to develop our LTE Multicast service. This service has the potential to enhance our network efficiency and provide our customers with access to live streaming video content with virtually no buffering, regardless of the number of devices using the service.
- *Mobile Commerce.* Every day, large volumes of transactions are carried across our network. As a result, we believe we are well positioned to influence and benefit from the rapid growth of the mobile commerce market that is being driven by technology advances such as the proliferations of smartphones and tablets. Isis, a mobile commerce platform, represents the first phase of our initiatives to address this opportunity. Launched in November 2013 as a joint venture with AT&T Inc. (AT&T) and T-Mobile USA, Inc. (T-Mobile USA), Isis enables customers to pay for point-of-sale purchases via their mobile phones using near field communications technology rather than paying with cash or a credit card. Known as the "ISIS Mobile Wallet," this service enables customers to organize all of their payment cards, offers and loyalty cards in one convenient application on their Isis-ready phone.
- *Innovation centers.* We operate innovation centers in Waltham, Massachusetts and San Francisco. We believe our centers serve as catalysts for the development of non-traditional devices, services and applications that take full advantage of our 4G LTE network. The centers work with many of our strategic partners representing various industries to help them quickly bring products, services, applications and solutions to market.

Network

We have the largest 4G LTE and 3G EV-DO networks of any service provider in the United States, with licensed and operational coverage in all of the 100 most populous U.S. metropolitan areas. As of January 21, 2014, our 4G LTE network covers approximately 305 million people in the U.S., including those in areas served by our LTE in Rural America program.

We strive to provide our customers with the highest network reliability for their wireless services. We design and deploy our network in an efficient manner that we believe maximizes the number of successful data sessions and completions of large file downloads and uploads while delivering on our advertised throughput speeds, and that maximizes the number of calls that are connected on the first attempt and completed without being dropped. We plan to continue to expand and upgrade our network, primarily to increase capacity, as well as explore strategic opportunities to expand our national network coverage through selective acquisitions of wireless operations and spectrum licenses.

In addition to our own network coverage, we have roaming agreements with a number of wireless service providers to enable our customers to receive wireless service in nearly all other areas in the United States where wireless service is available. We also offer a variety of international wireless voice and data services to our customers through roaming arrangements with wireless service providers outside of the United States. Certain of our roaming agreements are terminable at will by either party upon several months' notice, however, we do not believe that the termination of any of these at-will agreements would have a material adverse effect on our business.

Technology

Our primary network technology platforms are 4G LTE and 3G Code Division Multiple Access (CDMA). 4G LTE provides higher data throughput performance for data services at a lower cost compared to those offered by 3G technologies. We continue working to expand 4G LTE coverage beyond our network footprint through our LTE in Rural America Program. We currently have 20 committed program participants that have the potential to provide 4G LTE coverage to approximately three million people under the program and, to date, sixteen participants have commenced operations on such networks.

In 2012, we began testing our mobile Voice over Internet protocol (VoIP) network known as Voice over LTE (VoLTE). This technology, which is expected to be used in addition to the current voice technology, is anticipated to launch commercially in 2014.

Our 3G CDMA network is based on spread-spectrum digital radio technology. CDMA-1XRTT technology is deployed in nearly all of the cell sites in our 3G CDMA network. In addition, EV-DO, a 3G packet-based technology intended primarily for high-speed data transmission, is deployed in substantially all of the cell sites in our 3G CDMA network.

Our network includes various elements of redundancy designed to enhance the reliability of our service. Power and backhaul transport facilities can often become a network's vulnerability. Consequently, we have battery backup at every switch and every cell site in our network. We also utilize backup generators at a majority of our cell sites and at every switch location. In addition, we have a fleet of portable backup generators that can be deployed to cell sites if needed. We further enhance reliability by using a fully redundant backbone Multiprotocol Label Switching network in all critical locations.

Spectrum

The spectrum licenses we hold can be used for mobile wireless voice and data communications services. We have licenses to provide these wireless services on portions of the 800 MHz band, also known as cellular spectrum, the 1800-1900 MHz band, also known as Personal Communication Services (PCS) spectrum, and the 1700 and 2100 MHz band, also known as Advanced Wireless Services (AWS) spectrum, in areas that collectively, cover nearly all of the population of the United States. In addition, we hold licenses for portions of the 700 MHz upper C band, including ten licenses that can, together, be used to provide wireless service coverage to the entire United States and the Gulf of Mexico.

Since 2012, we have entered into several spectrum transactions including:

- In 2012, Verizon Wireless acquired AWS spectrum in separate transactions with SpectrumCo, LLC and Cox TMI Wireless, LLC for which it paid an aggregate of $3.9 billion at the time of the closings. During 2012, Verizon Wireless also completed license purchase and exchange transactions with Leap Wireless, Savary Island Wireless, which is majority owned by Leap Wireless, and a subsidiary of T-Mobile USA. As a result of these transactions, Verizon Wireless received an aggregate $2.6 billion of AWS and PCS licenses at fair value and transferred certain AWS licenses to T-Mobile USA and a 700 megahertz (MHz) lower A block license to Leap Wireless.
- During the first quarter of 2013, we completed license exchange transactions with T-Mobile License LLC and Cricket License Company, LLC, a subsidiary of Leap Wireless, to exchange certain AWS licenses. These non-cash exchanges include a number of intra-market swaps that we expect will enable Verizon Wireless to make more efficient use of the AWS band. As a result of these exchanges, we received an aggregate $0.5 billion of AWS licenses at fair value.
- During the third quarter of 2013, after receiving the required regulatory approvals, Verizon Wireless sold 39 lower 700 MHz B block spectrum licenses to AT&T in exchange for a payment of $1.9 billion and the transfer by AT&T to Verizon Wireless of AWS (10 MHz) licenses in certain markets in the western United States. Verizon Wireless also sold certain lower 700 MHz B block spectrum licenses to an investment firm for a payment of $0.2 billion. As a result, we received $0.5 billion of AWS licenses at fair value.
- During the fourth quarter of 2013, we entered into license exchange agreements with T-Mobile USA to exchange certain AWS and PCS licenses. These non-cash exchanges, which are subject to approval by the Federal Communications Commission (FCC) and other customary closing conditions, are expected to close in the first half of 2014. The exchange includes a number of swaps that we expect will result in more efficient use of the AWS and PCS bands.

- Subsequent to the transaction with T-Mobile USA in the fourth quarter of 2013, on January 6, 2014, we announced two agreements with T-Mobile USA with respect to our remaining 700 MHz A block spectrum licenses. Under one agreement, we will sell certain of these licenses to T-Mobile USA in exchange for cash consideration of approximately $2.4 billion, and under the second agreement we will exchange the remainder of these licenses for AWS and PCS spectrum licenses. These transactions are subject to the approval of the FCC as well as other customary closing conditions. These transactions are expected to close in the middle of 2014.

We anticipate we will need additional spectrum to meet future demand. This increasing demand is being driven by growth in customer connections and usage of wireless broadband services, which use more bandwidth and require ever faster rates of speed to stay competitive. We can meet spectrum needs by acquiring licenses or leasing spectrum from other licensees, or by acquiring new spectrum licenses from the FCC, if and when offered by the FCC in future spectrum auctions. Although the availability of new spectrum for commercial wireless services and the possible dates of future FCC spectrum auctions are uncertain at this time, the FCC and the current Presidential Administration have been seeking the release of additional mobile use spectrum. The FCC is expected to conduct an auction for AWS-3 spectrum in late 2014. In addition, Congress has adopted legislation that provides for the establishment of a national public safety network and the reallocation and auction, through the use of voluntary incentive auctions by 2022 of portions of the existing broadcast spectrum. The incentive auction related to the 600 MHz band is expected to take place in mid-2015, although the specific timing of the AWS-3, 600 MHz and other auctions will be determined by future regulatory proceedings.

Since we and competing wireless service providers have experienced spectrum shortages in certain markets and may have spectrum surpluses in others, we have at times exchanged spectrum licenses with other service providers through secondary market swap transactions. We expect to continue to pursue similar opportunities to trade spectrum licenses in order to meet certain of our capacity and expansion needs in the future. In other cases, Verizon Wireless has entered into intra-market spectrum swaps designed to increase the amount of contiguous spectrum within frequency bands in a specific market. Contiguous spectrum improves network performance and efficiency. These swaps, as well as any spectrum purchases are subject to obtaining governmental approvals for the transfer of spectrum licenses in each instance.

Network Equipment and Build-out

Alcatel-Lucent and Ericsson are currently our primary network vendors for our LTE network deployments for macro sites as well as small cells. Our primary CDMA cell site equipment infrastructure vendors are Alcatel-Lucent, which provides more than half of our CDMA cell site equipment, and Nokia Siemens Networks (NSN) and Ericsson, which together provide nearly all of our remaining cell site equipment. We also rely on Alcatel-Lucent, NSN and Ericsson for our switching equipment.

As we continue to build and upgrade our existing network, we must complete a variety of steps, including securing rights to a large number of sites and obtaining zoning and other governmental approvals for macro sites, small cells, in-building systems and antennas and related radio equipment that comprise distributed antenna systems. We utilize tower site management firms, such as Crown Castle International Corp. and American Tower Corporation, as lessors or managers of a portion of our existing tower sites upon which our operations depend.

Marketing and Distribution

Our marketing strategy is focused on offering solutions tailored to the needs of our various customer market groups, promoting our brand, leveraging our extensive distribution network, and jointly marketing our products and services to large business and government customers with Verizon's Wireline business units through Verizon Enterprise Solutions, a sales and marketing organization that encompasses all of Verizon's solutions for medium and large business and government customers globally. Our marketing plan includes a coordinated program of television, print, radio, outdoor signage, Internet and point-of-sale media promotions designed to present our corporate message consistently across all of our markets. We use a combination of direct, indirect and alternative distribution channels in order to increase customer growth while reducing customer acquisition costs.

Company-operated stores are a core component of our distribution strategy. Our direct channel, which includes our business-to-business sales operations and systems organization, is focused on supporting the wireless communications needs of consumers and local, regional and national business customers. In addition, we have a telemarketing sales force dedicated to handling incoming calls from customers, and we offer fully-automated, end-to-end web-based sales of wireless devices, accessories and service plans.

In November 2013, we launched our first Verizon Destination store at Mall of America in Bloomington, Minnesota. The store focuses on the mobile lifestyle and highlights the many ways consumers can use wireless technology in their daily lives. The store is part of a broader initiative that includes the redesign of our retail stores nationwide to become "smart stores." These newly

redesigned locations showcase the same mobile lifestyle zones as the Verizon Destination store but on a smaller scale. During the next few years, we plan to open additional destination stores in high traffic locations across the country. In addition, our online store and Gadgets & Gear portal have also been redesigned to deliver a consistent shopping experience for customers across browsers and mobile platforms.

Our indirect channel includes agents that sell our postpaid and prepaid wireless products and services at retail locations throughout the United States, as well as through the Internet. The majority of these agents sell both our postpaid and prepaid products and services, and do so under exclusive selling arrangements with us. We also utilize high-profile, national retailers, such as Best Buy, Wal-Mart, RadioShack and Target, to sell our postpaid and prepaid wireless products and services. Stores such as Dollar General and various drugstore chains sell our prepaid products and services. We have also entered into agency agreements with a number of broadband, video and voice service providers through which our products and services are sold on a stand-alone basis or bundled with their services.

Competition

We operate in a highly competitive industry. We compete against other national wireless service providers, including AT&T, Sprint Corporation and T-Mobile USA, as well as various regional wireless service providers. We also compete for retail activations with resellers that buy bulk wholesale service from facilities-based wireless service providers for resale, including those that buy from us. We expect competition to intensify as a result of continuing increases in wireless market penetration levels, network investment, the development and deployment of new technologies, the introduction of new products and services, new market entrants, the availability of additional spectrum, both licensed and unlicensed, and regulatory changes. Competition may also increase as smaller, stand-alone wireless service providers merge or transfer licenses to larger, better capitalized wireless service providers.

The wireless industry also faces competition from other communications and technology companies seeking to increase their brand recognition and capture customer revenue with respect to the provision of wireless products and services. For example, Microsoft, Google, Apple and others are offering alternative means for making wireless voice calls that, in certain cases, can be used in lieu of the wireless provider's voice service.

We believe that the following are the most important competitive factors in our industry:

- *Network reliability, capacity and coverage.* We believe that a wireless network that consistently provides high quality and reliable service is a key differentiator in the U.S. market and a driver of customer satisfaction. Lower prices, improved service quality and new wireless service offerings, which in many cases include video content, have led to increased customer usage of wireless services, which, in turn, puts pressure on network capacity. In order to compete effectively, wireless service providers must keep pace with network capacity needs and offer highly reliable national coverage through their networks. We believe that our 4G LTE network will help us to keep pace with network capacity requirements and meet customer demand for higher speeds.
- *Pricing.* Service and equipment pricing play an important role in the wireless competitive landscape. As the demand for wireless services continues to grow, wireless service providers are offering service plans that include unlimited voice minutes and text messages and a specific amount of data access in varying megabyte or gigabyte sizes or, in some cases, unlimited data usage. In addition, certain wireless service providers are also offering minutes-sharing plans, larger bundles of included minutes with no roaming or long distance charges, features that enable customers to place and receive calls from a group of self-designated U.S. phone numbers (including landline numbers) at no additional charge, and both prepaid and postpaid plans offering unlimited voice and data usage. Wireless service providers are also offering price plans that decouple service pricing from equipment pricing and blur the traditional boundary between prepaid and postpaid plans. In addition, some wireless service providers are offering a credit to new customers to reimburse early termination fees paid to their former wireless service provider, subject to certain limitations.

  We seek to compete in this area by offering our customers price plans for our services, as well as equipment offers, that they will regard as the best available value for the price.
- *Customer service.* We believe that high-quality customer service is a key factor in retaining customers and attracting new customers, including those of other wireless providers. Our customer service, retention and satisfaction programs are based on *providing customers with convenient and easy-to-use products and services in order to promote long-term relationships* and minimize churn. Our competitors also recognize the importance of customer service and are also focused on improving in this area.
- *Product and service development.* As wireless technologies develop and wireless broadband networks proliferate, continued customer and revenue growth will be increasingly dependent on the development of new and enhanced data products and services. We continue to pursue the development and rapid deployment of new and innovative wireless products and services both independently and in collaboration with application service providers. We also collaborate with various device manufacturers in the development of distinctive smartphones and other wireless devices that can access the growing array of data applications and content available over the Internet. We continue to focus on increasing smartphone penetration throughout our customer base.
- *Sales and distribution.* Key to achieving sales success in the wireless industry is the reach and quality of sales channels and distribution points. We believe that attaining the optimal combination of varying distribution channels is important to achieving industry-leading profitability, as measured by operating income. We endeavor to increase sales through our company-operated stores, outside sales teams and telemarketing and web-based sales and fulfillment capabilities, as well as through our extensive indirect distribution network of retail outlets and prepaid replenishment locations and netbook and notebook OEMs. In addition, we sell network access to both traditional resellers, which resell network services to their end-

users, and to various companies to enable wireless communications for their M2M devices or for their provision of telematics services.

- *Capital resources.* In order to expand the capacity and coverage of their networks and introduce new products and services, wireless service providers require significant capital resources. We generate significant cash flow from operations, as do some of our competitors.

Our success will depend on our ability to anticipate and respond to various factors affecting the wireless industry, including the factors described above, as well as new technologies, new business models, changes in customer preferences, regulatory changes, demographic trends, economic conditions and pricing strategies of competitors.

Wireline

Background

Our Wireline segment provides voice, data and video communications products and enhanced services including broadband video and data, corporate networking solutions, data center and cloud services, security and managed network services and local and long distance voice services. We provide these products and services to consumers in the United States, as well as to carriers, businesses and government customers both in the United States and in over 150 other countries around the world. In 2013, Wireline revenues were $39.2 billion, representing approximately 33% of Verizon's aggregate revenues.

Wireline Service and Product Offerings

We organize our service and product offerings by the primary customers targeted by these offerings – *mass markets*, global enterprise and global wholesale.

In 2012, Verizon acquired HUGHES Telematics, Inc. (HUGHES Telematics). The acquisition has accelerated our ability to bring more telematics offerings to market for existing and new customers. These offerings include our suite of real-time vehicle communications services and applications which connect automobiles with content, applications and services. We provide services to new vehicles in the United States and in 2013, we extended our agreement with two auto manufacturers to provide services for new vehicles in China and in Europe. See "Strategic Initiatives – Verizon Telematics" for additional information.

During 2011, we enhanced our offerings of cloud services by acquiring Terremark Worldwide Inc. (Terremark), a global provider of information technology infrastructure and cloud services, and by acquiring a provider of cloud software technology. These acquisitions improved Verizon's competitive position in the managed hosting and cloud services space, enhanced our offerings to business and government customers globally and contributed to our growth in revenues.

Mass Markets

Mass Markets operations provide broadband services (including high-speed Internet, FiOS Internet and FiOS Video services), local exchange (basic service and end-user access) and long distance (including regional toll) voice services to residential and small business subscribers. In 2013, Mass Markets revenues were $17.3 billion, representing approximately 44% of Wireline's aggregate revenues.

Data services. We offer FiOS broadband and high-speed Internet data products with varying downstream and upstream processing speeds, including FiOS Quantum. With FiOS Quantum, customers can achieve download speeds up to 500 megabytes per second (Mbps) and upload speeds up to 100 Mbps. We believe that as consumers power more devices and stream more video, they will require increased broadband speeds. As of December 31, 2013, approximately 45% of our FiOS Internet subscribers subscribe to FiOS Quantum.

Video Services. We offer video service over our fiber-optic network. As of December 31, 2013, FiOS Video is available to approximately 15 million homes across 12 states, as well as the District of Columbia. We believe FiOS Video has features that differentiate it from the competition, including its channel line-up, Interactive Media Guide, Home Media DVR and breadth of high definition content, as well as the following:

- *Flex View* – With Flex View, FiOS customers can watch content anytime, anywhere, on any device. Customers who subscribe to FiOS Video and Internet also have the ability to upload their photos, music and videos to their personal Flex View Library, which gives them easy access to this content via any data-capable device. The HBO GO offering provides customers with *unlimited access to HBO programming on any data-capable device. Verizon's FiOS Video subscribers can also access Turner* Broadcasting's online programming directly on the TBS and TNT sites and through Verizon FiOS Video Online. In addition, through FiOS TV Widgets, viewers have one-touch, on demand access to local weather, traffic and community information and popular social media applications such as Facebook, YouTube and Twitter, as well as online commerce opportunities. The widget platform has evolved in an open-development environment, which provides opportunities for third parties to develop enhanced customer features via the FiOS Video product.
- *Customer Premise Equipment interoperability* – We continue to partner with major corporations to offer further interoperability with various products such as video game consoles, smart televisions and tablets. This technology further expands our initiative to provide customers with the ability to watch content anytime, anywhere, on any data-capable device.

Voice services. We offer voice services that include local exchange, regional, long distance, wire maintenance and voice messaging services, as well as VoIP services, which use the Internet or private broadband networks to transmit voice

Global Enterprise

Global Enterprise offers Strategic services, including networking products and solutions, advanced communications services, and other core communications services to medium and large business customers, including multinational corporations, as well as state and federal government customers. Global Enterprise jointly markets these services with Verizon's other business units through Verizon Enterprise Solutions. In 2013, Global Enterprise revenues were $14.7 billion, representing approximately 38% of Wireline's aggregate revenues.

Strategic services. Strategic services consist of networking products and solutions, advanced communication services for voice and video, and security, infrastructure and cloud services.

Networking products and solutions primarily include:

- *Private IP* – This service, built on multiprotocol label switching, enables customers to leverage the efficiency, performance and value of IP in a secure manner. Our Private IP network allows customers to communicate over a private, secure network in more than 120 countries using a variety of access methods, including Ethernet and Verizon Wireless 4G LTE.
- *Other corporate networking services* – Other services primarily include Ethernet access and ring services. Ethernet services allow customers to connect network environments around the world and enable applications and technologies to work seamlessly and with little disruption. Ring services include technologies that help customers handle bandwidth demands and control their costs.

Advanced communication services primarily include:

- *IP communications* – Our IP communications services simplify network management and drive operational efficiencies by enabling the convergence of voice and data traffic on the same access connection.
- *Infrastructure and cloud services* – Our infrastructure and cloud services include Infrastructure as a Service (IaaS) and managed hosting services that provide enterprise customers with data center, computing, data storage and network facilities, connectivity, security, architecture and support. data center colocation services that house and protect customers' critical applications and systems, including several facilities that offer extensive carrier neutral options, application management services that provide customers with comprehensive monitoring and management of applications, and advanced enterprise-class cloud services that provide organizations with the ability to virtualize IT resources such as computing, memory and storage, enabling their constituents to produce, store, process, consume and share information.
- *Machine-to-Machine (M2M) Services* – Our acquisition of HUGHES Telematics in July 2012 provided a technology platform that we are leveraging in M2M markets, which has enabled us to further develop strategic partnerships in the automotive, transportation, energy, health monitoring, education and insurance industries. M2M services permit customers to connect and monitor equipment, such as medical devices, fleet management devices and utility monitoring devices. We believe that these services, which are enabled on a large scale by 4G LTE wireless technology, have the ability to reshape the way businesses operate and the way consumers interact with devices around them. Verizon offers platform-based solutions tailored to specific industries to enable value creation and new commercial business models. Our goal is to be a leader in implementing the next generation of connected services for vehicles, centered on a core platform of safety, security, fleet management, convenience and other offerings targeting commercial fleet operators, individual consumers and other customers.
- *Security* – We provide integrated solutions to help companies secure their networks and data through the following services:
  - *Security professional services* – Security consultants that construct security plans tailored to the needs of our customers.
  - *Governance, risk and compliance* – Allows customers to assess risk levels based on current security controls and develop plans to address security-related compliance objectives.
  - *Identity management* – Provides identity-based access management for customer data, application and systems across multiple IT environments.
  - *Managed security* – We design, implement, and maintain a secure IT infrastructure for our clients and help them prevent, detect, and report security threats.
- *Other advanced communications services* – Other services primarily include dedicated Internet access, which provides enterprise customers with high-bandwidth dedicated access to Verizon's global network; unified communications and collaboration capabilities, which enable customers to communicate in real time through VoIP and IP conferencing; and emergency communication services, which allow customers to respond effectively to emergencies while maintaining business continuity.

Core services. Core services include core voice and data services, which consist of a comprehensive portfolio of global solutions utilizing traditional telecommunications technology, such as conferencing and contact center solutions, and private line and data access networks. Core services also include providing customer premise equipment installation, maintenance and site services. We are continuing to transition customers out of historical core services such as Frame Relay and Asynchronous Transfer Mode services.

Global Wholesale

Global Wholesale provides communications services including data, voice, local dial tone and broadband services primarily to local, long distance and other carriers that use our facilities to provide services to their customers. In 2013, Global Wholesale revenues were $6.7 billion, representing approximately 17% of Wireline's aggregate revenues. A portion of Global Wholesale revenues is generated by a few large telecommunications companies, most of which compete directly with us.

Global Wholesale provides the following services, which it jointly markets with Verizon's other business units through Verizon Enterprise Solutions:

- *Data services.* We offer a robust portfolio of data services with varying speeds and options to enhance our wholesale customers' networks and provide connections to their end users and subscribers. Our data services include high-speed digital data offerings, such as Ethernet and Synchronous Optical Network, as well as core data circuits, such as DS1s and DS3s. In addition, data services include special access revenues that are generated from carriers that buy dedicated local exchange capacity to support their private networks.

  New Ethernet connectivity in the United States represents the largest data growth opportunity in wholesale as we pursue our technology upgrade initiative and customers look to the future and higher capacity demands. These customers are also migrating networks from time division multiplexing to Ethernet, which will better scale and service the growth of broadband services driven by smartphones, mobile broadband and mobile video. Global Wholesale offers a complete suite of services to support the expansion of 4G and 3G networks.

  Data services also include certain value-added business services, which leverage many of the same offerings available in the Global Enterprise portfolio, including:
  - *Managed services* - Offers wholesale customers the opportunity to outsource the management of their networks, security, remote access, and web applications to Verizon.
  - *Mobility* – Enables wholesale customers to enhance their portfolio to triple-play or quad-play capability by leveraging wireless devices and services offered through Verizon Wireless and packaged and resold under their own carrier brand, and
  - *Security* – Provides wholesale customers integrated solutions to help their enterprise end-users secure their networks and data.
- *Voice services.* We provide switched access services that allow carriers to complete their end-user calls that originate or terminate within our territory.
- *Local services.* We offer an array of local dial tone and broadband services to competitive local exchange carriers, some of which are offered to comply with telecommunications regulations. In addition, we offer services such as colocation, resale and unbundled network elements in compliance with applicable regulations.

Other

Other services include such services as local exchange and long distance services derived from former MCI mass market customers and operator services. In 2013, Other revenues were $0.5 billion, representing approximately 1% of Wireline's aggregate revenues.

Strategic Initiatives

Technology developments, interconnected markets, shifting consumer needs and converging industry ecosystems are creating innovative opportunities for Verizon. Our vision is to be a globally-connected solutions company. Our market solutions are designed to deliver best-in-class products and services, strengthen our competitive advantage in the marketplace and drive a high-quality experience for our customers. To take advantage of these market trends, we have undertaken several strategic initiatives to further develop innovative products and services and enhance our market agility in the following areas of focus:

- *Broadband.* Customers are increasingly consuming large amounts of broadband data as connected devices and associated online applications continue to experience significant growth. U.S. broadband usage has more than doubled in the past two years and we expect broadband usage to continue to increase. Our FiOS network positions us in the industry with leading broadband speeds and reliability. Broadband represents a growth opportunity for us as the use of over-the-top video, user generated content and data, and connected homes and devices continue to accelerate.
- *Consumer and Enterprise Video.* Our FiOS Video service continues to experience consumer growth. We are enhancing our FiOS service by providing customers with increasing mobility options to view content in and out of the home to meet the demand for video consumption anywhere and at any time.
- *Cloud Services.* Capitalizing on market growth in cloud services and on enterprise trends toward outsourcing IT infrastructure and services, Verizon introduced an evolutionary cloud platform built for speed and performance, using our own software-based intellectual property and enterprise-grade reliability. Verizon Cloud Compute and Cloud Storage adopt a new approach to how public clouds are built, enabling customers of all sizes to take advantage of the agility and economic benefit of a generic public

cloud along with the reliability and scale of an enterprise-level service, while maintaining control of performance Virtual machines (software-based computers and servers) can be created and deployed in seconds, and users build and pay for what they need

Our cloud infrastructure also enables real-time analytical capabilities for our M2M customers, providing an end-to-end capability where customers can store, process and analyze large amounts of data on a real-time basis Our cloud infrastructure also has the ability to handle multiple instances of an application providing global support and availability of the applications without increased latency The integration of our cloud infrastructure with our telematics assets provides our customers with new and innovative service capabilities that are scalable, and which we believe are operationally superior to other bifurcated approaches

- *Security* With new technologies changing how enterprises do business, the cyber security landscape continues to evolve We believe that businesses are making business and customer data protection one of their highest priorities in order to protect their brand and enhance customer loyalty We believe that Verizon has an advantage in its ability to reduce cyber risks and mitigate the damaging impact of advanced cyber attacks due to the volume of traffic carried globally on our networks We will continue to advance our portfolio of forensics services and managed security services, building new capabilities to identify risks and threats and expanding our IT Security professional services and outsourcing
- *Verizon Telematics* Our suite of real-time vehicle communications services and applications connects automobiles with content, services and call centers Our platform enables factory installed and aftermarket automotive safety and security as well as location-based services and vehicle diagnostics We provide usage-based data services to new vehicles in the United States and in 2013 we extended our agreement with two auto manufacturers to provide services for new vehicles in China and in Europe Through our In-Drive solution, we have partnered with a major automotive insurance provider to deliver usage-based insurance programs and other connected applications Our NetworkFleet solution provides commercial fleet managers throughout North America with real-time access to data that yields operational efficiencies, increased vehicle reliability and improved driver safety We also provide this service to approximately 18,000 vehicles operated by Verizon We are further expanding our telematics portfolio to add asset tracking capabilities

In addition to these strategic areas of focus, we are investing in Verizon Labs and the Software Center of Excellence to support software development and architecture as well as development stage products and services We believe these investments will assist us in bringing innovative next-generation products and services to market and uncover new sources of revenue increase revenue of existing projects and leverage our strengths across the company

Network

To provide services to our customers, we operate an advanced telecommunications network in the United States and around the world

- *FiOS* Our goal is to distinguish FiOS as a premier residential broadband service in the United States As of December 31, 2013, our FiOS service passed over 18 5 million premises and our latest FiOS Quantum service offerings now provide download speeds up to 500 Mbps and upload speeds up to 100 Mbps New services such as the FiOS Mobile App are also extending our TV experience to a host of mobile devices We expect bandwidth demands to grow with the continued emergence of new video and data applications and the proliferation of IP devices in the home

  The Passive Optical Network technology upon which the FiOS network is deployed positions Verizon to meet growing bandwidth requirements Our network architecture provides the flexibility to adapt our facilities more easily to future product development For example, new optical terminals can be added to the fiber-to-the-premise network providing greater bandwidth and new services without any additional field construction Select field trials have successfully achieved connection speeds of nearly one gigabit per second (Gbps), and when a more advanced next-generation technology has been connected to the fiber-optic network, connection speeds of 10 Gbps have been reached, demonstrating the significant growth capacity built into the FiOS platform

  Additionally, this advanced optical network is also finding increased application opportunities in the business sector, especially as the industry seeks to migrate to Ethernet-based access services
- *Global IP* Verizon owns and operates one of the largest global fiber networks with long haul, metro and submarine cable assets providing connectivity to customers in over 150 countries Verizon's global network encompasses over 830,000 route miles of terrestrial and undersea cable, serving the business community to support and enable far reaching international operations

  Global IP traffic has increased substantially over the last five years and is expected to continue to grow significantly This global business is also rapidly evolving to an "everything-as-a-service" model in which business customers seek cloud-based, converged enterprise solutions delivered securely via managed and professional services With the continued deployment of its packet optical transport strategy, Verizon is creating a single, high-capacity global network platform that combines optical transport with advanced packet switching technology The result is a global IP network that can offer powerful solutions to these service demands

  Although overall Wireline capital expenditures declined in 2013 compared to 2012 primarily as a result of decreased legacy spending requirements and a decline in spending on our FiOS network, we furthered our Global IP network expansion initiatives into Europe, Asia, Africa and South America as well as the continued deployment of the industry's first commercial 100G Gbps technology on U S and European backbone routes More than 13,000 100G Ultra-Long-Haul route miles were added to the global IP network in 2013, and we plan to further extend our 100G technology in 2014

We believe that our continued focus on advancing our fiber-based networks and achieving cost efficient solutions through new technology deployments will help Verizon advance its position as a provider of choice to residential and enterprise customers

Competition

The wireline telecommunications industry is highly competitive We expect competition to intensify further with traditional, non-traditional and emerging players seeking increased market share Current and potential competitors include cable companies, wireless service providers, other domestic and foreign telecommunications providers, satellite television companies, Internet service providers and other companies that offer network services and managed enterprise solutions

In addition, companies with a global presence increasingly compete with our wireline businesses A relatively small number of telecommunications and integrated service providers with global operations serve customers in the global enterprise and, to a lesser extent, global wholesale markets We compete with these full or near-full service providers for large contracts to provide integrated services to global enterprises Many of these companies have a strong market presence, brand recognition, and existing customer relationships all of which contribute to intensifying competition and which may affect our future revenue growth

We believe the following are the most important competitive factors and trends in the wireline industry

- *Customer service* Customers expect industry-leading service from their service providers As technologies and services evolve, the ability to excel in this area is very important for customer acquisition and retention In Mass Markets, we compete in this area through our service representatives and online support In Global Enterprise, we provide our customers with ready access to their system and performance information, and we conduct proactive testing of our network to identify issues before they affect customers In the wholesale business we believe service improvement can be achieved through continued system automation initiatives
- *Network reliability and bandwidth (speed)* As both consumers and small business customers look to leverage high-speed connections for entertainment, communications and productivity, we expect broadband penetration will continue to increase over the next several years As online and online-enabled activities increase, so will bandwidth requirements, both downstream and upstream To succeed we and other network-based providers must ensure that our networks can deliver against these increasing bandwidth requirements We continue to invest in our network to be able to meet this future demand In addition, network reliability and security are increasingly important competitive factors in the global enterprise market
- *Pricing* Cable, telecommunications companies and integrated service providers use pricing to capture market share from incumbents Pricing is also a significant factor as non-traditional modes of providing communication services emerge and new entrants compete for customers For example, VoIP and portal-based calling is free or nearly free to customers and is often supported by advertising revenues
- *Product differentiation* As a result of pricing pressures, providers need to differentiate their products and services Customers are shifting their focus from access to applications and are seeking ways to leverage their broadband and video connections Converged features, such as integrated wireless and wireline functionality, are becoming similarly important, driven by both customer demand and technological advancement

In the Mass Markets business, cable operators are significant competitors Cable operators have increased the size and digital capacity of their networks so that they can offer digital products and services We continue to market competitive bundled offerings that include high-speed Internet access, digital television and voice services Several major cable operators also offer bundles with wireless services through strategic relationships

In addition, wireless substitution is an ongoing competitive trend which we expect to continue as wireless companies position their service as a landline alternative We also face increasing competition from cable companies and other providers of VoIP services as well as Internet portal providers

As a result of the Telecommunications Act of 1996, which requires us to allow potential competitors to purchase our services for resale or access components of our network on an unbundled basis at a prescribed cost, competition in our local exchange markets continues Our telephone operations generally have been required to sell their services to competitive local exchange carriers at significant discounts from the prices our telephone operations charge their retail customers The scope of these obligations going forward and the rates we receive are subject to ongoing review and revision by the FCC and state regulators (See "Regulatory and Competitive Trends" in the 2013 Verizon Annual Report to Shareowners)

In the global enterprise market, the customer's need to reduce technical complexity coupled with the growth opportunity created by technology convergence is driving the expansion of the competitive landscape Major competitors include system integrators, carriers and hardware and software providers Some of the biggest companies in IT services are either making acquisitions or forging new alliances to be better positioned for a rebound in technology spending Most new alliances and acquisitions have focused on emerging fields such as cloud computing, software delivery, communication applications and other computing tasks

via the network, rather than on in-house machines. Carriers have also utilized acquisitions to make significant inroads into enterprise outsourcing markets that have long been dominated by the major IT outsourcers.

Global Wholesale competes with traditional carriers for long-haul, voice and IP services. In addition, mobile video and data needs are driving a greater need for wireless backhaul. Network providers, cable companies and niche players are competitors for this new revenue opportunity.

Patents, Trademarks and Licenses

Verizon owns or has licenses to various patents, copyrights, trademarks, domain names and other intellectual property rights necessary to conduct our business. We actively pursue the filing and registration of patents, copyrights, domain names, trademarks and service marks to protect our intellectual property rights within the United States and abroad. Verizon also actively grants licenses, in exchange for appropriate fees or other consideration and subject to appropriate safeguards and restrictions, to other companies that enable such companies to utilize certain Verizon intellectual property rights and proprietary technology as part of their products and services. Such licenses enable such third party licensees to take advantage of the results of Verizon's research and development efforts. While these licenses result in valuable consideration being paid to Verizon, we do not believe that loss of such consideration, or the expiration of any of our intellectual property rights, would have a material effect on our results of operations.

Verizon periodically receives offers from third parties to purchase or obtain licenses for patents and other intellectual property rights in exchange for royalties or other payments. We also periodically receive notices alleging that our products or services infringe on third party patents or other intellectual property rights. These claims, whether against us directly or against third-party suppliers of products or services that we, in turn, sell to our customers, if successful, could require us to pay damages or royalties, or cease offering the relevant products or services.

Acquisitions and Divestitures

"Acquisitions and Divestitures" on pages 32 through 33 of the 2013 Verizon Annual Report to Shareowners is incorporated by reference into this report.

Regulatory and Competitive Trends

"Regulatory and Competitive Trends" included in "Other Factors That May Affect Future Results" on pages 34 through 35 of the 2013 Verizon Annual Report to Shareowners is incorporated by reference into this report.

Environmental Matters

"Environmental Matters" included in "Other Factors That May Affect Future Results" on page 35 of the 2013 Verizon Annual Report to Shareowners is incorporated by reference into this report.

Executive Officers

See Part III, Item 10 "Directors, Executive Officers and Corporate Governance" of this Annual Report on Form 10-K for information about our executive officers.

Employees

As of December 31, 2013, Verizon and its subsidiaries had approximately 176,800 employees. Unions represent approximately 28% of our employees.

Information on Our Internet Website

We make available, free of charge on our website, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports at www.verizon.com/investor. Verizon has adopted a code of ethics, as that term is defined in Item 406(b) of Regulation S-K, which applies to our Chief Executive Officer, Chief Financial Officer and Controller. A copy of this code may be found on our website at www.verizon.com/investor. Any amendments to this code or any waiver of this code for any executive officer will be posted on that website.

Cautionary Statement Concerning Forward-Looking Statements

In this report we have made forward-looking statements. These statements are based on our estimates and assumptions and are subject to risks and uncertainties. Forward-looking statements include the information concerning our possible or assumed future results of operations. Forward-looking statements also include those preceded or followed by the words "anticipates," "believes," "estimates," "hopes" or similar expressions. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

The following important factors, along with those discussed elsewhere in this report and in other filings with the Securities and Exchange Commission (SEC), could affect future results and could cause those results to differ materially from those expressed in the forward-looking statements:

- the ability to realize the expected benefits of the Wireless Transaction in the timeframe expected or at all,
- an adverse change in the ratings afforded our debt securities by nationally accredited ratings organizations or adverse conditions in the credit markets affecting the cost, including interest rates, and/or availability of, further financing,
- significantly increased levels of indebtedness as a result of the Wireless Transaction,
- changes in tax laws or treaties, or in their interpretation,
- adverse conditions in the U.S. and international economies,
- material adverse changes in labor matters, including labor negotiations, and any resulting financial and/or operational impact,
- material changes in technology or technology substitution,
- disruption of our key suppliers' provisioning of products or services,
- changes in the regulatory environment in which we operate, including any increase in restrictions on our ability to operate our networks,
- breaches of network or information technology security, natural disasters, terrorist attacks or acts of war or significant litigation and any resulting financial impact not covered by insurance,
- the effects of competition in the markets in which we operate,
- changes in accounting assumptions that regulatory agencies, including the SEC, may require or that result from changes in the accounting rules or their application, which could result in an impact on earnings,
- significant increases in benefit plan costs or lower investment returns on plan assets, and
- the inability to implement our business strategies.

The following discussion of "Risk Factors" identifies the most significant factors that may adversely affect our business, operations, financial condition or future performance. This information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Result of Operations" and the consolidated financial statements and related notes. The following discussion of risks is not all-inclusive but is designed to highlight what we believe are important factors to consider when evaluating our business and expectations. These factors could cause our future results to differ materially from our historical results and from expectations reflected in forward-looking statements.

Adverse conditions in the U.S. and international economies could impact our results of operations.

Unfavorable economic conditions, such as a recession or economic slowdown in the United States or elsewhere, could negatively affect the affordability of and demand for some of our products and services. In difficult economic conditions, consumers may seek to reduce discretionary spending by forgoing purchases of our products, electing to use fewer higher margin services or obtaining lower-cost products and services offered by other companies. Similarly, under these conditions, the business customers that we serve may delay purchasing decisions, delay full implementation of service offerings or reduce their use of services. In addition, adverse economic conditions may lead to an increased number of our consumer and business customers that are unable to pay for services. If these events were to occur, it could have a material adverse effect on our results of operations.

We face significant competition that may reduce our profits.

We face significant competition in our industry. The rapid development of new technologies, services and products has eliminated many of the traditional distinctions among wireless, cable, Internet, local and long distance communication services and brought new competitors to our markets, including other telephone companies, cable companies, wireless service providers, satellite providers, application and device providers, electric utilities and providers of VoIP services. While these changes have enabled us to offer new types of products and services, they have also allowed other providers to broaden the scope of their own competitive offerings. Our ability to compete effectively will depend on, among other things, our network quality, capacity and coverage, the pricing of our products and services, the quality of our customer service, our development of new and enhanced products and services, the reach and quality of our sales and distribution channels and our capital resources. It will also depend on how successfully we anticipate and respond to various factors affecting our industry, including new technologies and business models, changes in consumer preferences and demand for existing services, demographic trends and economic conditions. If we are not able to respond successfully to these competitive challenges, we could experience reduced profits.

If we are not able to adapt to changes in technology and address changing consumer demand on a timely basis, we may experience a decline in the demand for our services, be unable to implement our business strategy and experience reduced profits.

Our industry is experiencing rapid change as new technologies are developed that offer consumers an array of choices for their communications needs. In order to grow and remain competitive, we will need to adapt to future changes in technology, enhance our existing offerings and introduce new offerings to address our customers' changing demands. If we are unable to meet future challenges from competing technologies on a timely basis or at an acceptable cost, we could lose customers to our competitors. We may not be able to accurately predict technological trends or the success of new services in the market. In addition, there could be legal or regulatory restraints on our introduction of new services. If our services fail to gain acceptance in the marketplace, or if costs associated with implementation and completion of the introduction of these services materially increase, our ability to retain and attract customers could be adversely affected.

In addition to introducing new technologies and offerings, we must phase out outdated and unprofitable technologies and services. If we are unable to do so on a cost-effective basis, we could experience reduced profits. In addition, there could be legal or regulatory restraints on our ability to phase out current services.

We depend on key suppliers and vendors to provide equipment that we need to operate our business.

We depend on various key suppliers and vendors to provide us, directly or through other suppliers, with equipment and services, such as switch and network equipment and handsets, that we need in order to operate our business and provide products to our customers. For example, our handset and other device suppliers often rely on one vendor for the manufacture and supply of critical components, such as chipsets, used in their devices. If these suppliers or vendors fail to provide equipment or service on a timely basis or fail to meet our performance expectations, we may be unable to provide products and services as and when requested by our customers. We also may be unable to continue to maintain or upgrade our networks. Because of the costs and time lags that

can be associated with transitioning from one supplier to another, our business could be substantially disrupted if we were required to, or chose to replace the products or services of one or more major suppliers with products or services from another source, especially if the replacement became necessary on short notice Any such disruption could increase our costs, decrease our operating efficiencies and have a material adverse effect on our business, results of operations and financial condition

The suppliers and vendors on which we rely may also be subject to litigation with respect to technology on which we depend, including litigation involving claims of patent infringement Such claims have been growing rapidly in the communications industry We are unable to predict whether our business will be affected by any such litigation We expect our dependence on key suppliers to continue as we develop and introduce more advanced generations of technology

Changes in the regulatory framework under which we operate could adversely affect our business prospects or results of operations.

Our domestic operations are subject to regulation by the FCC and other federal, state and local agencies, and our international operations are regulated by various foreign governments and international bodies These regulatory regimes frequently restrict or impose conditions on our ability to operate in designated areas and to provide specified products or services We are frequently required to maintain licenses for our operations and conduct our operations in accordance with prescribed standards We are often involved in regulatory and other governmental proceedings related to the application of these requirements It is impossible to predict with any certainty the outcome of pending federal and state regulatory proceedings relating to our operations, or the reviews by federal or state courts of regulatory rulings Without relief, existing laws and regulations may inhibit our ability to expand our business and introduce new products and services Similarly, we cannot guarantee that we will be successful in obtaining the licenses needed to carry out our business plan or in maintaining our existing licenses For example, the FCC grants wireless licenses for terms generally lasting 10 years, subject to renewal The loss of, or a material limitation on, certain of our licenses could have a material adverse effect on our business, results of operations and financial condition

New laws or regulations or changes to the existing regulatory framework at the federal, state and local, or international level could restrict the ways in which we manage our wireline and wireless networks impose additional costs, impair revenue opportunities and potentially impede our ability to provide services in a manner that would be attractive to us and our customers For example, certain services could be subject to conflicting regulation by the FCC and/or various state and local authorities, which could significantly increase the cost of implementing and introducing new services As another example we hold certain wireless licenses that require us to comply with so-called 'open access' FCC regulations, which generally require licensees of particular spectrum to allow customers to use devices and applications of their choice In addition, our broadband Internet access services are subject to various attempts to impose so-called "network neutrality" rules some of which were affirmed and others vacated on appeal in early 2014 Proponents of these rules want to limit the ways that a broadband Internet access service provider can structure business arrangements and manage its network The further regulation of broadband, wireless, and our other activities and any related court decisions could restrict our ability to compete in the marketplace and limit the return we can expect to achieve on past and future investments in our networks

Cyber attacks or other breaches of network or information technology security could have an adverse effect on our business

Cyber attacks or other breaches of network or information technology (IT) security may cause equipment failures or disruptions to our operations Our inability to operate our wireline or wireless networks as a result of such events, even for a limited period of time, may result in significant expenses and/or loss of market share to other communications providers In addition, the potential liabilities associated with these events could exceed the insurance coverage we maintain Cyber attacks which include the use of malware, computer viruses and other means for disruption or unauthorized access, on companies including Verizon, have increased in frequency, scope and potential harm in recent years While to date, we have not been subject to cyber attacks or other cyber incidents which, individually or in the aggregate, have been material to our operations or financial condition, the preventive actions we take to reduce the risk of cyber incidents and protect our information technology and networks may be insufficient to repel a major cyber attack in the future The costs associated with a major cyber attack on Verizon could include expensive incentives offered to existing customers and business partners to retain their business, increased expenditures on cyber security measures, lost revenues from business interruption and litigation Further, certain of Verizon's businesses, including the provisioning of security solutions and infrastructure and cloud services to business customers, could be negatively affected if our ability to protect our own networks is called into question as a result of a cyber attack In addition, if we fail to prevent the theft of valuable information such as financial data, sensitive information about Verizon and intellectual property, or if we fail to protect the privacy of customer and employee confidential data against breaches of network or IT security, it could result in damage to our reputation, which could adversely impact customer and investor confidence Any of these occurrences could result in a material adverse effect on our results of operations and financial condition

Natural disasters, terrorist acts or acts of war could cause damage to our infrastructure and result in significant disruptions to our operations.

Our business operations are subject to interruption by natural disasters, power outages, terrorist attacks, other hostile acts and events beyond our control Such events could cause significant damage to our infrastructure upon which our business operations rely, resulting in degradation or disruption of service to our customers While we maintain insurance coverage for some of these events, the potential liabilities associated with these events could exceed the insurance coverage we maintain Our system redundancy may be ineffective or inadequate, and our disaster recovery planning may not be sufficient for all eventualities These events could also damage the infrastructure of the suppliers that provide us with the equipment and services we need to operate our business and provide products to our customers A natural disaster or other event causing significant physical damage could cause us to experience substantial losses resulting in significant recovery time and expenditures to resume operations In addition these occurrences could result in lost revenues from business interruption as well as damage to our reputation

Verizon's debt has increased significantly and could increase further if Verizon incurs additional debt in the future and does not retire existing debt

As of December 31, 2013, Verizon had approximately $93 6 billion of outstanding indebtedness, as well as approximately $6 1 billion of unused borrowing capacity under its existing credit facility Since that date, Verizon has incurred $20 3 billion of additional indebtedness and became entitled to draw upon an additional $2 billion of borrowing capacity under a 364-day revolving credit agreement Verizon's debt level and related debt service obligations could have negative consequences, including

- requiring Verizon to dedicate significant cash flow from operations to the payment of principal, interest and other amounts payable on its debt and the preferred stock issued by the entity acquired from Vodafone, which would reduce the funds Verizon has available for other purposes, such as working capital, capital expenditures and acquisitions,

- making it more difficult or expensive for Verizon to obtain any necessary future financing for working capital capital expenditures, debt service requirements debt refinancing, acquisitions or other purposes,
- reducing Verizon s flexibility in planning for or reacting to changes in its industry and market conditions,
- making Verizon more vulnerable in the event of a downturn in its business, and
- exposing Verizon to increased interest rate risk given that a portion of its debt obligations are at variable interest rates

In addition, the term loan agreement Verizon entered into in connection with the Wireless Transaction requires Verizon to maintain a certain leverage ratio unless Verizon's credit ratings are at or above a certain level, which could limit Verizon's ability to obtain additional financing in the future

Adverse changes in the credit markets could increase our borrowing costs and the availability of financing

We require a significant amount of capital to operate and grow our business We fund our capital needs in part through borrowings in the public and private credit markets Adverse changes in the credit markets, including increases in interest rates, could increase our cost of borrowing and/or make it more difficult for us to obtain financing for our operations or refinance existing indebtedness In addition, our borrowing costs can be affected by short- and long-term debt ratings assigned by independent rating agencies, which are based, in significant part, on our performance as measured by customary credit metrics A decrease in these ratings would likely increase our cost of borrowing and/or make it more difficult for us to obtain financing A severe disruption in the global financial markets could impact some of the financial institutions with which we do business, and such instability could also affect our access to financing

Increases in costs for pension benefits and active and retiree healthcare benefits may reduce our profitability and increase our funding commitments.

With approximately 176,800 employees and approximately 209,000 retirees as of December 31 2013 eligible to participate in Verizon's benefit plans, the costs of pension benefits and active and retiree healthcare benefits have a significant impact on our profitability Our costs of maintaining these plans, and the future funding requirements for these plans, are affected by several factors, including the continuing implementation of the provisions of the Patient Protection and Affordable Care Act and the Health Care Education Reconciliation Act of 2010 increases in healthcare costs, decreases in investment returns on funds held by our pension and other benefit plan trusts and changes in the discount rate used to calculate pension and other postretirement expenses If we are unable to limit future increases in the costs of our benefit plans, those costs could reduce our profitability and increase our funding commitments

A significant portion of our workforce is represented by labor unions, and we could incur additional costs or experience work stoppages as a result of the renegotiation of our labor contracts.

As of December 31, 2013, approximately 28% of our workforce was represented by labor unions We are currently engaged in contract negotiations with labor unions representing approximately 2,900 employees of our wireline business, and we will engage in additional negotiations as other labor contracts expire in the future Depending on the outcome of these negotiations we could incur additional costs and/or experience lengthy work stoppages, which could adversely affect our business operations, including causing a loss of revenue and strained relationships with customers

We are subject to a significant amount of litigation, which could require us to pay significant damages or settlements

Our business faces a substantial amount of litigation, including, from time to time patent infringement lawsuits antitrust class actions, wage and hour class actions personal injury claims and lawsuits relating to our advertising, sales, billing and collection practices In addition, our wireless business also faces personal injury and consumer class action lawsuits relating to alleged health effects of wireless phones or radio frequency transmitters, and class action lawsuits that challenge marketing practices and disclosures relating to alleged adverse health effects of handheld wireless phones We may incur significant expenses in defending these lawsuits In addition, we may be required to pay significant awards or settlements

Sales of shares of Verizon common stock after the completion of the Wireless Transaction may cause the market price of Verizon common stock to fall.

As of December 31, 2013, Verizon had approximately 2 86 billion shares of common stock outstanding Verizon issued approximately 1 27 billion shares of Verizon common stock in connection with the Wireless Transaction The issuance of these new shares of Verizon common stock could have the effect of depressing the market price for Verizon common stock

In addition, many Vodafone shareholders are already shareholders of Verizon and those shareholders may decide not to hold the additional Verizon shares they received in the Wireless Transaction. Other Vodafone shareholders, such as funds with geographic limitations on their permitted investments, may be required to sell the shares of Verizon common stock that they received in the Wireless Transaction. Such sales of Verizon common stock could also have the effect of depressing the market price for Verizon common stock.

None

Our principal properties do not lend themselves to simple description by character and location. Our total investment in plant, property and equipment was approximately $221 billion at December 31, 2013 and $210 billion at December 31, 2012, including the effect of retirements, but before deducting accumulated depreciation. Our gross investment in plant, property and equipment consisted of the following:

At December 31	2013	2012
Network equipment	80.1%	79.7%
Land, buildings and building equipment	11.2%	11.3%
Furniture and other	8.7%	9.0%
	100.0%	100.0%

Our properties as a percentage of total properties are as follows:

At December 31	2013	2012
Wireline	61.3%	62.4%
Wireless	37.7%	36.5%
Other	1.0%	1.1%
	100.0%	100.0%

Network equipment consists primarily of cable (aerial, buried, underground or undersea) and the related support structures of poles and conduit, wireless plant, switching equipment, network software, transmission equipment and related facilities. Land, buildings and building equipment consists of land and land improvements, central office buildings or any other buildings that house network equipment, and buildings that are used for administrative and other purposes. Substantially all the switching centers are located on land and in buildings we own due to their critical role in the network and high set-up relocation costs. We also maintain facilities throughout the United States comprised of administrative and sales offices, customer care centers, retail sales locations, garage work centers, switching centers, cell sites and data centers. Furniture and other consists of telephone equipment, furniture, data processing equipment, office equipment, motor vehicles, plant under construction, capitalized non-network computer software costs and leasehold improvements. A portion of our property is subject to the liens of their respective mortgages securing funded debt.

On September 15, 2010, the U.S. Bank National Association (U.S. Bank), as Litigation Trustee for the Ideare Inc. Litigation Trust (Litigation Trust), filed suit in U.S. District Court for the Northern District of Texas against Verizon and certain subsidiaries challenging the November 2006 spin-off of Verizon's former directories business then known as Ideare, Inc. U.S. Bank, which represents a group of creditors who filed claims in Ideare's bankruptcy, alleged that Ideare was insolvent at the time of the spin-off or became insolvent shortly thereafter. The Litigation Trust sought over $9 billion in damages. Following a two-week trial in October 2012 limited to the question of the value of Ideare, Inc. on the date of the spin-off, on January 22, 2013, the Court issued a decision finding that the value was "at least $12 billion." As $12 billion exceeds the value of the debt and cash that Ideare transferred to Verizon on the date of the spin-off, the Court issued a related Order to Show Cause directing the Litigation Trust to submit a brief that "explains why any (or all) of its legal claims are viable in light of the court's finding on Ideare's value." In its June 18, 2013 decision, the Court entered judgment for Verizon and its subsidiaries and ruled that U.S. Bank would "take nothing" on its claims. U.S. Bank appealed the decision to the U.S. Court of Appeals for the Fifth Circuit, where briefing is scheduled to be completed in the first quarter of 2014.

On October 25, 2011, a Litigation Trust created during the bankruptcy proceedings of FairPoint Communications, Inc. filed a complaint in state court in Mecklenburg County, North Carolina, against Verizon and other related entities. The complaint claims that FairPoint's acquisition of Verizon's landline operations in Maine, New Hampshire and Vermont in March 2008 was structured and carried out in a way that left FairPoint insolvent or led to its insolvency shortly thereafter and ultimately to its October 2009 bankruptcy. The Litigation Trust seeks approximately $2 billion in damages. Verizon removed the case to the United States District Court for the Western District of North Carolina in November 2011. At the close of discovery in February 2012, Verizon filed a summary judgment motion to dismiss the two counts in the complaint—constructive fraudulent transfer and actual fraudulent transfer. On June 12, 2013, the Court granted Verizon's summary judgment motion in part, dismissing the Litigation Trust's constructive fraudulent transfer claim. A two-week bench trial limited to the actual fraudulent transfer claim concluded December 15, 2013.

In October 2013, the California Attorney General's Office notified Verizon California Inc. and other Verizon companies of potential violations of California state hazardous waste statutes primarily arising from the disposal of electronic components, batteries and aerosol cans at certain California facilities. We are cooperating with this investigation and continue to review our operations relating to the management of hazardous waste. While penalties relating to the alleged violations could exceed $100,000, we do not expect that any penalties ultimately incurred will be material.

None

The principal market for trading in the common stock of Verizon is the New York Stock Exchange. As of December 31, 2013, there were 585,931 shareowners of record.

High and low stock prices, as reported on the New York Stock Exchange composite tape of transactions, and dividend data are as follows:

		Market Price		Cash Dividend
		High	Low	Declared
2013	**Fourth Quarter**	**$ 51.49**	**$ 46.03**	**$ .530**
	Third Quarter	**51.94**	**45.08**	**.530**
	Second Quarter	**54.31**	**47.77**	**.515**
	First Quarter	**49.59**	**41.50**	**.515**
2012	Fourth Quarter	$ 47.32	$ 40.51	$ .515
	Third Quarter	46.41	42.18	.515
	Second Quarter	44.77	36.80	.500
	First Quarter	40.48	37.07	.500

On February 3, 2011, the Board approved a share buyback program which authorized the repurchase of up to 100 million shares of Verizon common stock terminating no later than the close of business on February 28, 2014. The Board also determined that no additional shares were to be purchased under the previously authorized buyback program. The program permits Verizon to repurchase shares over time, with the amount and timing of repurchases depending on market conditions and corporate needs. The Company may also enter into Rule 10b5-1 plans from time to time to facilitate repurchases of its shares under this authorization. A Rule 10b5-1 plan permits the Company to repurchase shares at times when it might otherwise be prevented from doing so, provided the plan is adopted when the Company is not aware of material non-public information.

During the fourth quarter of 2013, Verizon did not repurchase any shares of Verizon common stock. At December 31, 2013, the maximum number of shares that could be purchased by or on behalf of Verizon under our share buyback program was 96.5 million.

For other information required by this item, see the section entitled "Stock Performance Graph" on page 9 of the 2013 Verizon Annual Report to Shareowners, which is incorporated herein by reference.

Information required by this item is included in the 2013 Verizon Annual Report to Shareowners under the heading "Selected Financial Data" on page 9, which is incorporated herein by reference.

Information required by this item is included in the 2013 Verizon Annual Report to Shareowners under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 10 through 28, which is incorporated herein by reference.

Information required by this item is included in the 2013 Verizon Annual Report to Shareowners under the heading "Market Risk" on page 29, which is incorporated herein by reference.

Information required by this item is included in the 2013 Verizon Annual Report to Shareowners on pages 38 through 71, which is incorporated herein by reference.

None

Our chief executive officer and chief financial officer have evaluated the effectiveness of the registrant's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934), as of the end of the period covered by this Annual Report, that ensure that information relating to the registrant which is required to be disclosed in this report is recorded, processed, summarized and reported within required time periods Based on this evaluation, our chief executive officer and chief financial officer have concluded that the registrant's disclosure controls and procedures were effective as of December 31, 2013

In the ordinary course of business, we review our system of internal control over financial reporting and make changes to our systems and processes intended to ensure an effective internal control environment We are continuing an initiative to implement new financial systems that will continue in phases over the next several quarters We are also continuing an initiative to standardize and centralize transaction-processing activities within our accounting processes, which we expect to continue over the next several years These initiatives will incorporate certain changes in personnel as well In connection with these initiatives and the resulting changes in our financial systems and transaction-processing activities, the Company continues to enhance the design and documentation of our internal control processes to ensure that controls over our financial reporting remain effective

Except as noted above there were no changes in the Company's internal control over financial reporting during the fourth quarter of 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting

Management's report on internal control over financial reporting and the attestation report of Verizon's independent registered public accounting firm are included in the 2013 Verizon Annual Report to Shareowners on pages 36 and 37 and are incorporated herein by reference

None

Set forth below is information with respect to our executive officers

Name	Age	Office	Held Since
Lowell C McAdam	59	Chairman and Chief Executive Officer	2011
Roy H Chestnutt	54	Executive Vice President – Strategy, Development and Planning	2013
Roger Gurnani	53	Executive Vice President and Chief Information Officer	2010
Daniel S Mead	60	Executive Vice President and President and Chief Executive Officer – Verizon Wireless	2010
Anthony J Melone	53	Executive Vice President and Chief Technology Officer	2010
Randal S Milch	55	Executive Vice President – Public Policy and General Counsel	2008
W Robert Mudge	54	President – Consumer and Mass Business Markets	2012
Marc C Reed	55	Executive Vice President and Chief Administrative Officer	2004
Francis J Shammo	53	Executive Vice President and Chief Financial Officer	2010
Anthony T Skiadas	45	Senior Vice President and Controller	2013
John G Stratton	52	Executive Vice President and President - Verizon Enterprise Solutions	2012
Marni M Walden	46	Executive Vice President and President – Product and New Business Innovation	2014

Prior to serving as an executive officer, each of the above officers has held high-level managerial positions with the Company or one of its subsidiaries for at least five years with the exception of Mr Chestnutt, who has been with the Company since 2011 Officers are not elected for a fixed term of office and may be removed from office at any time at the discretion of the Board of Directors

Roy H Chestnutt is Executive Vice President – Strategy, Development and Planning for Verizon From the time he joined the Company in 2011 until he was appointed to his current role in January 2013, Mr Chestnutt was Senior Vice President of Corporate Strategy Prior to joining Verizon, Mr Chestnutt served as Corporate Vice President of the Americas at Motorola Networks from June 2010 to June 2011, and from 2006 to 2009, Mr Chestnutt was Chairman and Chief Executive Officer of Grande Communications Networks (Grande), a facilities-based provider of bundled communications services Prior to joining Grande, Mr Chestnutt held a variety of management positions with Sprint-Nextel Corporation, Nextel Communications and AirTouch Communications

Set forth below is information with respect to Directors currently in office who are retiring from the Board of Directors in April 2014 and are not standing for re-election

Sandra O Moose

Dr Moose, 72 is President of Strategic Advisory Services LLC, a consulting firm She was Senior Managing Partner 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 to 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, 72, 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 272,000 employees provide food, hospitality, facility and uniform services in 22 countries and generated $13 9 billion in revenue during its 2013 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, gives 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)

Hugh B Price

Mr Price, 72, is a 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 From 2008 to June 2013, he served as a visiting professor at the Woodrow Wilson School at Princeton University 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)

Other information required by this item is incorporated by reference to the biographies of the Directors standing for re-election on pages 11-16 of Exhibit 99 the section entitled "Section 16(a) Beneficial Ownership Reporting Compliance" on page 59 of Exhibit 99, the section entitled "Business Conduct and Ethics" on page 2 of Exhibit 99, and the information relating to the Audit Committee on page 5 of Exhibit 99 There have been no material changes to shareholder nominating procedures

Information with respect to executive compensation is incorporated by reference to the sections entitled "Compensation Discussion and Analysis" and "Compensation Tables" on pages 31-57 of Exhibit 99 The Compensation Committee Report is incorporated by reference to page 31 of Exhibit 99 There were no compensation committee interlocks or insider transactions required to be disclosed pursuant to item 407(e)(4) of Regulation S-K under the Securities Exchange Act of 1934

Information with respect to security ownership is incorporated by reference to the section entitled "Security Ownership of Certain Beneficial Owners and Management" on pages 57-59 of Exhibit 99

The following table provides information as of December 31, 2013 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 Verizon Communications Inc Long-Term Incentive Plan (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 exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	17,133,926 (1)	$ 34.35 (2)	99,062,483 (3)
Equity compensation plans not approved by security holders	248,756 (4)	—	—
Total	17,382,682	$ 34.35	99,062,483

(1) This amount includes 982,881 shares of common stock subject to outstanding stock options, 16,120,285 shares of common stock subject to outstanding restricted stock units and performance stock units, and 30,760 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 2013 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

(2) 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

(3) This number reflects the number of shares of common stock that remained available for future issuance under the 2009 LTIP

(4) 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

Information with respect to transactions with related persons is incorporated by reference to the section entitled "Related Person Transaction Policy" on pages 2-3 of Exhibit 99 Information with respect to Director independence is incorporated by reference to the section entitled "Independence" on page 3 of Exhibit 99

Information with respect to principal accountant fees and services is incorporated by reference to the section entitled "Ratification of Appointment of Independent Registered Public Accounting Firm" on page 17 of Exhibit 99

(a) Documents filed as part of this report

		Page
(1)	Report of Management on Internal Control Over Financial Reporting	*
(2)	Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting	*
(3)	Report of Independent Registered Public Accounting Firm on Financial Statements	*
	Financial Statements covered by Report of Independent Registered Public Accounting Firm	
	Consolidated Statements of Income	*
	Consolidated Statements of Comprehensive Income	*
	Consolidated Balance Sheets	*
	Consolidated Statements of Cash Flows	*
	Consolidated Statements of Changes in Equity	*
	Notes to Consolidated Financial Statements	*
	* Incorporated herein by reference to the appropriate portions of the registrant's Annual Report to Shareowners for the fiscal year ended December 31, 2013 (See Part II)	
(4)	Financial Statement Schedule	
	II – Valuation and Qualifying Accounts	28
(5)	Exhibits	

Exhibit Number	Description
3a(i)	Restated Certificate of Incorporation of Verizon Communications Inc (Verizon) (filed as Exhibit 3a to Form 10-K for the year ended December 31 2005 and incorporated herein by reference)
3a(ii)	Certificate of Amendment of Restated Certificate of Incorporation of Verizon, effective February 4 2014
3b	By-laws of Verizon, as amended, effective as of December 3, 2009 (filed as Exhibit 3b to Form 8-K dated December 7, 2009 and incorporated herein by reference)
4a	Indenture between Verizon, both individually and as successor in interest to Verizon Global Funding Corp , and U S Bank National Association as successor trustee to Wachovia Bank, National Association formerly known as First Union National Bank as Trustee, dated as of December 1, 2000 (incorporated by reference to Verizon Global Funding Corp 's Registration Statement on Form S-4, Registration No 333-64792, Exhibit 4 1)
4b	First Supplemental Indenture between Verizon both individually and as successor in interest to Verizon Global Funding Corp , and U S Bank National Association as successor trustee to Wachovia Bank, National Association, formerly known as First Union National Bank as Trustee, dated as of May 15, 2001 (incorporated by reference to Verizon Global Funding Corp 's Registration Statement on Form S-3, Registration No 333-67412 Exhibit 4 2)
4c	Second Supplemental Indenture between Verizon, both individually and as successor in interest to Verizon Global Funding Corp , and U S Bank National Association, as successor trustee to Wachovia Bank, National Association, formerly known as First Union National Bank, as Trustee, dated as of September 29, 2004 (incorporated by reference to Form 8-K filed on February 9, 2006, Exhibit 4 1)
4d	Third Supplemental Indenture between Verizon, both individually and as successor in interest to Verizon Global Funding Corp , and U S Bank National Association, as successor trustee to Wachovia Bank, National Association, formerly known as First Union National Bank, as Trustee, dated as of September 29, 2004 (incorporated by reference to Form 8-K filed on February 9, 2006, Exhibit 4 2)
	Except for Exhibits 4a – 4d above no other instrument which defines the rights of holders of long-term debt of Verizon and its consolidated subsidiaries is filed herewith pursuant to Regulation S-K, Item 601(b)(4)(iii)(A) Pursuant to this regulation, Verizon hereby agrees to furnish a copy of any such instrument to the SEC upon request
10a	GTE's Charitable Awards Program (filed as Exhibit 10-10 to GTE's Form 10-K for the year ended December 31, 1992, File No 1-2755 and incorporated herein by reference) **
10b	NYNEX Directors' Charitable Award Program (filed as Exhibit 10i to Form 10-K for the year ended December 31, 2000 and incorporated herein by reference) **
10c	2009 Verizon Long-Term Incentive Plan, As Amended and Restated (incorporated by reference to Appendix D of the Registrant's Proxy Statement included in Schedule 14A filed on March 18, 2013) **
10c(i)	Performance Stock Unit Agreement 2011-2013 Award Cycle (filed as Exhibit 10a to Form 10-Q for the period ended March 31, 2011 and incorporated herein by reference) **
10c(ii)	Restricted Stock Unit Agreement 2011-2013 Award Cycle (filed as Exhibit 10b to Form 10-Q for the period ended March 31, 2011 and incorporated herein by reference) **
10c(iii)	Form of 2011 Special Performance Stock Unit Agreement (filed as Exhibit 10 to Form 10-Q for the period ended September 30, 2011 and incorporated by reference) **
10c(iv)	Performance Stock Unit Agreement 2012-2014 Award Cycle (filed as Exhibit 10a to Form 10-Q for the period ended March 31, 2012 and incorporated herein by reference) **

10c(v) Restricted Stock Unit Agreement 2012-2014 Award Cycle (filed as Exhibit 10b to Form 10-Q for the period ended March 31, 2012 and incorporated herein by reference) **

10c(vi) Performance Stock Unit Agreement 2013-2015 Award Cycle (filed as Exhibit 10a to Form 10-Q for the period ended March 31, 2013 and incorporated herein by reference) **

10c(vii) Restricted Stock Unit Agreement 2013-2015 Award Cycle (filed as Exhibit 10b to Form 10-Q for the period ended March 31, 2013 and incorporated herein by reference) **

10d Verizon Short-Term Incentive Plan, As Amended and Restated (incorporated by reference to Appendix C of the Registrant's Proxy Statement included in Schedule 14A filed on March 23, 2009) **

10e Verizon Income Deferral Plan (filed as Exhibit 10f to Form 10-Q for the period ended June 30, 2002 and incorporated herein by reference) **

10e(i) Description of Amendment to Plan (filed as Exhibit 10e(i) to Form 10-K for the year ended December 31, 2004 and incorporated herein by reference) **

10f Verizon Excess Pension Plan (filed as Exhibit 10p to Form 10-K for the year ended December 31, 2004 and incorporated herein by reference) **

10f(i) Description of Amendment to Plan (filed as Exhibit 10p(i) to Form 10-K for the year ended December 31, 2004 and incorporated herein by reference) **

10g GTE's Executive Salary Deferral Plan, as amended (filed as Exhibit 10 10 to GTE's Form 10-K for the year ended December 31, 1998, File No 1-2755 and incorporated herein by reference) **

10h Bell Atlantic Senior Management Long-Term Disability and Survivor Protection Plan, as amended (filed as Exhibit 10h to Form SE filed on March 27, 1986 and Exhibit 10b(ii) to Form 10-K for the year ended December 31, 1997 and incorporated herein by reference) **

10i GTE Executive Retiree Life Insurance Plan (filed as Exhibit 10q to Form 10-K for the year ended December 31, 2010 and incorporated herein by reference) **

10j Verizon Executive Life Insurance Plan As Amended and Restated September 2009 (filed as Exhibit 10s to Form 10-K for the year ended December 31, 2010 and incorporated herein by reference) **

10k Verizon Executive Deferral Plan (filed as Exhibit 10e to Form 10-Q for the period ended June 30, 2009 and incorporated herein by reference) **

10l Form of Aircraft Time Sharing Agreement (filed as Exhibit 10v to Form 10-K for the year ended December 31, 2010 and incorporated herein by reference) **

10m NYNEX Deferred Compensation Plan for Non-Employee Directors (filed as Exhibit 10gg to NYNEX's Registration Statement No 2-87850, File No 1-8608 and incorporated herein by reference) **

10n Amendment to NYNEX Deferred Compensation Plan for Non-Employee Directors (filed as Exhibit 10m 5a to NYNEX s Quarterly Report on Form 10-Q for the period ended June 30, 1996, File No 1-8608 and incorporated herein by reference) **

10o Verizon Senior Manager Severance Plan (filed as Exhibit 10d to Form 10-Q for the period ended March 31, 2010 and incorporated herein by reference) **

10p U.S. Wireless Agreement, dated September 21, 1999, among Bell Atlantic and Vodafone Airtouch plc, including the forms of Amended and Restated Partnership Agreement and the Investment Agreement (filed as Exhibit 10 to Form 10-Q for the period ended September 30, 1999 and incorporated herein by reference)

10q Term Loan Credit Agreement, dated as of October 1, 2013, among Verizon, JPMorgan Chase Bank, N.A., as administrative agent, and the lenders party thereto (filed as Exhibit 10 1 to Form 8-K filed on October 3, 2013 and incorporated herein by reference)

12 Computation of Ratio of Earnings to Fixed Charges filed herewith

13 Portions of Verizon's Annual Report to Shareowners for the fiscal year ended December 31, 2013 filed herewith Only the information incorporated by reference into this Form 10-K is included in the exhibit

21 List of principal subsidiaries of Verizon filed herewith

23 Consent of Ernst & Young LLP filed herewith

31 1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 filed herewith

31 2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 filed herewith

32 1 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 filed herewith

32 2 Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 filed herewith

99 Selected Corporate Governance and Executive Compensation Information included in the Preliminary Proxy Statement for the Verizon 2014 Annual Meeting of Shareholders filed with the Securities and Exchange Commission on February 26, 2014

101 INS XBRL Instance Document.

101 SCH XBRL Taxonomy Extension Schema Document

101 PRE XBRL Taxonomy Presentation Linkbase Document

101 CAL XBRL Taxonomy Calculation Linkbase Document

101 LAB XBRL Taxonomy Label Linkbase Document

101 DEF XBRL Taxonomy Extension Definition Linkbase Document

** Indicates management contract or compensatory plan or arrangement

Schedule II - Valuation and Qualifying Accounts

Verizon Communications Inc. and Subsidiaries

For the Years Ended December 31, 2013, 2012 and 2011

(dollars in millions)

Description	Balance at Beginning of Period	Additions: Charged to Expenses	Additions: Charged to Other Accounts Note (a)(b)	Deductions Note (c)(d)	Balance at End of Period
Allowance for Uncollectible Accounts Receivable					
Year 2013	**$ 641**	**$ 993**	**$ 162**	**$ 1,151**	**$ 645**
Year 2012	802	972	113	1,246	641
Year 2011	876	1,026	139	1,239	802
Valuation Allowance for Deferred Tax Assets					
Year 2013	**$ 2,041**	**$ 235**	**$ 30**	**$ 710**	**$ 1,596**
Year 2012	2,376	120	38	493	2,041
Year 2011	3,421	108	25	1,178	2,376

(a) Allowance for Uncollectible Accounts Receivable primarily includes amounts previously written off which were credited directly to this account when recovered

(b) Valuation Allowance for Deferred Tax Assets includes current year increase to valuation allowance charged to equity and reclassifications from other balance sheet accounts

(c) Amounts written off as uncollectible or transferred to other accounts or utilized

(d) Reductions to valuation allowances related to deferred tax assets

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized

VERIZON COMMUNICATIONS INC

By /s/ Anthony T Skiadas — Date February 27, 2014
Anthony T Skiadas
Senior Vice President and Controller

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated

Principal Executive Officer

/s/ Lowell C McAdam — Chairman and Chief Executive Officer — February 27, 2014
Lowell C McAdam

Principal Financial Officer

/s/ Francis J Shammo — Executive Vice President and Chief Financial Officer — February 27, 2014
Francis J Shammo

Principal Accounting Officer

/s/ Anthony T Skiadas — Senior Vice President and Controller — February 27, 2014
Anthony T Skiadas

/s/ Shellye L. Archambeau Shellye L. Archambeau	Director	February 27, 2014
/s/ Richard L. Carrion Richard L. Carrion	Director	February 27, 2014
/s/ Melanie L. Healey Melanie L. Healey	Director	February 27, 2014
/s/ M. Frances Keeth M. Frances Keeth	Director	February 27, 2014
/s/ Robert W. Lane Robert W. Lane	Director	February 27, 2014
/s/ Sandra O. Moose Sandra O. Moose	Director	February 27, 2014
/s/ Joseph Neubauer Joseph Neubauer	Director	February 27, 2014
/s/ Donald T. Nicolaisen Donald T. Nicolaisen	Director	February 27, 2014
/s/ Clarence Otis, Jr. Clarence Otis Jr.	Director	February 27, 2014
/s/ Hugh B. Price Hugh B. Price	Director	February 27, 2014
/s/ Rodney E. Slater Rodney E. Slater	Director	February 27, 2014
/s/ Kathryn A. Tesija Kathryn A. Tesija	Director	February 27, 2014
/s/ Gregory D. Wasson Gregory D. Wasson	Director	February 27, 2014

EXHIBIT 3a(ii)

CERTIFICATE OF AMENDMENT
OF
RESTATED CERTIFICATE OF INCORPORATION
OF
VERIZON COMMUNICATIONS INC.

Verizon Communications Inc. (the "Corporation"), a corporation organized on October 7, 1983, and existing under and by virtue of the General Corporation Law of the State of Delaware, HEREBY DOES CERTIFY

FIRST: That at a meeting of the Board of Directors of the Corporation held on September 2, 2013, resolutions were duly adopted approving a proposed amendment to the Restated Certificate of Incorporation (the "Certificate Amendment") of the Corporation and recommending that the proposed Certificate Amendment be approved by the stockholders of the Corporation. The Certificate Amendment is attached hereto as Exhibit A.

SECOND: That, thereafter, pursuant resolution of the Corporation's Board of Directors, a special meeting of the stockholders was held on January 28, 2014 upon notice and in accordance with the provisions of Section 222 of the General Corporation Law of the State of Delaware, at which meeting a majority of the outstanding stock entitled to vote thereon was voted in favor of the Certificate Amendment as proposed by the Corporation's Board of Directors.

THIRD: That the Certificate Amendment was duly adopted in accordance with the applicable provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the Corporation has caused this certificate to be signed by William L. Horton, Jr., its Senior Vice President, Deputy General Counsel and Corporate Secretary, this 3rd day of February, 2014.

VERIZON COMMUNICATIONS INC.

By: /s/ William L. Horton, Jr.
William L. Horton, Jr.
Senior Vice President, Deputy
General Counsel and Corporate Secretary

EXHIBIT A

CHARTER AMENDMENT

Article 4.A of the Restated Certificate of Incorporation is hereby amended and restated in its entirety to read in full as follows:

4 Capital Stock.

A. Authorized Shares. The total number of shares of all classes of stock which the Corporation shall have the authority to issue is 6,500,000,000 shares, of which 6,250,000,000 shares are Common Stock, $.10 par value per share, and 250,000,000 shares are Series Preferred Stock, $1.0 par value per share.

EXHIBIT 12

Computation of Ratio of Earnings to Fixed Charges
Verizon Communications Inc. and Subsidiaries

(dollars in millions)

Years Ended December 31,	2013	2012	2011	2010	2009
Earnings:					
Income before (provision) benefit for income taxes	$ 29,277	$ 9,897	$ 10,483	$ 12,684	$ 13,520
Equity in earnings of unconsolidated businesses	(142)	(324)	(444)	(508)	(553)
Dividends from unconsolidated businesses	40	401	480	510	942
Interest expense [1]	2,667	2,571	2,827	2,523	3,102
Portion of rent expense representing interest	851	837	817	837	839
Amortization of capitalized interest	177	162	148	139	134
Earnings, as adjusted	$ 32,870	$ 13,544	$ 14,311	$ 16,185	$ 17,984
Fixed Charges:					
Interest expense [1]	$ 2,667	$ 2,571	$ 2,827	$ 2,523	$ 3,102
Portion of rent expense representing interest	851	837	817	837	839
Capitalized interest	754	406	442	964	927
Fixed Charges	$ 4,272	$ 3,814	$ 4,086	$ 4,324	$ 4,868
Ratio of earnings to fixed charges	7.69	3.55	3.50	3.74	3.69

[1] We classify interest expense recognized on uncertain tax positions as income tax expense and therefore such interest expense is not included in the Ratio of Earnings to Fixed Charges.

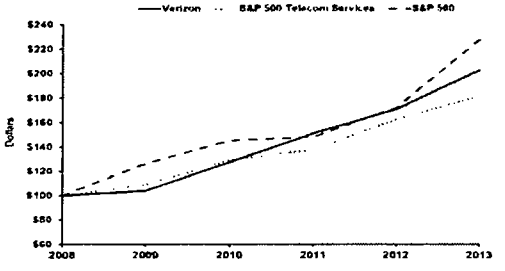
Exhibit 13

(dollars in millions, except per share amounts)

	2013	2012	2011	2010	2009
Results of Operations					
Operating revenues	$ 120,550	$ 115,846	$ 110,875	$ 106,565	$ 107,808
Operating income	31,968	13,160	12,880	14,645	15,978
Net income attributable to Verizon	11,497	875	2,404	2,549	4,894
Per common share – basic	4.01	31	85	90	1 72
Per common share – diluted	4.00	31	85	90	1 72
Cash dividends declared per common share	2.090	2 030	1 975	1 925	1 870
Net income attributable to noncontrolling interests	12,050	9,682	7,794	7,668	6,707
Financial Position					
Total assets	$ 274,098	$ 225,222	$ 230,461	$ 220,005	$ 226,907
Debt maturing within one year	3,933	4,369	4,849	7,542	7,205
Long-term debt	89,658	47,618	50,303	45,252	55,051
Employee benefit obligations	27,682	34,346	32,957	28,164	32,622
Noncontrolling interests	56,580	52,376	49,938	48,343	42,761
Equity attributable to Verizon	38,836	33,157	35,970	38,569	41,382

- Significant events affecting our historical earnings trends in 2011 through 2013 are described in "Other Items" in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section
- 2010 and 2009 data includes severance, pension and benefit charges, merger integration and acquisition costs, dispositions and other items. 2010 data also includes Medicare Part D Subsidy charges

Comparison of Five-Year Total Return Among Verizon, S&P 500 Telecommunications Services Index and S&P 500 Stock Index



	At December 31,					
Data Points in Dollars	2008	2009	2010	2011	2012	2013
Verizon	100 0	103 8	127 9	151 3	171 2	202 8
S&P 500 Telecom Services	100 0	108 9	129 6	137 8	163 0	181 4
S&P 500	100 0	126 5	145 5	148 6	172 3	228 0

The graph compares the cumulative total returns of Verizon, the S&P 500 Telecommunications Services Index, and the S&P 500 Stock Index, over a five-year period. It assumes $100 was invested on December 31, 2008 with dividends (including the value of each respective spin-off) being reinvested.

Verizon Communications Inc. (Verizon or the Company) is a holding company that, acting through its subsidiaries, is one of the world's leading providers of communications, information and entertainment products and services to consumers, businesses and governmental agencies with a presence in over 150 countries around the world. Our offerings, designed to meet customers' demand for speed, mobility, security and control, include voice, data and video services on our wireless and wireline networks. We have two reportable segments, Wireless and Wireline. Our wireless business, operating as Verizon Wireless, provides voice and data services and equipment sales across the United States using one of the most extensive and reliable wireless networks. Our wireline business provides consumer, business and government customers with communications products and services, including broadband data and video services, network access, voice, long distance and other communications products and services, and also owns and operates one of the most expansive end-to-end global Internet Protocol (IP) networks. We have a highly skilled, diverse and dedicated workforce of approximately 176,800 employees as of December 31, 2013.

In recent years, Verizon has embarked upon a strategic transformation as 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 address the changing technological landscape, we are focusing our efforts around higher margin and growing areas of our business: wireless data, wireline data and Strategic services, including cloud computing services.

Our strategy requires significant capital investments primarily to acquire wireless spectrum, put the spectrum into service, invest in the fiber optic network that supports our wireless and wireline businesses, maintain our wireless and wireline networks and develop and maintain significant advanced database capacity.

In our Wireless business, in 2013 compared to 2012, revenue growth of 6 8% was driven by connection growth and the demand for smartphones, tablets and other Internet devices. During 2013, we experienced a 4 6% increase in retail postpaid connections compared to 2012, with smartphones representing 70% of our retail postpaid phone base at December 31, 2013 compared to 58% at December 31, 2012. Also during 2013, postpaid smartphone activations represented 86% of phones activated compared to 77% in 2012.

We have substantially completed the deployment of our fourth-generation (4G) Long-Term Evolution (LTE) network. Our 4G LTE network is available to 97% of the U S population in more than 500 markets covering approximately 305 million people, including those in areas served by our LTE in Rural America partners. Our 4G LTE network provides higher data throughput performance for data services at lower cost compared to those provided via third-generation (3G) networks. In December 2013, 69% of our total data traffic was carried on our 4G LTE network.

On February 13, 2014, we introduced our More Everything ® plans which replaced our Share Everything ® plans and provide more value to our customers. These plans, which are available to both new and existing postpaid customers, feature domestic unlimited voice minutes, unlimited domestic and international text, video and picture messaging, cloud storage and a single data allowance that can be shared among up to 10 devices connected to the Verizon Wireless network. Customers with Verizon Edge, which provides a device payment plan option, also will receive discounted monthly access fees on More Everything plans. As of December 31, 2013, Share Everything accounts represented approximately 46% of our retail postpaid accounts, compared to approximately 23% as of December 31, 2012. Verizon Wireless offers shared data plans for business, with the More Everything plans for Small Business and the Nationwide Business Data Packages and Plans. In August 2013, we launched the new Verizon Edge device payment plan option which now allows customers to trade in their phone for a new phone after a minimum of thirty days, subject to certain conditions.

On September 2, 2013, Verizon entered into a stock purchase agreement (the Stock Purchase Agreement) with Vodafone Group Plc (Vodafone) and Vodafone 4 Limited (Seller), pursuant to which Verizon agreed to acquire Vodafone's indirect 45% interest in Cellco Partnership d/b/a Verizon Wireless (the Partnership, and such interest, the Vodafone Interest) for aggregate consideration of approximately $130 billion. On February 21, 2014, pursuant to the terms and subject to the conditions set forth in the Stock Purchase Agreement, Verizon acquired (the Wireless Transaction) from Seller all of the issued and outstanding capital stock (the Transferred Shares) of Vodafone Americas Finance 1 Inc., a subsidiary of Seller (VF1 Inc.), which indirectly through certain subsidiaries (together with VF1 Inc., the Purchased Entities) owned the Vodafone Interest. The consideration paid was primarily comprised of cash of approximately $58 89 billion and Verizon common stock with a value of approximately $60 15 billion. See "Acquisitions and Divestitures" for additional information.

In Wireline, during 2013 compared to 2012, revenues were positively impacted by higher revenues in Consumer retail driven by FiOS services. FiOS represented approximately 71% of Consumer retail revenue during 2013, compared to approximately 65% during 2012. As the penetration of FiOS products increases, we continue to seek ways to increase revenue and further realize operating and capital efficiencies as well as maximize profitability. As more applications are developed for this high-speed service, we expect that FiOS will become a hub for managing multiple home services that will eventually be part of the digital grid, including not just entertainment and communications, but also machine-to-machine communications such as home monitoring, health monitoring, energy management and utilities management.

Also positively impacting Wireline's revenues during 2013 was a 4 6% increase in Strategic services revenues, which represented 57% of total Global Enterprise revenues during 2013. However, total Global Enterprise and Global Wholesale revenues declined due to declines in Core customer premise equipment revenues and traditional voice revenues. The decline in Core customer premise equipment revenues is a result of our focus on improving our margins by continuing to de-emphasize sales of equipment that are not part of an overall enterprise solutions bundle. To compensate for the shrinking market for traditional voice service, we continue to build our Wireline segment around data, video and advanced business services—areas where demand for reliable high-speed connections is growing.

We are investing in innovative technology like wireless networks, high-speed fiber and cloud services to position ourselves at the center of the growth trends of the future In addition to the Wireless Transaction, since the beginning of 2012 these investments have included acquisitions of wireless licenses of $4 9 billion We also have invested $1 4 billion in acquisitions of investments and businesses, which we expect will permit us to offer enhanced machine-to-machine, video and cloud-based products and services

By investing in our own capabilities, we are also investing in the markets we serve by providing our communities with an efficient, reliable infrastructure for competing in the information economy We are committed to putting our customers first and being a responsible member of our communities Guided by this commitment and by our core values of integrity, respect, performance excellence and accountability, we believe we are well-positioned to produce a long-term return for our shareowners create meaningful work for ourselves and provide something of lasting value for society

In the sections that follow, we provide information about the important aspects of our operations and investments, both at the consolidated and segment levels, and discuss our results of operations financial position and sources and uses of cash In addition, we highlight key trends and uncertainties to the extent practicable

Trends

We expect that competition will continue to intensify with traditional non-traditional and emerging service providers seeking increased market share We believe that our networks differentiate us from our competitors, enabling us to provide enhanced communications experiences to our customers We believe our focus on the fundamentals of running a good business, including operating excellence and financial discipline gives us the ability to plan and manage through changing economic conditions We will continue to invest for growth, which we believe is the key to creating value for our shareowners

Connection and Operating Trends

In our Wireless segment, we expect to continue to attract and maintain the loyalty of high-quality retail postpaid customers, capitalizing on demand for data services and bringing our customers new ways of using wireless services in their daily lives We expect that future connection growth will continue as we introduce new smartphones Internet devices such as tablets and our suite of 4G LTE devices We believe these devices will attract and retain higher value retail postpaid connections, contribute to continued increases in the penetration of data services and keep our device line-up competitive versus other wireless carriers We expect future growth opportunities will be dependent on expanding the penetration of our network services, offering innovative wireless devices for both consumer and business customers and increasing the number of ways that our customers can connect with our network and services

Service and equipment pricing play an important role in the wireless competitive landscape As the demand for wireless services continues to grow, wireless service providers are offering service plans that include unlimited voice minutes and text messages and a specific amount of data access in varying megabyte or gigabyte sizes or, in some cases, unlimited data usage Wireless service providers are also offering price plans that decouple service pricing from equipment pricing and blur the traditional boundary between prepaid and postpaid plans In addition, some wireless providers are offering a credit to new customers to reimburse early termination fees paid to their former wireless service provider, subject to certain limitations We seek to compete in this area by offering our customers services and equipment that they will regard as the best available value for the price, as well as service plans that meet their wireless service needs

In our Wireline segment, we have experienced continuing access line losses as customers have disconnected both primary and secondary lines and switched to alternative technologies such as wireless, voice over Internet protocol (VoIP) and cable for voice and data services We expect to continue to experience access line losses as customers continue to switch to alternate technologies

Despite this challenging environment we expect that we will continue to grow key aspects of our Wireline segment by providing network reliability, offering innovative product bundles that include broadband Internet access, digital television and local and long distance voice services, offering more robust IP products and service, and accelerating our cloud computing and machine-to-machine strategies We will also continue to focus on cost efficiencies to attempt to offset adverse impacts from unfavorable economic conditions and competitive pressures

Operating Revenue

We expect to experience service revenue growth in our Wireless segment in 2014, primarily as a result of continued growth in postpaid connections driven by increased sales of smartphones, tablets and other Internet devices We expect that retail postpaid average revenue per account (ARPA) will continue to increase as connections migrate from basic phones to smartphones and from our 3G network to our 4G LTE network, and as the average number of connections per account increases, which we expect to be driven by our More Everything plans that allow for the sharing of data among up to 10 devices We expect that our future service revenue growth will be substantially derived from an increase in the usage of innovative wireless smartphones, tablets and other Internet devices in addition to our pricing structure that will encourage customers to continue adding data-enabled devices onto existing accounts We expect that continued emphasis on increasing smartphone penetration including continuing to migrate customers from basic phones to smartphones and from 3G devices to 4G LTE devices will positively impact our revenue

We expect FiOS broadband and video penetration to positively impact our Mass Markets revenue and subscriber base We also expect Strategic services revenues to continue to grow as we derive additional enterprise revenues from cloud, security and other solutions-based services and customers continue to migrate their services to Private IP and other strategic networking services, although we have experienced decelerating revenue growth within our Strategic services business We believe the trend in these growth areas as well as our offerings in telematics and video streaming will help offset the continuing decline in revenues in our Wireline segment related to retail voice connection losses as a result of wireless substitution as well as the continued decline in our legacy wholesale and enterprise markets

Operating Costs and Expenses

We anticipate our overall wireless operating costs will increase as a result of the expected increase in the volume of smartphone sales, which will result in higher equipment and sales commission costs In addition we expect content costs for our FiOS video services to continue to increase However, we expect to achieve certain cost efficiencies in 2014 and beyond as data traffic continues to migrate to our lower-cost 4G LTE network and as we continue to streamline our business processes with a focus on improving productivity and increasing profitability

Capital Expenditures

Our 2014 capital program includes capital to fund advanced networks and services, including 4G LTE and FiOS, the continued expansion of our core networks, including our IP and data center enhancements, maintenance and support for our legacy voice networks and other expenditures to drive operating efficiencies The level and the timing of the Company's capital expenditures within these broad categories can vary significantly as a result of a variety of factors outside our control, including, for example, material weather events We are replacing copper wire with fiber-optic cable which will not alter our capital program but should result in lower maintenance costs in the future Capital expenditures were $16 6 billion in 2013 and $16 2 billion in 2012, respectively We believe that we have significant discretion over the amount and timing of our capital expenditures on a Company-wide basis as we are not subject to any agreement that would require significant capital expenditures on a designated schedule or upon the occurrence of designated events We expect capital expenditures in 2014 to be in the range of approximately $16 5 billion to $17 0 billion and we also expect our capital expenditures as a percentage of revenue to decline in 2014 from 2013 levels

Cash Flow from Operations

We create value for our shareowners by investing the cash flows generated by our business in opportunities and transactions that support continued profitable growth, thereby increasing customer satisfaction and usage of our products and services In addition, we have used our cash flows to maintain and grow our dividend payout to shareowners Verizon's Board of Directors increased the Company's quarterly dividend by 2 9% during 2013, making this the seventh consecutive year in which we have raised our dividend After the closing of the Wireless Transaction our Provision for income taxes is expected to increase due to our 100% ownership of Verizon Wireless We also expect our cash taxes paid to increase due to our 100% ownership of Verizon Wireless, and to a much lesser degree, due to bonus depreciation not being extended beyond December 31, 2013 Additionally, our Interest expense is expected to increase as a result of the debt issued to finance the Wireless Transaction As a result of these factors, we expect Cash Flows from Operations to be negatively impacted in 2014 Partially offsetting these negative impacts to Cash Flows from Operations will be the discontinuation of cash distributions from Verizon Wireless to Vodafone, which have historically reduced our Cash Flows from Financing Activities

Our goal is to use our cash to create long-term value for our shareholders We will continue to look for investment opportunities that will help us to grow the business We expect to use our cash to reduce our debt levels, pay dividends to our shareholders and, when appropriate, buy back shares of our outstanding common stock (see "Cash Flows from Financing Activities") and invest in spectrum licenses (see "Cash Flows from Investing Activities") During 2013, we purchased 3 50 million shares under our share buyback authorization There were no repurchases of common stock during 2012 or 2011

In this section, we discuss our overall results of operations and highlight items of a non-operational nature that are not included in our segment results We have two reportable segments, Wireless and Wireline, which we operate and manage as strategic business units and organize by products and services In "Segment Results of Operations" we review the performance of our two reportable segments

Corporate, eliminations and other includes unallocated corporate expenses such as certain pension and other employee benefit related costs, intersegment eliminations recorded in consolidation, the results of other businesses such as our investments in unconsolidated businesses, lease financing and other adjustments and gains and losses that are not allocated in assessing segment performance due to their non-operational nature Although such transactions are excluded from the business segment results, they are included in reported consolidated earnings Gains and losses that are not individually significant are included in all segment results as these items are included in the chief operating decision maker's assessment of segment performance We believe that this presentation assists users of our financial statements in better understanding our results of operations and trends from period to period

Consolidated Revenues

(dollars in millions)

Years Ended December 31,	2013	2012	2011	Increase/(Decrease) 2013 vs 2012		2012 vs 2011	
Wireless							
Service revenue	$ 69,033	$ 63,733	$ 59,157	$ 5,300	8.3%	$ 4,576	7 7%
Equipment and other	11,990	12,135	10,997	(145)	(1 2)	1,138	10 3
Total	81,023	75,868	70 154	5,155	6.8	5,714	8 1
Wireline							
Mass Markets	17,328	16,702	16,337	626	3.7	365	2 2
Global Enterprise	14,703	15,299	15,622	(596)	(3 9)	(323)	(2 1)
Global Wholesale	6,714	7,240	7,973	(526)	(7.3)	(733)	(9 2)
Other	478	539	750	(61)	(11.3)	(211)	(28 1)
Total	39,223	39,780	40,682	(557)	(1.4)	(902)	(2 2)
Corporate, eliminations and other	304	198	39	106	53.5	159	nm
Consolidated Revenues	$ 120,550	$ 115,846	$ 110,875	$ 4,704	4.1	$ 4,971	4 5

nm – not meaningful

2013 Compared to 2012

The increase in consolidated revenues during 2013 compared to 2012 was primarily due to higher revenues at Wireless, as well as higher Mass Markets revenues driven by FiOS services and increased Strategic services revenues within Global Enterprise at our Wireline segment Partially offsetting these increases were lower Global Enterprise Core and Global Wholesale revenues at our Wireline segment

Wireless' revenues increased $5 2 billion or 6 8%, during 2013 compared to 2012 due to growth in service revenue Service revenue increased during 2013 compared to 2012 primarily driven by higher retail postpaid service revenue, which increased largely as a result of an increase in retail postpaid connections as well as the continued increase in penetration of smartphones, tablets and other Internet devices through our Share Everything plans Retail postpaid connection net additions decreased during 2013 compared to 2012 primarily due to an increase in our retail postpaid connection churn rate, partially offset by an increase in retail postpaid connection gross additions Retail postpaid connections per account increased as of December 31, 2013 compared to December 31, 2012 primarily due to the increased penetration of tablets and other Internet devices

Wireline's revenues decreased $0 6 billion, or 1 4%, during 2013 compared to 2012 primarily driven by declines in Global Enterprise Core and Global Wholesale, partially offset by higher Mass Markets revenues driven by FiOS services and increased Strategic services revenues within Global Enterprise

Mass Markets revenues increased $0 6 billion, or 3 7%, during 2013 compared to 2012 due to the expansion of FiOS services (Voice, Internet and Video) as well as changes in our pricing strategies, partially offset by the continued decline of local exchange revenues

Global Enterprise revenues decreased $0 6 billion, or 3 9%, during 2013 compared to 2012 primarily due to a decline in Core customer premise equipment revenues and lower voice services and data networking revenues This decrease was partially offset by growth in Strategic services revenues, primarily due to an increase in advanced services such as contact center solutions IP communications, and our cloud and data center offerings as well as revenue from a telematics services business that we acquired in the third quarter of 2012

Global Wholesale revenues decreased $0 5 billion or 7 3%, during 2013 compared to 2012 primarily due to a decline in traditional voice revenues as a result of decreased minutes of use (MOUs) and a decline in domestic wholesale connections, partially offset by continuing demand for high-speed digital data services from fiber-to-the-cell customers upgrading their core data circuits to Ethernet facilities as well as Ethernet migrations from other core customers

Other revenues decreased during 2013 compared to 2012 primarily due to reduced volumes outside of our network footprint

2012 Compared to 2011

The increase in consolidated revenues during 2012 compared to 2011 was primarily due to higher revenues at Wireless, as well as higher Mass Markets revenues driven by FiOS services and increased Strategic services revenues within Global Enterprise at our Wireline segment Partially offsetting these increases were lower Global Wholesale and Global Enterprise Core revenues at our Wireline segment

Wireless' revenues increased during 2012 compared to 2011 due to growth in both service and equipment and other revenue Service revenue increased during 2012 compared to 2011 primarily driven by higher retail postpaid service revenue, which increased largely as a result of an increase in retail postpaid connections of 5 1 million in 2012, as well as the continued increase in penetration of smartphones Retail postpaid connections per account increased during 2012 compared to 2011 primarily due to the increased use of tablets and other Internet devices In 2012, the increase in retail postpaid connection net additions was primarily due to an increase in retail postpaid and prepaid connection gross additions and improvements in our retail connections churn rate Higher retail postpaid connection gross additions during 2012 primarily reflect the launch of our Share Everything plans coupled with new device introductions during the second half of 2012

Equipment and other revenue increased during 2012 compared to 2011 primarily due to an increase in device upgrade fees, regulatory fees and equipment sales

Wireline's revenues decreased during 2012 compared to 2011 primarily driven by declines in Global Wholesale, Global Enterprise Core and Other revenues, partially offset by higher revenues in Mass Markets driven by FiOS services and higher revenues from Strategic services

Mass Markets revenues increased during 2012 compared to 2011 due to the expansion of FiOS services as well as changes in our pricing strategy adopted in 2012, partially offset by the continued decline of local exchange revenues

Global Enterprise revenues decreased during 2012 compared to 2011 primarily due to lower local services and traditional circuit-based revenues, a decline in customer premise equipment revenues and the unfavorable impact of foreign currency translation This decrease was partially offset by higher Strategic services revenues, primarily due to growth in advanced services, such as managed network solutions, contact center solutions, IP communications and our cloud and data center offerings

Global Wholesale revenues decreased during 2012 compared to 2011 primarily due to a decline in traditional voice revenues as a result of decreased MOUs and a decline in domestic wholesale connections, partially offset by continuing demand for high-speed digital data services from fiber-to-the-cell customers upgrading their core data circuits to Ethernet facilities as well as Ethernet migrations from other core customers

Other revenues decreased during 2012 compared to 2011 primarily due to reduced volumes outside of our network footprint

Consolidated Operating Expenses

Years Ended December 31,	2013	2012	2011	(dollars in millions) Increase/(Decrease) 2013 vs 2012		2012 vs 2011	
Cost of services and sales	$ 44,887	$ 46,275	$ 45,875	$ (1,388)	(3.0)%	$ 400	0 9%
Selling, general and administrative expense	27,089	39,951	35,624	(12,862)	(32.2)	4,327	12 1
Depreciation and amortization expense	16,606	16,460	16,496	146	0 9	(36)	(0.2)
Consolidated Operating Expenses	$ 88,582	$102,686	$ 97,995	$ (14,104)	(13.7)	$ 4,691	4 8

Consolidated operating expenses decreased during 2013 primarily due to non-operational credits recorded in 2013 as well as non-operational charges recorded in 2012 (see "Other Items") Consolidated operating expenses increased during 2012 primarily due to higher non-operational charges (see ' Other Items") as well as increased operating expenses at Wireless

2013 Compared to 2012

Cost of Services and Sales

Cost of services and sales includes the following costs directly attributable to a service or product salaries and wages, benefits, materials and supplies, content costs, contracted services, network access and transport costs, wireless equipment costs, customer provisioning costs, computer systems support, costs to support our outsourcing contracts and technical facilities and contributions to the Universal Service Fund Aggregate customer care costs which include billing and service provisioning, are allocated between Cost of services and sales and Selling, general and administrative expense

Cost of services and sales decreased during 2013 compared to 2012 primarily due to a decrease in cost of equipment sales, decreased data roaming, a decline in cost of data services and a decrease in network connection costs at our Wireless segment, as well as a decrease in costs related to customer premise equipment, a decline in access costs and the net effect of storm-related insurance recoveries at our Wireline segment Partially offsetting these decreases were higher content costs associated with continued FiOS subscriber growth and vendor rate increases at our Wireline segment, as well as increases in cost of network services at our Wireless segment

Selling, General and Administrative Expense

Selling general and administrative expense includes salaries and wages and benefits not directly attributable to a service or product, bad debt charges, taxes other than income taxes, advertising and sales commission costs, customer billing, call center and information technology costs regulatory fees, professional service fees, and rent and utilities for administrative space Also included are a portion of the aggregate customer care costs as discussed in ' Cost of Services and Sales" above

Selling, general and administrative expense decreased during 2013 compared to 2012 primarily due to the non-operational credits *recorded in 2013 and declines in employee costs at our Wireline segment as well as the non-operational charges recorded in 2012* (see ' Other Items") This decrease was partially offset by higher sales commission expense at our Wireless segment

Depreciation and Amortization Expense

Depreciation and amortization expense increased during 2013 compared to 2012 primarily due to an increase in net depreciable assets at our Wireless segment and an increase in amortization expense at our Wireline segment These increases were partially offset by a decline in net depreciable assets at our Wireline segment

2012 Compared to 2011

Cost of Services and Sales

Cost of services and sales increased during 2012 compared to 2011 primarily due to higher cost of equipment sales, increased cost of network services and increased data roaming, partially offset by a decrease in cost for data services, a decrease in network connection costs and a decrease in the cost of long distance at our Wireless segment Also contributing to the increase were higher content costs associated with continued FiOS subscriber growth and vendor rate increases, increased expenses related to our cloud and data center offering, higher costs related to FiOS installation as well as higher repair and maintenance expenses caused by storm-related events in 2012, partially offset by declines in access costs and customer premise equipment costs at our Wireline segment

Selling, General and Administrative Expense

Selling general and administrative expense increased during 2012 compared to 2011 primarily due to higher non-operational charges (see "Other Items") as well as higher sales commission expense and costs associated with regulatory fees at our Wireless segment

Depreciation and Amortization Expense

Depreciation and amortization expense decreased during 2012 compared to 2011 primarily due to a decrease in depreciable assets at our Wireline segment, partially offset by an increase in amortization expense related to non-network software

Non-operational (Credits) Charges

Non-operational (credits) charges included in operating expenses (see "Other Items") were as follows

Years Ended December 31,	2013	2012	(dollars in millions) 2011
Gain on Spectrum License Transaction			
Selling general and administrative expense	$ (278)	$ –	$ –
Severance, Pension and Benefit (Credits) Charges			
Selling general and administrative expense	(6,232)	7,186	5,954
Litigation Settlements			
Selling general and administrative expense	–	384	–
Other Costs			
Cost of services and sales	–	40	–
Selling general and administrative expense	–	236	–
	–	276	–
Total non-operating (credits) charges included in operating expenses	$ (6,510)	$ 7,846	$ 5,954

See "Other Items" for a description of other non-operational items

Consolidated Operating Income and EBITDA

Consolidated earnings before interest, taxes depreciation and amortization expenses (Consolidated EBITDA) and Consolidated Adjusted EBITDA, which are presented below, are non-GAAP measures and do not purport to be alternatives to operating income as a measure of operating performance Management believes that these measures are useful to investors and other users of our financial information in evaluating operating profitability on a more variable cost basis as they exclude the depreciation and amortization expense related primarily to capital expenditures and acquisitions that occurred in prior years, as well as in evaluating operating performance in relation to our competitors Consolidated EBITDA is calculated by adding back interest taxes, depreciation and amortization expense, equity in earnings of unconsolidated businesses and other income and (expense), net to net income

Consolidated Adjusted EBITDA is calculated by excluding the effect of non-operational items from the calculation of Consolidated EBITDA Management believes that this measure provides additional relevant and useful information to investors and other users of our financial data in evaluating the effectiveness of our operations and underlying business trends in a manner that is consistent with management's evaluation of business performance See "Other Items" for additional details regarding these non-operational items

Operating expenses include pension and benefit related credits and/or charges based on actuarial assumptions, including projected discount rates and an estimated return on plan assets These estimates are updated in the fourth quarter to reflect actual return on plan assets and updated actuarial assumptions The adjustment has been recognized in the income statement during the fourth quarter or upon a remeasurement event pursuant to our accounting policy for the recognition of actuarial gains/losses

It is management's intent to provide non-GAAP financial information to enhance the understanding of Verizon's GAAP financial information, and it should be considered by the reader in addition to but not instead of, the financial statements prepared in accordance with GAAP Each non-GAAP financial measure is presented along with the corresponding GAAP measure so as not to imply that more emphasis should be placed on the non-GAAP measure The non-GAAP financial information presented may be determined or calculated differently by other companies

			(dollars in millions)
Years Ended December 31	2013	2012	2011
Consolidated Operating Income	**$ 31,968**	$ 13,160	$ 12,880
Add Depreciation and amortization expense	**16,606**	16,460	16,496
Consolidated EBITDA	**48,574**	29,620	29,376
Add (Less) Non-operating (credits) charges included in operating expenses	**(6,510)**	7,846	5,954
Consolidated Adjusted EBITDA	**$ 42,064**	$ 37,466	$ 35,330

The changes in Consolidated Operating Income Consolidated EBITDA and Consolidated Adjusted EBITDA in the table above were primarily a result of the factors described in connection with operating revenues and operating expenses

Other Consolidated Results

Equity in Earnings of Unconsolidated Businesses

Equity in earnings of unconsolidated businesses decreased $182 million, or 56 2% in 2013 compared to 2012 primarily due to lower earnings from operations at Vodafone Omnitel N V (Vodafone Omnitel) The decrease during 2013 was partially offset by an immaterial gain recorded by Verizon Wireless upon obtaining control of previously unconsolidated wireless partnerships, which were previously accounted for under the equity method and are now consolidated

Equity in earnings of unconsolidated businesses decreased $120 million, or 27 0%, in 2012 compared to 2011 primarily due to lower earnings from operations at Vodafone Omnitel and, to a lesser extent, the devaluation of the Euro against the U S dollar

As part of the consideration of the Wireless Transaction a subsidiary of Verizon sold its entire ownership interest in Vodafone Omnitel to a subsidiary of Vodafone on February 21, 2014

Other Income and (Expense), Net

Additional information relating to Other income and (expense), net is as follows

						(dollars in millions) Increase/(Decrease)	
Years Ended December 31,	2013	2012	2011	2013 vs. 2012		2012 vs. 2011	
Interest income	$ 64	$ 57	$ 68	$ 7	12.3%	$ (11)	(16.2)%
Other, net	(230)	(1,073)	(82)	843	(78.6)	(991)	nm
Total	$ (166)	$ (1,016)	$ (14)	$ 850	(83 7)	$ (1,002)	nm

nm – not meaningful

Other income and (expense), net decreased during 2013 compared to 2012 primarily due to fees of $1 1 billion incurred in 2012 related to the early redemption of debt, partially offset by $0 2 billion of fees incurred during the fourth quarter of 2013 as a result of the termination of a bridge credit agreement upon the effectiveness of a term loan agreement (see "Other Items")

Other income and (expense), net increased during 2012 compared to 2011 primarily driven by higher fees of $1 1 billion related to the early redemption of debt (see "Other Items")

Interest Expense

						(dollars in millions) Increase/(Decrease)	
Years Ended December 31,	2013	2012	2011	2013 vs. 2012		2012 vs. 2011	
Total interest costs on debt balances	$ 3,421	$ 2,977	$ 3,269	$ 444	14 9%	$ (292)	(8 9)%
Less Capitalized interest costs	754	406	442	348	85 7	(36)	(8 1)
Total	$ 2,667	$ 2,571	$ 2,827	$ 96	3 7	$ (256)	(9 1)
Average debt outstanding	$65,959	$52,949	$55,629				
Effective interest rate	5.2%	5 6%	5 9%				

Total interest costs on debt balances increased during 2013 compared to 2012 primarily due to the issuance of $49 0 billion of fixed and floating rate notes to finance the Wireless Transaction (see "Acquisitions and Divestitures") resulting in an increase in average debt as well as an incremental increase in interest expense of $0 7 billion partially offset by a lower effective interest rate (see "Consolidated Financial Condition") Capitalized interest costs were higher in 2013 primarily due to increases in wireless licenses that are currently under development

Total interest costs on debt balances decreased during 2012 compared to 2011 primarily due to a $2 7 billion decrease in average debt (see "Consolidated Financial Condition") and a lower effective interest rate Capitalized interest costs were lower in 2012 primarily due to our ongoing deployment of the 4G LTE network

Provision (Benefit) for Income Taxes

						(dollars in millions) Increase/(Decrease)	
Years Ended December 31,	2013	2012	2011	2013 vs 2012		2012 vs 2011	
Provision (Benefit) for income taxes	$ 5,730	$ (660)	$ 285	$ 6,390	nm	$ (945)	nm
Effective income tax rate	19 6 %	(6 7)%	2 7 %				

nm – not meaningful

The effective income tax rate is calculated by dividing the provision for income taxes by income before the provision for income taxes Our effective income tax rate is significantly lower than the statutory federal income tax rate for all years presented due to the inclusion of income attributable to Vodafone's noncontrolling interest in the Verizon Wireless partnership within our income before the provision for income taxes In 2013 and 2011, we recorded a tax provision on income before the provision for income taxes and when we included the income attributable to Vodafone's noncontrolling interest in the Verizon Wireless partnership in our income before the provision for income taxes it resulted in our effective income tax rate being 13 7 percentage points lower during 2013 and 7 9 percentage points lower during 2011 In 2012, we recorded a tax benefit on income before the provision for income taxes, which resulted in a negative effective income tax rate In this circumstance, including the income attributable to Vodafone's noncontrolling interest in the Verizon Wireless partnership in our income before the provision for income taxes resulted in our negative effective tax rate being 300 3 percentage points higher during 2012

Verizon completed the acquisition of Vodafone's 45% indirect ownership interest in Verizon Wireless on February 21, 2014 Our provision for income taxes and effective income tax rate subsequent to the closing will reflect the change in Verizon's ownership interest in Verizon Wireless Our provision for income taxes and effective income tax rate will increase subsequent to the closing due to the inclusion of the provision for income taxes previously attributable to Vodafone's ownership interest

The effective income tax rate for 2013 was 19 6% compared to (6 7)% for 2012 The increase in the effective income tax rate and provision for income taxes was primarily due to higher income before income taxes as a result of severance, pension and benefit credits recorded during 2013 compared to lower income before income taxes as a result of severance, pension and benefit charges as well as early debt redemption costs recorded during 2012

The effective income tax rate for 2012 was (6 7)% compared to 2 7% for 2011 The negative effective income tax rate for 2012 and the decrease in the provision for income taxes during 2012 compared to 2011 was primarily due to lower income before income taxes as a result of higher severance pension, and benefit charges as well as early debt redemption costs recorded during 2012

A reconciliation of the statutory federal income tax rate to the effective income tax rate for each period is included in Note 12 to the consolidated financial statements

Net Income Attributable to Noncontrolling Interests

						(dollars in millions) Increase/(Decrease)	
Years Ended December 31,	2013	2012	2011	2013 vs 2012		2012 vs 2011	
Net income attributable to noncontrolling interests	$ 12,050	$ 9,682	$ 7,794	$ 2,368	24 5 %	$ 1,888	24 2 %

The increases in Net income attributable to noncontrolling interests during 2013 compared to 2012 and 2012 compared to 2011 were due to higher earnings in our Verizon Wireless segment, which had a 45% noncontrolling partnership interest attributable to Vodafone as of December 31, 2013

We expect Net income attributable to noncontrolling interests to decline substantially in 2014 as a result of the Wireless Transaction (see "Acquisitions and Divestitures") The noncontrolling interests that remained after the completion of the Wireless Transaction primarily relate to wireless partnerships

We have two reportable segments, Wireless and Wireline, which we operate and manage as strategic business units and organize by products and services We measure and evaluate our reportable segments based on segment operating income The use of segment operating income is consistent with the chief operating decision maker's assessment of segment performance

Segment earnings before interest, taxes, depreciation and amortization (Segment EBITDA), which is presented below, is a non-GAAP measure and does not purport to be an alternative to operating income as a measure of operating performance Management believes that this measure is useful to investors and other users of our financial information in evaluating operating profitability on a more variable cost basis as it excludes the depreciation and amortization expenses related primarily to capital expenditures and acquisitions that occurred in prior years as well as in evaluating operating performance in relation to our competitors Segment EBITDA is calculated by adding back depreciation and amortization expense to segment operating income

Wireless Segment EBITDA service margin, also presented below, is calculated by dividing Wireless Segment EBITDA by Wireless service revenues Wireless Segment EBITDA service margin utilizes service revenues rather than total revenues Service revenues primarily exclude equipment revenues in order to reflect the impact of providing service to the wireless customer base on an ongoing basis Wireline EBITDA margin is calculated by dividing Wireline EBITDA by total Wireline revenues You can find additional information about our segments in Note 13 to the consolidated financial statements

Wireless

Our Wireless segment is primarily comprised of Cellco Partnership doing business as Verizon Wireless. Cellco Partnership is a joint venture formed in April 2000 by the combination of the U.S. wireless operations and interests of Verizon and Vodafone. Verizon Wireless provides wireless communications services across one of the most extensive wireless networks in the United States. As of December 31, 2013, Verizon owned a controlling 55% interest in Verizon Wireless and Vodafone owned the remaining 45%. On February 21, 2014, the Wireless Transaction was completed, and Verizon acquired 100% ownership of Verizon Wireless.

We provide these services and equipment sales to consumer, business and government customers in the United States on a postpaid and prepaid basis. Postpaid connections represent individual lines of service for which a customer is billed in advance a monthly access charge in return for a monthly network service allowance, and usage beyond the allowance is billed monthly in arrears. Our prepaid service enables individuals to obtain wireless services without a long-term contract or credit verification by paying for all services in advance.

All financial results included in the tables below reflect the consolidated results of Verizon Wireless.

Operating Revenues and Selected Operating Statistics

(dollars in millions, except ARPA)

				Increase/(Decrease)			
Years Ended December 31,	2013	2012	2011	2013 vs. 2012		2012 vs. 2011	
Retail service	$ 66,334	$ 61,440	$ 56,660	$ 4,894	8.0%	$ 4,780	8.4%
Other service	2,699	2,293	2,497	406	17.7	(204)	(8.2)
Service revenue	69,033	63,733	59,157	5,300	8.3	4,576	7.7
Equipment and other	11,990	12,135	10,997	(145)	(1.2)	1,138	10.3
Total Operating Revenues	$ 81,023	$ 75,868	$ 70,154	$ 5,155	6.8	$ 5,714	8.1
Connections ('000) [1]							
Retail connections	102,799	98,230	92,167	4,569	4.7	6,063	6.6
Retail postpaid connections	96,752	92,530	87,382	4,222	4.6	5,148	5.9
Net additions in period ('000) [2]							
Retail connections	4,472	5,917	4,624	(1,445)	(24.4)	1,293	28.0
Retail postpaid connections	4,118	5,024	4,252	(906)	(18.0)	772	18.2
Churn Rate							
Retail connections	1.27%	1.19%	1.26%				
Retail postpaid connections	0.97%	0.91%	0.95%				
Account Statistics							
Retail postpaid ARPA	$ 153.93	$ 144.04	$ 134.51	$ 9.89	6.9	$ 9.53	7.1
Retail postpaid accounts ('000) [1]	35,083	35,057	34,561	26	0.1	496	1.4
Retail postpaid connections per account [1]	2.76	2.64	2.53	0.12	4.5	0.11	4.3

[1] As of end of period

[2] Excluding acquisitions and adjustments

2013 Compared to 2012

The increase in Wireless' total operating revenues of $5.2 billion, or 6.8%, during 2013 compared to 2012 was primarily the result of growth in service revenue.

Accounts and Connections

Retail (non-wholesale) postpaid accounts represent retail customers under contract with Verizon Wireless that are directly served and managed by Verizon Wireless and use its branded services. Accounts include Share Everything plans and corporate accounts, as well as legacy single connection plans and family plans. A single account may receive monthly wireless services for a variety of connected devices. Retail connections represent our retail customer device connections. Churn is the rate at which service to connections is terminated.

Retail connections under an account may include smartphones, basic phones, tablets and other Internet devices, as well as Home Phone Connect and Home Fusion. We expect to continue to experience retail connection growth based on the strength of our product offerings and network service quality.

Retail postpaid connection net additions decreased during 2013 compared to 2012 primarily due to an increase in our retail postpaid connection churn rate, partially offset by an increase in retail postpaid connection gross additions.

Retail Postpaid Connections per Account

Retail postpaid connections per account is calculated by dividing the total number of retail postpaid connections by the number of retail postpaid accounts as of the end of the period. Retail postpaid connections per account increased 4.5% as of December 31, 2013 compared to December 31, 2012 primarily due to the increased penetration of tablets and other Internet devices.

Service Revenue

Service revenue increased $5.3 billion, or 8.3%, during 2013 compared to 2012 primarily driven by higher retail postpaid service revenue, which increased largely as a result of an increase in retail postpaid connections as well as the continued increase in penetration of smartphones, tablets and other Internet devices through our Share Everything plans. The penetration of smartphones was driven by the activation of smartphones by new customers as well as existing customers migrating from basic phones to smartphones.

The increase in retail postpaid ARPA (the average revenue per account from retail postpaid accounts) during 2013 compared to 2012 was primarily driven by increases in smartphone penetration and retail postpaid connections per account. As of December 31, 2013, we experienced a 4.5% increase in retail postpaid connections per account compared to 2012, with smartphones representing 70% of our retail postpaid phone base as of December 31, 2013 compared to 58% as of December 31, 2012. The increased penetration in retail postpaid connections per account is primarily due to increases in Internet data devices, which represented 10.7% of our retail postpaid connection base as of December 31, 2013 compared to 9.3% as of December 31, 2012, primarily due to activations of tablets and other Internet devices. Additionally, during 2013, postpaid smartphone activations represented 86% of phones activated compared to 77% during 2012.

Other service revenue increased during 2013 compared to 2012 due to growth in wholesale connections, partially offset by a decrease in revenue related to third party roaming.

Equipment and Other Revenue

Equipment and other revenue decreased during 2013 compared to 2012 as a decline in regulatory fees was partially offset by an increase in revenue related to upgrade fees.

2012 Compared to 2011

The increase in Wireless' total operating revenues during 2012 compared to 2011 was the result of growth in both service and equipment and other revenue.

Accounts and Connections

Retail connection net additions increased during 2012 compared to 2011 primarily due to an increase in retail postpaid and prepaid connection gross additions and improvements in our retail connections churn rate. Higher retail postpaid connection gross additions during 2012 primarily reflected the launch of our Share Everything plans coupled with new device introductions during the second half of 2012.

Retail Postpaid Connections per Account

Retail postpaid connections per account increased during 2012 compared to 2011 primarily due to the increased use of tablets and other Internet devices.

Service Revenue

Service revenue increased during 2012 compared to 2011 primarily driven by higher retail postpaid service revenue, which increased largely as a result of an increase in retail postpaid connections of 5.1 million in 2012, as well as the continued increase in penetration of smartphones. This increased penetration also contributed to the increase in our retail postpaid ARPA.

The increase in retail postpaid ARPA during 2012 compared to 2011 was primarily driven by increases in smartphone penetration and retail postpaid connections per account. During 2012, we experienced a 4.3% increase in retail postpaid connections per account compared to 2011, with smartphones representing 58% of our retail postpaid phone base as of December 31, 2012 compared to 43.5% as of December 31, 2011. The increase in retail postpaid connections per account was primarily due to increases in Internet data devices, which represented 9.3% of our retail postpaid connection base as of December 31, 2012 compared to 8.1% as of December 31, 2011 primarily due to strong sales of tablets and Jetpacks™.

Other service revenue decreased during 2012 compared to 2011 primarily as a result of a decrease in third party roaming revenue.

Equipment and Other Revenue

Equipment and other revenue increased during 2012 compared to 2011 primarily due to increases in device upgrade fees, regulatory fees and equipment sales

Operating Expenses

				(dollars in millions) Increase/(Decrease)			
Years Ended December 31,	2013	2012	2011	2013 vs. 2012		2012 vs 2011	
Cost of services and sales	$ 23,648	$ 24,490	$ 24,086	$ (842)	(3.4)%	$ 404	1 7%
Selling general and administrative expense	23,176	21,650	19,579	1,526	7.0	2,071	10 6
Depreciation and amortization expense	8,202	7,960	7,962	242	3 0	(2)	–
Total Operating Expenses	$ 55,026	$ 54,100	$ 51,627	$ 926	1 7	$ 2,473	4 8

Cost of Services and Sales

Cost of services and sales decreased during 2013 compared to 2012 primarily due to a decrease in cost of equipment sales of $0 4 billion, which was partially due to a decline in postpaid upgrades, decreased data roaming, a decline in cost of data services and a decrease in network connection costs due to the deployment of Ethernet backhaul facilities primarily targeted at sites upgrading to 4G LTE, partially offset by an increase in cost of network services

Cost of services and sales increased during 2012 compared to 2011 primarily due to $0 7 billion in higher cost of equipment sales, which was driven by increased sales of higher cost smartphones, increased cost of network services and increased data roaming, partially offset by a decrease in cost for data services, a decrease in network connection costs due to the ongoing deployment of Ethernet backhaul facilities primarily targeted at sites upgrading to 4G LTE and a decrease in the cost of long distance

Selling, General and Administrative Expense

Selling general and administrative expense increased during 2013 compared to 2012 primarily due to higher sales commission expense in our indirect channel Indirect sales commission expense increased $1 1 billion during 2013 compared to 2012 primarily as a result of increases in indirect gross additions and upgrades, as well as the average commission per unit, as the mix of units continues to shift toward smartphones and more customers activate data services

Selling general and administrative expense increased during 2012 compared to 2011 primarily due to higher sales commission expense in our indirect channel as well as costs associated with regulatory fees Indirect sales commission expense increased $1 3 billion during 2012 compared to 2011 primarily as a result of increases in the average commission per unit, as the mix of units continued to shift toward smartphones and more customers activated data services

Depreciation and Amortization Expense

The increase in depreciation and amortization expense during 2013 compared to 2012 was primarily driven by an increase in net depreciable assets Depreciation and amortization expense was essentially unchanged during 2012 compared to 2011

Segment Operating Income and EBITDA

				(dollars in millions) Increase/(Decrease)			
Years Ended December 31,	2013	2012	2011	2013 vs 2012		2012 vs 2011	
Segment Operating Income	$ 25,997	$ 21,768	$ 18,527	$ 4,229	19 4%	$ 3,241	17 5%
Add Depreciation and amortization expense	8,202	7,960	7,962	242	3.0	(2)	–
Segment EBITDA	$ 34,199	$ 29,728	$ 26,489	$ 4,471	15.0	$ 3,239	12.2
Segment operating income margin	32 1%	28 7%	26 4%				
Segment EBITDA service margin	49.5%	46 6%	44 8%				

The changes in the table above during the periods presented were primarily a result of the factors described in connection with operating revenues and operating expenses

Non-recurring or non-operational items excluded from Wireless' Operating income were as follows

			(dollars in millions)
Years Ended December 31,	2013	2012	2011
Gain on spectrum license transaction	$ (278)	$ –	$ –
Severance, pension and benefit (credits) charges	(61)	37	76
	$ (339)	$ 37	$ 76

Wireline

Our Wireline segment provides voice data and video communications products and enhanced services including broadband video and data, corporate networking solutions, data center and cloud services, security and managed network services and local and long distance voice services We provide these products and services to consumers in the United States, as well as to carriers, businesses and government customers both in the United States and in over 150 other countries around the world

Operating Revenues and Selected Operating Statistics

				(dollars in millions) Increase/(Decrease)			
Years Ended December 31,	2013	2012	2011	2013 vs. 2012		2012 vs 2011	
Consumer retail	$ 14,737	$ 14,043	$ 13,606	$ 694	4 9%	$ 437	3 2%
Small business	2,591	2 659	2,731	(68)	(2.6)	(72)	(2 6)
Mass Markets	17,328	16,702	16,337	626	3.7	365	2 2
Strategic services	8,420	8,052	7,575	368	4 6	477	6 3
Core	6,283	7,247	8,047	(964)	(13.3)	(800)	(9 9)
Global Enterprise	14,703	15,299	15,622	(596)	(3 9)	(323)	(2 1)
Global Wholesale	6,714	7,240	7,973	(526)	(7.3)	(733)	(9 2)
Other	478	539	750	(61)	(11.3)	(211)	(28 1)
Total Operating Revenues	$ 39,223	$ 39,780	$ 40,682	$ (557)	(1 4)	$ (902)	(2 2)
Connections (000) [1]							
Total voice connections	21,085	22,503	24 137	(1,418)	(6.3)	(1,634)	(6 8)
Total Broadband connections	9,015	8,795	8,670	220	2.5	125	1 4
FiOS Internet subscribers	6,072	5,424	4,817	648	11.9	607	12 6
FiOS Video subscribers	5,262	4,726	4,173	536	11.3	553	13 3

[1] As of end of period

Wireline's revenues decreased $0 6 billion, or 1 4%, during 2013 compared to 2012 primarily driven by declines in Global Enterprise Core and Global Wholesale, partially offset by higher Consumer retail revenues driven by FiOS services and increased Strategic services revenues within Global Enterprise

Mass Markets

Mass Markets operations provide broadband services (including high-speed Internet, FiOS Internet and FiOS Video services), local exchange (basic service and end-user access) and long distance (including regional toll) voice services to residential and small business subscribers

2013 Compared to 2012

Mass Markets revenues increased $0 6 billion, or 3 7%, during 2013 compared to 2012 primarily due to the expansion of FiOS services (Voice, Internet and Video) as well as changes in our pricing strategies partially offset by the continued decline of local exchange revenues

During 2013, we grew our subscriber base by 0 6 million FiOS Internet subscribers and by 0 5 million FiOS Video subscribers, while also consistently improving penetration rates within our FiOS service areas As of December 31, 2013, we achieved penetration rates of 39 5% and 35 0% for FiOS Internet and FiOS Video, respectively, compared to penetration rates of 37.3% and 33 3% for FiOS Internet and FiOS Video, respectively, at December 31, 2012

The increase in Mass Markets revenues driven by FiOS services was partially offset by the decline of local exchange revenues primarily due to a 5 2% decline in Consumer retail voice connections resulting primarily from competition and technology substitution with wireless, VoIP, broadband and cable services Total voice connections include traditional switched access lines in service as well as FiOS digital voice connections There was also a decline in Small business retail voice connections primarily reflecting competition and a shift to both IP and high-speed circuits

2012 Compared to 2011

Mass Markets revenues increased during 2012 compared to 2011 primarily due to the expansion of FiOS services (Voice, Internet and Video) as well as changes in our pricing strategy adopted in 2012, partially offset by the continued decline of local exchange revenues

We continued to grow our subscriber base and improved penetration rates within our FiOS service areas during 2012. Also contributing to the increase in revenue from FiOS services were changes in our pricing strategy adopted in 2012. As of December 31, 2012, we achieved penetration rates of 37.3% and 33.3% for FiOS Internet and FiOS Video, respectively, compared to penetration rates of 35.5% and 31.5% for FiOS Internet and FiOS Video, respectively, at December 31, 2011.

Mass Markets revenues were negatively impacted by the decline of local exchange revenues primarily due to a 6.1% decline in Consumer retail voice connections resulting primarily from competition and technology substitution with wireless, VoIP, broadband and cable services. Total voice connections include traditional switched access lines in service as well as FiOS digital voice connections. There was also a decline in Small business retail voice connections, primarily reflecting challenging economic conditions, competition and a shift to both IP and high-speed circuits.

Global Enterprise

Global Enterprise offers Strategic services including network products and solutions, advanced communications services, and other core communications services to medium and large business customers, multinational corporations and state and federal government customers.

2013 Compared to 2012

Global Enterprise revenues decreased $0.6 billion, or 3.9%, during 2013 compared to 2012 primarily due to a $0.5 billion, or 27.1%, decline in Core customer premise equipment revenues as well as lower voice services and data networking revenues, which consist of traditional circuit-based services such as frame relay, private line and Asynchronous Transfer Mode (ATM) services. These core services declined in 2013 compared to 2012 as our customer base continued to migrate to next generation IP services. The decline in customer premise equipment revenues reflected our focus on improving margins by continuing to de-emphasize sales of equipment that are not part of an overall enterprise solutions bundle. The decline is also due to lower revenue from public sector customers. This decrease was partially offset by growth in Strategic services revenues, which increased $0.4 billion, or 4.6%, during 2013 compared to 2012 primarily due to growth in advanced services, such as contact center solutions, IP communications and our cloud and data center offerings, as well as revenue from a telematics services business that we acquired in the third quarter of 2012.

2012 Compared to 2011

Global Enterprise revenues decreased during 2012 compared to 2011 primarily due to lower local services and traditional circuit-based revenues, a decline in customer premise equipment revenues and the unfavorable impact of foreign currency translation. Core services declined compared to the similar period in 2011 as our customer base continued to migrate to next generation IP services. The decline in customer premise equipment revenues, reflected our focus on improving margins by continuing to de-emphasize sales of equipment that are not part of an overall enterprise solutions bundle. This decrease was partially offset by higher Strategic services revenues. Strategic services revenues increased primarily due to growth in advanced services, such as managed network solutions, contact center solutions, IP communications and our cloud and data center offerings.

Global Wholesale

Global Wholesale provides communications services including data, voice and local dial tone and broadband services primarily to local, long distance and other carriers that use our facilities to provide services to their customers.

2013 Compared to 2012

Global Wholesale revenues decreased $0.5 billion, or 7.3%, during 2013 compared to 2012 primarily due to a decline in traditional voice revenues as a result of decreased MOUs and a 5.2% decline in domestic wholesale connections. The traditional voice product reductions are primarily due to competitors de-emphasizing their local market initiatives coupled with the effect of technology substitution. Also contributing to the decline in voice revenues is the continuing contraction of market rates due to competition. Partially offsetting the overall decrease in wholesale revenue was a continuing demand for high-speed digital data services from fiber-to-the-cell customers upgrading their core data circuits to Ethernet facilities as well as Ethernet migrations from other core customers. As a result of the customer upgrades, the number of core data circuits experienced an 11.3% decline compared to the similar period in 2012.

2012 Compared to 2011

Global Wholesale revenues decreased during 2012 compared to 2011 primarily due to a decline in traditional voice revenues as a result of decreased MOUs and a 5.3% decline in domestic wholesale connections. The traditional voice product reductions are primarily due to the continued impact of competitors de-emphasizing their local market initiatives coupled with the impact of technology substitution. Also contributing to the decline in voice revenues is the elimination of low margin international products and the continuing contraction of market rates due to competition. Partially offsetting the overall decrease in wholesale revenue was a continuing demand for high-speed digital data services from fiber-to-the-cell customers upgrading their core data circuits to Ethernet facilities as well as Ethernet migrations from other core customers. As a result of the customer upgrades, the number of core data circuits experienced a 9.6% decline compared to the similar period in 2011. We expect Global Wholesale revenue to continue to decline approximately 10% per quarter compared to the similar period in 2011, as we believe that the continued decline in core products will only be partially offset by growth in Ethernet and IP services.

Other

Other revenues include such services as local exchange and long distance services outside of our network footprint and operator services which are no longer being marketed. The decrease in revenues from other services during 2013 and 2012 was primarily due to reduced volumes outside of our network footprint.

Operating Expenses

				(dollars in millions) Increase/(Decrease)			
Years Ended December 31,	2013	2012	2011	2013 vs. 2012		2012 vs. 2011	
Cost of services and sales	$ 21,928	$ 22,413	$ 22,158	$ (485)	(2.2)%	$ 255	1.2%
Selling, general and administrative expense	8,595	8,883	9,107	(288)	(3.2)	(224)	(2.5)
Depreciation and amortization expense	8,327	8,424	8,458	(97)	(1.2)	(34)	(0.4)
Total Operating Expenses	$ 38,850	$ 39,720	$ 39,723	$ (870)	(2.2)	$ (3)	–

Cost of Services and Sales

Cost of services and sales decreased during 2013 compared to 2012, primarily due to a decrease in costs related to customer premise equipment which reflected our focus on improving margins by de-emphasizing sales of equipment that are not part of an overall enterprise solutions bundle, a decline in access costs resulting primarily from declines in overall wholesale long distance volumes and the net effect of storm-related insurance recoveries. These decreases were partially offset by higher content costs associated with continued FiOS subscriber growth and vendor rate increases.

Cost of services and sales increased during 2012 compared to 2011, primarily due to higher content costs associated with continued FiOS subscriber growth and vendor rate increases and increased expenses related to our cloud and data center offerings. Cost of services and sales was also impacted by higher costs related to FiOS installation, as well as higher repair and maintenance expenses caused by storm-related events in 2012 compared to 2011. The increases were partially offset by a decline in access costs primarily from management actions to reduce exposure to unprofitable international wholesale routes and declines in overall wholesale long distance volumes. Costs related to customer premise equipment also decreased, which reflected our focus on improving margins by de-emphasizing sales of equipment that are not part of an overall enterprise solutions bundle.

Selling, General and Administrative Expense

Selling, general and administrative expense decreased during 2013 compared to 2012 primarily due to declines in employee costs, primarily as a result of reduced headcount, and declines in rent expenses, partially offset by higher transaction and property tax expenses.

Selling, general and administrative expense decreased during 2012 compared to 2011 primarily due to lower allocations related to centralized administrative functions, and to a lesser extent, lower property and transaction tax expenses and employee costs.

Depreciation and Amortization Expense

Depreciation and amortization expense decreased during 2013 compared to 2012, as well as 2012 compared to 2011, due to decreases in net depreciable assets, partially offset by an increase in amortization expense related to non-network software.

Segment Operating Income and EBITDA

				(dollars in millions) Increase/(Decrease)			
Years Ended December 31,	2013	2012	2011	2013 vs. 2012		2012 vs. 2011	
Segment Operating Income	$ 373	$ 60	$ 959	$ 313	nm	$ (899)	(93.7)%
Add Depreciation and amortization expense	8,327	8,424	8,458	(97)	(1.2)%	(34)	(0.4)
Segment EBITDA	$ 8,700	$ 8,484	$ 9,417	$ 216	2.5	$ (933)	(9.9)
Segment operating income margin	1.0%	0.2%	2.4%				
Segment EBITDA margin	22.2%	21.3%	23.1%				

nm – not meaningful

The changes in Wireline's Operating income, Segment EBITDA and Segment EBITDA margin during the periods presented were primarily a result of the factors described in connection with operating revenues and operating expenses.

During 2012, $0.1 billion of non-recurring or non-operational items were excluded from Wireline's Operating income.

Gain on Spectrum License Transaction

During the third quarter of 2013, after receiving the required regulatory approvals, Verizon Wireless sold 39 lower 700 MHz B block spectrum licenses to AT&T in exchange for a payment of $1 9 billion and the transfer by AT&T to Verizon Wireless of AWS (10 MHz) licenses in certain markets in the western United States Verizon Wireless also sold certain lower 700 MHz B block spectrum licenses to an investment firm for a payment of $0 2 billion As a result we received $0 5 billion of AWS licenses at fair value and we recorded a pre-tax gain of approximately $0 3 billion in Selling, general and administrative expense on our consolidated statement of income for the year ended December 31 2013

The Consolidated Adjusted EBITDA non-GAAP measure presented in the Consolidated Operating Income and EBITDA discussion (See "Consolidated Results of Operations") excludes the gain on the spectrum license transaction described above

Wireless Transaction Costs

During 2013, as a result of the Wireless Transaction, we recorded costs of $0 9 billion primarily for interest expense of $0 7 billion related to the issuance of the new notes, as well as $0 2 billion in fees primarily in connection with the bridge credit agreement (see "Consolidated Financial Condition").

Severance, Pension and Benefit (Credits) Charges

During 2013, we recorded net pre-tax severance pension and benefits credits of approximately $6 2 billion primarily for our pension and postretirement plans in accordance with our accounting policy to recognize actuarial gains and losses in the year in which they occur The credits were primarily driven by an increase in our discount rate assumption used to determine the current year liabilities from a weighted-average of 4 2% at December 31, 2012 to a weighted-average of 5 0% at December 31, 2013 ($4 3 billion), lower than assumed retiree medical costs and other assumption adjustments ($1 4 billion) and the difference between our estimated return on assets of 7 5% at December 31, 2012 and our actual return on assets of 8 6% at December 31, 2013 ($0 5 billion)

During 2012, we recorded net pre-tax severance, pension and benefits charges of approximately $7.2 billion primarily for our pension and postretirement plans in accordance with our accounting policy to recognize actuarial gains and losses in the year in which they occur The charges were primarily driven by a decrease in our discount rate assumption used to determine the current year liabilities from a weighted-average of 5% at December 31 2011 to a weighted-average of 4 2% at December 31, 2012 ($5 3 billion) and revisions to the retirement assumptions for participants and other assumption adjustments, partially offset by the difference between our estimated return on assets of 7 5% and our actual return on assets of 10% ($0 7 billion) As part of this charge we also recorded $1 0 billion related to the annuitization of pension liabilities (see "Employee Benefit Plan Funded Status and Contributions") as well as severance charges of $0 4 billion primarily for approximately 4 000 management employees

During 2011, we recorded net pre-tax severance, pension and benefits charges of approximately $6 0 billion for our pension and postretirement plans in accordance with our accounting policy to recognize actuarial gains and losses in the year in which they occur The charges were primarily driven by a decrease in our discount rate assumption used to determine the current year liabilities from 5 75% at December 31, 2010 to 5% at December 31, 2011 ($5 0 billion) the difference between our estimated return on assets of 8% and our actual return on assets of 5% ($0 9 billion), and revisions to the life expectancy of participants and other adjustments to assumptions

The Consolidated Adjusted EBITDA non-GAAP measure presented in the Consolidated Operating Income and EBITDA discussion (See "Consolidated Results of Operations") excludes the severance, pension and benefit (credits) charges presented above

Early Debt Redemption and Other Costs

During November 2012, we recorded debt redemption costs of $0 8 billion in connection with the purchase of $0 9 billion of the $1 25 billion of 8 95% Verizon Communications Notes due 2039 in a cash tender offer

During December 2012, we recorded debt redemption costs of $0 3 billion in connection with the early redemption of $0 7 billion of the $2 0 billion of 8 75% Verizon Communications Notes due 2018, $1 0 billion of 4 625% Verizon Virginia LLC Debentures, Series A, due March 2013 and $0 75 billion of 4 35% Verizon Communications Notes due February 2013, as well as $0 3 billion of other costs

During November 2011, we recorded debt redemption costs of $0 1 billion in connection with the early redemption of $1 0 billion of 7 375% Verizon Communications Notes due September 2012, $0 6 billion of 6 875% Verizon Communications Notes due June 2012, $0 4 billion of 6 125% Verizon Florida Inc Debentures due January 2013, $0 5 billion of 6 125% Verizon Maryland Inc Debentures due March 2012 and $1 0 billion of 6 875% Verizon New York Inc Debentures due April 2012

Litigation Settlements

In the third quarter of 2012, we settled a number of patent litigation matters, including cases with ActiveVideo Networks Inc (ActiveVideo) and TiVo Inc (TiVo) In connection with the settlements with ActiveVideo and TiVo, we recorded a charge of $0 4 billion in the third quarter of 2012 and will pay and recognize over the following six years an additional $0 2 billion

The Consolidated Adjusted EBITDA non-GAAP measure presented in the Consolidated Operating Income and EBITDA discussion (See "Consolidated Results of Operations") excludes the litigation settlement costs presented above

Consolidated Cash Flow Activity

Years Ended December 31,	2013	2012	2011
		(dollars in millions)	
Cash Flows Provided By (Used In)			
Operating activities	**$ 38,818**	$ 31,486	$ 29,780
Investing activities	**(14,833)**	(20,502)	(17,250)
Financing activities	**26,450**	(21,253)	(5,836)
Increase (Decrease) In Cash and Cash Equivalents	**$ 50,435**	$(10,269)	$ 6,694

We use the net cash generated from our operations to fund network expansion and modernization, repay external financing, pay dividends, repurchase Verizon common stock from time to time and invest in new businesses Our sources of funds, primarily from operations and, to the extent necessary, from external financing arrangements, are sufficient to meet ongoing operating and investing requirements The cash portion of the purchase price for the Wireless Transaction was primarily funded by the incurrence of third-party indebtedness including the issuance of $49 0 billion aggregate principal amount of fixed and floating rate notes and other indebtedness (see "Acquisitions and Divestitures") We expect that our capital spending requirements will continue to be financed primarily through internally generated funds Debt or equity financing may be needed to fund additional investments or development activities or to maintain an appropriate capital structure to ensure our financial flexibility Our cash and cash equivalents are primarily held domestically in diversified accounts and are invested to maintain principal and liquidity Accordingly, we do not have significant exposure to foreign currency fluctuations

The volatility in world debt and equity markets has not had a significant effect on our ability to access external financing Our available external financing arrangements include credit available under credit facilities and other bank lines of credit, vendor financing arrangements issuances of registered debt or equity securities and privately-placed capital market securities We may also issue short-term debt through an active commercial paper program and have a $6 2 billion credit facility to support such commercial paper issuances In addition, during 2013, we entered into a $2 0 billion 364-day revolving credit agreement

Cash Flows Provided By Operating Activities

Our primary source of funds continues to be cash generated from operations, primarily from our Wireless segment Net cash provided by operating activities during 2013 increased by $7 3 billion compared to 2012 primarily due to higher consolidated earnings, lower pension contributions and improved working capital levels The increase in net cash provided by operating activities in 2013 was partially offset by net distributions of $0 3 billion received from Vodafone Omnitel in 2012

Net cash provided by operating activities during 2012 increased by $1 7 billion compared to 2011 primarily due to higher consolidated earnings, as well as improved working capital levels, due to timing differences, partially offset by an increase in pension contributions Net cash provided by operating activities during 2012 and 2011 included net distributions received from Vodafone Omnitel of $0 3 billion and $0 4 billion, respectively

Cash Flows Used In Investing Activities

Capital Expenditures

Capital expenditures continue to be our primary use of capital resources as they facilitate the introduction of new products and services, enhance responsiveness to competitive challenges and increase the operating efficiency and productivity of our networks

Capital expenditures, including capitalized software, were as follows

Years Ended December 31,	2013	2012	2011
		(dollars in millions)	
Wireless	**$ 9,425**	$ 8,857	$ 8,973
Wireline	**6,229**	6,342	6,399
Other	**950**	976	872
	$ 16,604	$ 16,175	$ 16,244
Total as a percentage of revenue	**13 8%**	14 0%	14 7%

Capital expenditures increased at Wireless in 2013 compared to 2012 in order to substantially complete the build-out of our 4G LTE network Capital expenditures declined at Wireline as a result of decreased legacy spending requirements and a decline in spending on our FiOS network

Capital expenditures declined slightly at Wireless in 2012 compared to 2011 due to the decreased investment in the capacity of our wireless EV-DO network, partially offset by the increased build-out of our 4G LTE network Capital expenditures declined slightly at Wireline due to lower legacy spending requirements

Acquisitions

During 2013, 2012 and 2011, we invested $0 6 billion, $4 3 billion and $0 2 billion, respectively, in acquisitions of wireless licenses During 2013, 2012 and 2011, we also invested $0 5 billion, $0 9 billion and $1 8 billion, respectively, in acquisitions of investments and businesses, net of cash acquired

During the fourth quarter of 2013 Verizon acquired an industry leader in content delivery networks for $0 4 billion We expect the acquisition will increase our ability to meet the growing demand for online digital media content Additionally, we acquired a technology and television cloud company for cash consideration that was not significant In February 2014, Verizon acquired a business dedicated to the development of cloud television products and services for cash consideration that was not significant

During 2012 we paid approximately $4 3 billion to acquire wireless licenses primarily to meet future LTE capacity needs and enable LTE expansion Additionally, during 2012, we acquired HUGHES Telematics, a provider of telematics services, for $0 6 billion See "Acquisitions and Divestitures" for additional details

During April 2011, we paid approximately $1 4 billion for the equity of Terremark, which was partially offset by $0 1 billion of cash acquired (see "Acquisitions and Divestitures") See "Cash Flows From Financing Activities" regarding the debt obligations of Terremark that were repaid during May 2011 In addition, during 2011, we acquired various wireless licenses and markets as well as a provider of cloud software technology for cash consideration that was not significant

Dispositions

During 2013, we completed the sale of 700 MHz lower B block spectrum licenses and as a result, we received proceeds of $2 1 billion Additionally, on January 6, 2014, we announced agreements with T-Mobile USA, Inc (T-Mobile USA) pursuant to which we will dispose of our remaining 700 MHz A block spectrum licenses, and as a result of these agreements we expect to receive cash consideration of approximately $2 4 billion and additional spectrum See "Acquisitions and Divestitures" for additional information

During 2012, we received $0 4 billion related to the sale of some of our 700 MHz lower A and B block spectrum licenses We acquired these licenses as part of Federal Communications Commission (FCC) Auction 73 in 2008

Other, net

During 2011, Other net primarily included proceeds related to the sales of long-term investments, which were not significant to our consolidated statements of income

Cash Flows Provided by (Used In) Financing Activities

We seek to maintain a mix of fixed and variable rate debt to lower borrowing costs within reasonable risk parameters and to protect against earnings and cash flow volatility resulting from changes in market conditions During 2013, 2012 and 2011 net cash provided by (used in) financing activities was $26 5 billion $(21 3) billion and $(5 8) billion, respectively

2013

During March 2013, we issued $0 5 billion aggregate principal amount of floating rate Notes due 2015 in a private placement resulting in cash proceeds of approximately $0 5 billion, net of discounts and issuance costs The proceeds were used for the repayment of commercial paper

During April 2013, $1 25 billion of 5 25% Verizon Communications Notes matured and were repaid During May 2013, $0 1 billion of 7 0% Verizon New York Inc Debentures matured and were repaid During June 2013, $0 5 billion of 4 375% Verizon Communications Notes and $0 1 billion of 7 0% Verizon New York Inc Debentures matured and were repaid In addition, during June 2013, we redeemed $0 25 billion of 7 15% Verizon Maryland LLC Debentures due May 2023 at a redemption price of 100% of the principal amount of the debentures

During September 2013, in connection with the Wireless Transaction, we issued $49 0 billion aggregate principal amount of fixed and floating rate notes resulting in cash proceeds of approximately $48 7 billion, net of discounts and issuance costs The issuances consisted of the following $2 25 billion aggregate principal amount of floating rate Notes due 2016 that bear interest at a rate equal to three-month London Interbank Offered Rate (LIBOR) plus 1 53% which rate will be reset quarterly $1 75 billion aggregate principal amount of floating rate Notes due 2018 that bear interest at a rate equal to three-month LIBOR plus 1 75% which rate will be reset quarterly, $4 25 billion aggregate principal amount of 2 50% Notes due 2016, $4 75 billion aggregate principal amount of 3 65% Notes due 2018 $4 0 billion aggregate principal amount of 4 50% Notes due 2020, $11 0 billion aggregate principal amount of 5 15% Notes due 2023, $6 0 billion aggregate principal amount of 6 40% Notes due 2033 and $15 0 billion aggregate principal amount of 6 55% Notes due 2043 (collectively, the new notes) The proceeds of the new notes were used to finance, in part, the Wireless Transaction and to pay related fees and expenses As a result of the issuance of the new notes, we incurred interest expense related to the Wireless Transaction of $0 7 billion during 2013

During October 2013, $0 3 billion of 4 75% Verizon New England Inc Debentures matured and were repaid

During November 2013, $1 25 billion of 7 375% Verizon Wireless Notes and $0 2 billion of 6 5% Verizon Wireless Notes matured and were repaid During November 2013, Verizon Wireless redeemed $3 5 billion of 5 55% Notes due February 1, 2014 at a redemption price of 101% of the principal amount of the notes and $0 3 billion of 6 70% Verizon New York Inc Debentures due November 2023 at a redemption price of 100% of the principal amount of the debentures Any accrued and unpaid interest was paid to the date of redemption

During December 2013, we redeemed $0 2 billion of 7 0% Verizon New York Inc Debentures due December 2033 at a redemption price of 100% of the principal amount of the debentures and $20 million of 7 0% Verizon Delaware LLC Debentures due December 2023 at a redemption price of 100% of the principal amount of the debentures Any accrued and unpaid interest was paid to the date of redemption

In addition, during 2013 we utilized $0 2 billion under fixed rate vendor financing facilities

During February 2014, we issued €1 75 billion aggregate principal amount of 2 375% Notes due 2022 €1 25 billion aggregate principal amount of 3 25% Notes due 2026 and £0 85 billion aggregate principal amount of 4 75% Notes due 2034 The issuance of these Notes resulted in cash proceeds of approximately $5 4 billion, net of discounts and issuance costs The net proceeds were used in part, to finance the Wireless Transaction Any net proceeds not used to finance the Wireless Transaction will be used for general corporate purposes Also, during February 2014, we issued $0 5 billion aggregate principal amount of 5 9% Retail Notes due 2054 resulting in cash proceeds of approximately $0 5 billion, net of discounts and issuance costs The proceeds will be used for general corporate purposes

Verizon Notes

During February 2014, in connection with the Wireless Transaction we issued $5 0 billion aggregate principal amount of floating rate notes The Verizon Notes were issued in two separate series, with $2 5 billion due February 21 2022 and $2 5 billion due February 21, 2025 The Verizon Notes bear interest at a floating rate, which will be reset quarterly, with interest payable quarterly in arrears beginning May 21, 2014 (see ' Acquisitions and Divestitures') The eight-year Verizon notes bear interest at a floating rate equal to three-month LIBOR, plus 1 222%, and the eleven-year Verizon notes bear interest at a floating rate equal to three-month LIBOR, plus 1 372%

Term Loan Agreement

During October 2013, we entered into a term loan agreement with a group of major financial institutions pursuant to which we drew $6 6 billion in February 2014 to finance, in part, the Wireless Transaction and to pay transaction costs Half of any loans under the term loan agreement have a maturity of three years and the other half have a maturity of five years (the 5-Year Loans) The 5-Year Loans provide for the partial amortization of principal during the last two years that they are outstanding Loans under the term loan agreement bear interest at floating rates The term loan agreement contains certain negative covenants including a negative pledge covenant, a merger or similar transaction covenant and an accounting changes covenant, affirmative covenants and events of default that are customary for companies maintaining an investment grade credit rating In addition, the term loan agreement requires us to maintain a leverage ratio (as defined in the term loan agreement) not in excess of 3 50 1 00, until our credit ratings reach a certain level

Bridge Credit Agreement

During September 2013, we entered into a $61 0 billion bridge credit agreement with a group of major financial institutions The credit agreement provided us with the ability to borrow up to $61 0 billion to finance, in part the Wireless Transaction and to pay related transaction costs Following the September 2013 issuance of notes, borrowing availability under the bridge credit agreement was reduced to $12 0 billion Following the effectiveness of the term loan agreement in October 2013, the bridge credit agreement was terminated in accordance with its terms and as such, the related fees of $0 2 billion were recognized in Other income and (expense), net during the fourth quarter of 2013

2012

During January 2012, $1 0 billion of 5 875% Verizon New Jersey Inc Debentures matured and were repaid During February 2012, $0 8 billion of 5 25% Verizon Wireless Notes matured and were repaid During July 2012, $0 8 billion of 7 0% Verizon Wireless Notes matured and were repaid In addition during 2012 we utilized $0 2 billion under fixed rate vendor financing facilities

On November 2, 2012, we announced the commencement of a tender offer (the Tender Offer) to purchase for cash any and all of the outstanding $1 25 billion aggregate principal amount of 8 95% Verizon Communications Notes due 2039 In the Tender Offer that was completed November 9, 2012 $0 9 billion aggregate principal amount of the notes was purchased and $0 35 billion principal amount of the notes remained outstanding Any accrued and unpaid interest on the principal purchased was paid to the date of purchase

During November 2012, we issued $4 5 billion aggregate principal amount of fixed rate notes at varying maturities resulting in cash proceeds of approximately $4 47 billion, net of discounts and issuance costs The net proceeds were used for general corporate purposes, for the Tender Offer, and to redeem $0 7 billion of $2 0 billion of 8 75% Verizon Communications Notes due 2018, $1 0 billion of 4 625% Verizon Virginia LLC Debentures, Series A due 2013 and $0 75 billion of 4 35% Verizon Communications Notes due 2013

In addition, during 2012, various fixed rate notes totaling approximately $0 2 billion were repaid and any accrued and unpaid interest was paid to the date of payment

See "Other Items" regarding the early debt redemption costs incurred in connection with the aforementioned repurchases and redemptions

2011

During 2011, proceeds from long-term borrowings totaled $11 1 billion, which was primarily used to repay outstanding debt, redeem higher interest bearing debt maturing in the near term and for other general corporate purposes

During 2011, $0 5 billion of 5 35% Verizon Communications Notes matured and were repaid, and we utilized $0 3 billion under fixed rate vendor financing facilities

During March 2011, we issued $6 25 billion aggregate principal amount of fixed and floating rate notes at varying maturities resulting in cash proceeds of approximately $6 19 billion, net of discounts and issuance costs The net proceeds were used for the repayment of commercial paper and other general corporate purposes, as well as to redeem $2 0 billion aggregate principal amount of telephone subsidiary debt during April 2011

The debt obligations of Terremark that were outstanding at the time of its acquisition by Verizon were repaid during the second quarter of 2011

During November 2011, we issued $4 6 billion aggregate principal amount of fixed rate notes at varying maturities resulting in cash proceeds of approximately $4 55 billion net of discounts and issuance costs During November 2011, the net proceeds were used to redeem $1 6 billion aggregate principal amount of Verizon Communications notes and $1 9 billion aggregate principal amount of telephone subsidiary debt The remaining net proceeds were used for the repayment of commercial paper and other general corporate purposes See "Other Items" regarding the early debt redemption costs incurred in connection with the aforementioned redemptions

During December 2011, we repaid $0 9 billion upon maturity for the €0 7 billion of 7 625% Verizon Wireless Notes, and the related cross currency swap was settled During May 2011, $4 0 billion Verizon Wireless two-year fixed and floating rate notes matured and were repaid

Special Distributions

In May 2013, the Board of Representatives of Verizon Wireless declared a distribution to its owners, which was paid in the second quarter of 2013 in proportion to their partnership interests on the payment date, in the aggregate amount of $7 0 billion As a result, Vodafone received a cash payment of $3 15 billion and the remainder of the distribution was received by Verizon

In November 2012, the Board of Representatives of Verizon Wireless declared a distribution to its owners, which was paid in the fourth quarter of 2012 in proportion to their partnership interests on the payment date, in the aggregate amount of $8 5 billion As a result, Vodafone received a cash payment of $3 8 billion and the remainder of the distribution was received by Verizon

In July 2011, the Board of Representatives of Verizon Wireless declared a distribution to its owners, which was paid in the first quarter of 2012 in proportion to their partnership interests on the payment date in the aggregate amount of $10 billion As a result, Vodafone received a cash payment of $4 5 billion and the remainder of the distribution was received by Verizon

Other, net

The change in Other, net financing activities during 2013 compared to 2012 was primarily driven by higher distributions to Vodafone, which owned a 45% noncontrolling interest in Verizon Wireless as of December 31, 2013 The change in Other, net financing activities during 2012 compared to 2011 was primarily driven by higher distributions to Vodafone, and higher early debt redemption costs (see "Other Items")

Dividends

The Verizon Board of Directors determines the appropriateness of the level of our dividend payments on a periodic basis by considering such factors as long-term growth opportunities, internal cash requirements and the expectations of our shareowners During the third quarter of 2013, the Board increased our quarterly dividend payment 2 9% to $ 53 per share from $ 515 per share in the same period of 2012 This is the seventh consecutive year that Verizon's Board of Directors has approved a quarterly dividend increase During the third quarter of 2012, the Board increased our quarterly dividend payment 3 0% to $ 515 per share from $ 50 per share in the same period of 2011 During the third quarter of 2011, the Board increased our quarterly dividend payment 2 6% to $ 50 per share from $ 4875 per share in the same period of 2010

During 2013, we paid $5 9 billion in dividends compared to $5 2 billion in 2012 and $5 6 billion in 2011 As in prior periods, dividend payments were a significant use of capital resources While the dividends declared per common share increased in 2012 compared to 2011, the total amount of cash dividends paid decreased during 2012 compared to the prior year as a portion of the dividends was satisfied through the issuance of common shares from Treasury stock (see "Common Stock")

Credit Facilities

On August 13, 2013, we amended our $6 2 billion credit facility with a group of major financial institutions to extend the maturity date to August 12, 2017 As of December 31, 2013, the unused borrowing capacity under this credit facility was approximately $6 1 billion The credit facility does not require us to comply with financial covenants or maintain specified credit ratings, and it permits us to borrow even if our business has incurred a material adverse change We use the credit facility to support the issuance of commercial paper, for the issuance of letters of credit and for general corporate purposes

During October 2013 we entered into a $2 0 billion 364-day revolving credit agreement with a group of major financial institutions Although effective as of October 2013, we could not draw on this revolving credit agreement prior to the completion of the Wireless Transaction We may use borrowings under the 364-day credit agreement for general corporate purposes The 364-day revolving credit agreement contains certain negative covenants, including a negative pledge covenant, a merger or similar transaction covenant and an accounting changes covenant, affirmative covenants and events of default that are customary for companies maintaining an investment grade credit rating In addition this agreement requires us to maintain a leverage ratio (as defined in the agreement) not in excess of 3 50 1 00, until our credit ratings reach a certain level

Common Stock

Common stock has been used from time to time to satisfy some of the funding requirements of employee and shareowner plans, including 24 6 million common shares issued from Treasury stock during 2012 related to dividend payments, which had an aggregate value of $1 0 billion On February 3, 2011 the Board of Directors replaced the previously authorized share buyback program with a new program for the repurchase of up to 100 million common shares terminating no later than the close of business on February 28, 2014 The Board also determined that no additional shares were to be purchased under the prior program During 2013, we repurchased $0 2 billion of our common stock under this program There were no repurchases of common stock during 2012 or 2011

As a result of the Wireless Transaction, Verizon issued approximately 1 27 billion shares

Credit Ratings

During the third quarter of 2013, Verizon's credit ratings were downgraded by Moody's Investors Service (Moody's), Standard & Poor's Ratings Services (Standard & Poor s) and Fitch Ratings (Fitch) as a result of Verizon's announcement of the agreement to acquire Vodafone's 45% noncontrolling interest in Verizon Wireless for approximately $130 billion including the incurrence of third-party indebtedness to fund the cash portion of the purchase price for the Wireless Transaction Moody's downgraded Verizon's long-term debt ratings one notch from A3 to Baa1, while Standard & Poor's lowered its corporate credit rating and senior unsecured debt rating one notch from A- to BBB - and Fitch lowered its long-term issuer default rating and senior unsecured debt rating one notch from A to A-

Although the ratings downgrade is not expected to significantly impact our access to capital, it could increase both the cost of refinancing debt and the cost of financing any new capital requirements Securities ratings assigned by rating organizations are expressions of opinion and are not recommendations to buy, sell or hold securities A securities rating is subject to revision or withdrawal at any time by the assigning rating organization Each rating should be evaluated independently of any other rating

Covenants

Our credit agreements contain covenants that are typical for large, investment grade companies These covenants include requirements to pay interest and principal in a timely fashion, pay taxes, maintain insurance with responsible and reputable insurance companies, preserve our corporate existence, keep appropriate books and records of financial transactions, maintain our properties provide financial and other reports to our lenders, limit pledging and disposition of assets and mergers and consolidations and other similar covenants Additionally, the term loan credit agreement and the 364-day revolving credit agreement require us to maintain a leverage ratio (as such term is defined in those agreements) not in excess of 3 50 1 00 until our credit ratings are equal to or higher than A3 and A-

We and our consolidated subsidiaries are in compliance with all debt covenants

Increase (Decrease) In Cash and Cash Equivalents

Our Cash and cash equivalents at December 31, 2013 totaled $53 5 billion a $50 4 billion increase compared to Cash and cash equivalents at December 31, 2012 primarily as a result of the issuance of $49 0 billion aggregate principal amount of fixed and floating rate notes

Our Cash and cash equivalents at December 31 2012 totaled $3 1 billion, a $10 3 billion decrease compared to Cash and cash equivalents at December 31, 2011 as a result of the factors described in connection with our cash flows provided by operating activities, cash flows used in investing activities and cash flows used in financing activities

Free Cash Flow

Free cash flow is a non-GAAP financial measure that management believes is useful to investors and other users of Verizon's financial information in evaluating cash available to pay debt and dividends Free cash flow is calculated by subtracting capital expenditures from net cash provided by operating activities The following table reconciles net cash provided by operating activities to Free cash flow

		(dollars in millions)	
Years Ended December 31,	2013	2012	2011
Net cash provided by operating activities	$ 38,818	$ 31,486	$ 29,780
Less Capital expenditures (including capitalized software)	16,604	16,175	16,244
Free cash flow	$ 22,214	$ 15,311	$ 13,536

The changes in free cash flow during 2013, 2012 and 2011 were a result of the factors described in connection with net cash provided by operating activities and capital expenditures

Employee Benefit Plan Funded Status and Contributions

Pension Annuitization

On October 17, 2012 we, along with our subsidiary Verizon Investment Management Corp , and Fiduciary Counselors Inc , as independent fiduciary of the Verizon Management Pension Plan (the Plan), entered into a definitive purchase agreement with The Prudential Insurance Company of America (Prudential) and Prudential Financial, Inc , pursuant to which the Plan would purchase a single premium group annuity contract from Prudential

On December 10, 2012, upon issuance of the group annuity contract by Prudential, Prudential irrevocably assumed the obligation to make future annuity payments to approximately 41,000 Verizon management retirees who began receiving pension payments from the Plan prior to January 1, 2010 The amount of each retiree's annuity payment equals the amount of such individual's pension benefit In addition, the group annuity contract is intended to replicate the same rights to future payments, such as survivor benefits, that are currently offered by the Plan

We contributed approximately $2 6 billion to the Plan between September 1 2012 and December 31, 2012 in connection with the transaction so that the Plan's funding percentage would not decrease as a result of the transaction

Employer Contributions

We operate numerous qualified and nonqualified pension plans and other postretirement benefit plans. These plans primarily relate to our domestic business units. During 2013, contributions to our qualified pension plans were not material. During 2012 and 2011, we contributed $0.9 billion and $0.4 billion, respectively, to our qualified pension plans, excluding the pension annuitization discussed above. We also contributed $0.1 billion, $0.2 billion and $0.1 billion to our nonqualified pension plans in 2013, 2012 and 2011, respectively.

In an effort to reduce the risk of our portfolio strategy and better align assets with liabilities, we have adopted a liability driven pension strategy that seeks to better match cash flows from investments with projected benefit payments. We expect that the strategy will reduce the likelihood that assets will decline at a time when liabilities increase (referred to as liability hedging), with the goal to reduce the risk of underfunding to the plan and its participants and beneficiaries; however, we also expect the strategy to result in lower asset returns. Based on this strategy and the funded status of the plans at December 31, 2013, we expect the minimum required qualified pension plan contribution in 2014 to be $1.2 billion. Nonqualified pension contributions are estimated to be approximately $0.2 billion in 2014.

Contributions to our other postretirement benefit plans generally relate to payments for benefits on an as-incurred basis since the other postretirement benefit plans do not have funding requirements similar to the pension plans. We contributed $1.4 billion, $1.5 billion and $1.4 billion to our other postretirement benefit plans in 2013, 2012 and 2011, respectively. Contributions to our other postretirement benefit plans are estimated to be approximately $1.4 billion in 2014.

Leasing Arrangements

We are the lessor in leveraged and direct financing lease agreements for commercial aircraft and power generating facilities, which comprise the majority of our leasing portfolio along with telecommunications equipment, commercial real estate property and other equipment. These leases have remaining terms of up to 37 years as of December 31, 2013. In addition, we lease space on certain of our cell towers to other wireless carriers. Minimum lease payments receivable represent unpaid rentals, less principal and interest on third-party nonrecourse debt relating to leveraged lease transactions. Since we have no general liability for this debt, which is secured by a senior security interest in the leased equipment and rentals, the related principal and interest have been offset against the minimum lease payments receivable in accordance with U.S. GAAP. All recourse debt is reflected in our consolidated balance sheets.

Off Balance Sheet Arrangements and Contractual Obligations

Contractual Obligations and Commercial Commitments

The following table provides a summary of our contractual obligations and commercial commitments at December 31, 2013. Additional detail about these items is included in the notes to the consolidated financial statements.

(dollars in millions)

	Payments Due By Period				
Contractual Obligations	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt [1]	$ 92,851	$ 3,395	$ 13,466	$ 16,252	$ 59,738
Capital lease obligations [2]	293	91	92	49	61
Total long-term debt, including current maturities	93,144	3,486	13,558	16,301	59,799
Interest on long-term debt [1]	74,938	4,816	9,419	8,609	52,094
Operating leases [2]	12,190	2,255	3,723	2,464	3,748
Purchase obligations [3]	33,440	19,724	8,778	4,163	775
Other long-term liabilities [4]	4,404	2,825	1,579	–	–
Total contractual obligations	$ 218,116	$ 33,106	$ 37,057	$ 31,537	$ 116,416

[1] Items included in long-term debt with variable coupon rates are described in Note 8 to the consolidated financial statements.

[2] See Note 7 to the consolidated financial statements.

[3] The purchase obligations reflected above are primarily commitments to purchase handsets and peripherals, equipment, software, programming and network services, and marketing activities, which will be used or sold in the ordinary course of business. These amounts do not represent our entire anticipated purchases in the future, but represent only those items that are the subject of contractual obligations. We also purchase products and services as needed with no firm commitment. For this reason, the amounts presented in this table alone do not provide a reliable indicator of our expected future cash outflows or changes in our expected cash position (see Note 16 to the consolidated financial statements).

[4] Other long-term liabilities include estimated postretirement benefit and qualified pension plan contributions (see Note 11 to the consolidated financial statements).

We are not able to make a reliable estimate of when the unrecognized tax benefits balance of $2.1 billion and related interest and penalties will be settled with the respective taxing authorities until issues or examinations are further developed (see Note 12 to the consolidated financial statements).

Guarantees

In connection with the execution of agreements for the sale of businesses and investments, Verizon ordinarily provides representations and warranties to the purchasers pertaining to a variety of nonfinancial matters, such as ownership of the securities being sold, as well as financial losses (see Note 16 to the consolidated financial statements).

We guarantee the debentures and first mortgage bonds of our operating telephone company subsidiaries. As of December 31, 2013, $3.1 billion principal amount of these obligations remain outstanding. Each guarantee will remain in place for the life of the obligation unless terminated pursuant to its terms, which will occur, among other things, if the operating telephone company is no longer a wholly-owned subsidiary of Verizon.

We also guarantee the debt obligations of GTE Corporation that were issued and outstanding prior to July 1, 2003. As of December 31, 2013, $1.7 billion principal amount of these obligations remained outstanding (see Note 8 to the consolidated financial statements).

As of December 31, 2013, letters of credit totaling approximately $0.1 billion, which were executed in the normal course of business and support several financing arrangements and payment obligations to third parties, were outstanding (see Note 16 to the consolidated financial statements).

We are exposed to various types of market risk in the normal course of business, including the impact of interest rate changes, foreign currency exchange rate fluctuations, changes in investment, equity and commodity prices and changes in corporate tax rates. We employ risk management strategies, which may include the use of a variety of derivatives including cross currency swaps, foreign currency and prepaid forwards and collars, interest rate swap agreements, commodity swap and forward agreements and interest rate locks. We do not hold derivatives for trading purposes.

It is our general policy to enter into interest rate, foreign currency and other derivative transactions only to the extent necessary to achieve our desired objectives in limiting our exposure to various market risks. Our objectives include maintaining a mix of fixed and variable rate debt to lower borrowing costs within reasonable risk parameters and to protect against earnings and cash flow volatility resulting from changes in market conditions. We do not hedge our market risk exposure in a manner that would completely eliminate the effect of changes in interest rates and foreign exchange rates on our earnings. We do not expect that our net income, liquidity and cash flows will be materially affected by these risk management strategies.

Interest Rate Risk

We are exposed to changes in interest rates, primarily on our short-term debt and the portion of long-term debt that carries floating interest rates. As of December 31, 2013, approximately 92% of the aggregate principal amount of our total debt portfolio consisted of fixed rate indebtedness, including the effect of interest rate swap agreements designated as hedges. The impact of a 100 basis point change in interest rates affecting our floating rate debt would result in a change in annual interest expense, including our interest rate swap agreements that are designated as hedges, of approximately $0.1 billion. The interest rates on our existing long-term debt obligations are unaffected by changes to our credit ratings.

The table that follows summarizes the fair values of our long-term debt, including current maturities, and interest rate swap derivatives as of December 31, 2013 and 2012. The table also provides a sensitivity analysis of the estimated fair values of these financial instruments assuming 100-basis-point upward and downward shifts in the yield curve. Our sensitivity analysis does not include the fair values of our commercial paper and bank loans, if any, because they are not significantly affected by changes in market interest rates.

(dollars in millions)

At December 31, 2013	Fair Value	Fair Value assuming +100 basis point shift	Fair Value assuming -100 basis point shift
Long-term debt and related derivatives	$ 103,103	$ 95,497	$ 111,910
At December 31, 2012			
Long-term debt and related derivatives	$ 61,045	$ 56,929	$ 65,747

Interest Rate Swaps

We have entered into domestic interest rate swaps to achieve a targeted mix of fixed and variable rate debt. We principally receive fixed rates and pay variable rates based on LIBOR, resulting in a net increase or decrease to interest expense. These swaps are designated as fair value hedges and hedge against changes in the fair value of our debt portfolio. We record the interest rate swaps at fair value on our consolidated balance sheets as assets and liabilities.

During 2012, interest rate swaps with a notional value of $5.8 billion were settled. As a result of the settlements, we received net proceeds of $0.7 billion, including accrued interest which is included in Other, net operating activities in the consolidated statement of cash flows. The fair value basis adjustment to the underlying debt instruments was recognized into earnings as a reduction of interest expense over the remaining lives of the underlying debt obligations. During the second quarter of 2013, interest rate swaps with a notional value of $1.25 billion matured and the impact to our consolidated financial statements was not material. During the third quarter of 2013, we entered into interest rate swaps with a total notional value of $1.8 billion. At December 31, 2013 and 2012, the fair value of these interest rate swaps was not material. At December 31, 2013, the total notional amount of these interest rate swaps was $1.8 billion. The ineffective portion of these interest rate swaps was not material at December 31, 2013.

Forward Interest Rate Swaps

In order to manage our exposure to future interest rate changes, during the fourth quarter of 2013, we entered into forward interest rate swaps with a notional value of $2.0 billion. We designated these contracts as cash flow hedges. The fair value of these contracts was not material at December 31, 2013.

Foreign Currency Translation

The functional currency for our foreign operations is primarily the local currency. The translation of income statement and balance sheet amounts of our foreign operations into U.S. dollars is recorded as cumulative translation adjustments, which are included in Accumulated other comprehensive income in our consolidated balance sheets. Gains and losses on foreign currency transactions are recorded in the consolidated statements of income in Other income and (expense), net. At December 31, 2013, our primary translation exposure was to the British Pound Sterling, the Euro, the Australian Dollar and the Japanese Yen.

Cross Currency Swaps

Verizon Wireless previously entered into cross currency swaps designated as cash flow hedges to exchange approximately $1.6 billion of British Pound Sterling and Euro-denominated debt into U.S. dollars and to fix our future interest and principal payments in U.S. dollars, as well as to mitigate the impact of foreign currency transaction gains or losses. A portion of the gains and losses recognized in Other comprehensive income was reclassified to Other income and (expense), net to offset the related pre-tax foreign currency transaction gain or loss on the underlying debt obligations. The fair value of the outstanding swaps was not material at December 31, 2013 or December 31, 2012. During 2013 and 2012 the gains with respect to these swaps were not material.

During February 2014, we entered into cross currency swaps designated as cash flow hedges to exchange approximately $5.4 billion of Euro and British Pound Sterling denominated debt into U.S. dollars and to fix our future interest and principal payments in U.S. dollars, as well as to mitigate the impact of foreign currency transaction gains or losses.

Critical Accounting Estimates

A summary of the critical accounting estimates used in preparing our financial statements is as follows:

- Wireless licenses and Goodwill are a significant component of our consolidated assets. Both our wireless licenses and goodwill are treated as indefinite-lived intangible assets and, therefore are not amortized, but rather are tested for impairment annually in the fourth fiscal quarter, unless there are events or changes in circumstances during an interim period that indicate these assets may not be recoverable. We believe our estimates and assumptions are reasonable and represent appropriate marketplace considerations as of the valuation date. We do not believe that reasonably likely adverse changes in our assumptions and estimates would result in an impairment charge as of our latest impairment testing date. However, if there is a substantial and sustained adverse decline in our operating profitability, we may have impairment charges in future years. Any such impairment charge could be material to our results of operations and financial condition.

Wireless Licenses

The carrying value of our wireless licenses was approximately $75.7 billion as of December 31, 2013. We aggregate our wireless licenses into one single unit of accounting, as we utilize our wireless licenses on an integrated basis as part of our nationwide wireless network. Our wireless licenses provide us with the exclusive right to utilize certain radio frequency spectrum to provide wireless communication services. There are currently no legal, regulatory, contractual, competitive, economic or other factors that limit the useful life of our wireless licenses. In 2013, we performed a qualitative impairment assessment to determine whether it is more likely than not that the fair value of our wireless licenses was less than the carrying amount. As part of our assessment we considered several qualitative factors including the business enterprise value of Wireless, macroeconomic conditions (including changes in interest rates and discount rates), industry and market considerations (including industry revenue and EBITDA margin projections) the projected financial performance of Wireless, as well as other factors. Based on our assessment in 2013, we qualitatively concluded that it was more likely than not that the fair value of our wireless licenses significantly exceeded their carrying value and therefore, did not result in an impairment.

In 2012 and 2011, our quantitative impairment test consisted of comparing the estimated fair value of our wireless licenses to the aggregated carrying amount as of the test date. If the estimated fair value of our wireless licenses was less than the aggregated carrying amount of the wireless licenses then an impairment charge would have been recognized. Our annual quantitative impairment tests for 2012 and 2011 indicated that the fair value significantly exceeded the carrying value and, therefore, did not result in an impairment.

In 2012 and 2011, using a quantitative assessment, we estimated the fair value of our wireless licenses using a direct income based valuation approach. This approach uses a discounted cash flow analysis to estimate what a marketplace participant would be willing to pay to purchase the aggregated wireless licenses as of the valuation date. As a result we were required to make significant estimates about future cash flows specifically associated with our wireless licenses, an appropriate discount rate based on the risk associated with those estimated cash flows and assumed terminal value and growth rates. We considered

current and expected future economic conditions, current and expected availability of wireless network technology and infrastructure and related equipment and the costs thereof as well as other relevant factors in estimating future cash flows The discount rate represented our estimate of the weighted-average cost of capital (WACC), or expected return, that a marketplace participant would have required as of the valuation date We developed the discount rate based on our consideration of the cost of debt and equity of a group of guideline companies as of the valuation date Accordingly, our discount rate incorporated our estimate of the expected return a marketplace participant would have required as of the valuation date, including the risk premium associated with the current and expected economic conditions as of the valuation date The terminal value growth rate represented our estimate of the marketplace s long-term growth rate

Goodwill

At December 31 2013 the balance of our goodwill was approximately $24 6 billion, of which $18 4 billion was in our Wireless segment and $6 2 billion was in our Wireline segment Determining whether an impairment has occurred requires the determination of fair value of each respective reporting unit Our operating segments, Wireless and Wireline, are deemed to be our reporting units for purposes of goodwill impairment testing The fair value of Wireless significantly exceeded its carrying value and the fair value of Wireline exceeded its carrying value Accordingly, our annual impairment tests for 2013, 2012 and 2011 did not result in an impairment

The fair value of the reporting unit is calculated using a market approach and a discounted cash flow method The market approach includes the use of comparative multiples to corroborate discounted cash flow results The discounted cash flow method is based on the present value of two components—projected cash flows and a terminal value The terminal value represents the expected normalized future cash flows of the reporting unit beyond the cash flows from the discrete projection period The fair value of the reporting unit is calculated based on the sum of the present value of the cash flows from the discrete period and the present value of the terminal value The estimated cash flows are discounted using a rate that represents our WACC

- We maintain benefit plans for most of our employees, including, for certain employees, pension and other postretirement benefit plans At December 31, 2013, in the aggregate, pension plan benefit obligations exceeded the fair value of pension plan assets, which will result in higher future pension plan expense Other postretirement benefit plans have larger benefit obligations than plan assets, resulting in expense Significant benefit plan assumptions, including the discount rate used the long-term rate of return on plan assets and health care trend rates are periodically updated and impact the amount of benefit plan income, expense, assets and obligations A sensitivity analysis of the impact of changes in these assumptions on the benefit obligations and expense (income) recorded, as well as on the funded status due to an increase or a decrease in the actual versus expected return on plan assets as of December 31, 2013 and for the year then ended pertaining to Verizon's pension and postretirement benefit plans is provided in the table below

(dollars in millions)	Percentage point change	Increase (decrease) at December 31, 2013*
Pension plans discount rate	+0 50	$ (1,105)
	-0 50	1,224
Rate of return on pension plan assets	+1 00	(166)
	-1 00	166
Postretirement plans discount rate	+0 50	(1,332)
	-0 50	1,486
Rate of return on postretirement plan assets	+1 00	(26)
	-1 00	26
Health care trend rates	+1 00	2,539
	-1 00	(2,086)

  - In determining its pension and other postretirement obligation the Company used a weighted-average discount rate of 5 0% The rate was selected to approximate the composite interest rates available on a selection of high-quality bonds available in the market at December 31, 2013 The bonds selected had maturities that coincided with the time periods during which benefits payments are expected to occur, were non-callable and available in sufficient quantities to ensure marketability (at least $0 3 billion par outstanding)

- Our current and deferred income taxes, and associated valuation allowances, are impacted by events and transactions arising in the normal course of business as well as in connection with the adoption of new accounting standards, changes in tax laws and rates, acquisitions and dispositions of businesses and non-recurring items As a global commercial enterprise, our income tax rate and the classification of income taxes can be affected by many factors, including estimates of the timing and realization of deferred income tax assets and the timing and amount of income tax payments We account for tax benefits taken or expected to be taken in our tax returns in accordance with the accounting standard relating to the uncertainty in income taxes which requires the use of a two-step approach for recognizing and measuring tax benefits taken or expected to be taken in a tax return We review and adjust our liability for unrecognized tax benefits based on our best judgment given the facts, circumstances, and information available at each reporting date To the extent that the final outcome of these tax positions is different than the amounts recorded such differences may impact income tax expense and actual tax payments We recognize any interest and penalties accrued related to unrecognized tax benefits in income tax expense Actual tax payments may materially differ from estimated liabilities as a result of changes in tax laws as well as unanticipated transactions impacting related income tax

balances

- Our Plant property and equipment balance represents a significant component of our consolidated assets We record plant, property and equipment at cost We depreciate plant, property and equipment on a straight-line basis over the estimated useful life of the assets We expect that a one-year increase in estimated useful lives of our plant, property and equipment would result in a decrease to our 2013 depreciation expense of $1 8 billion and that a one-year decrease would result in an increase of approximately $2 1 billion in our 2013 depreciation expense

Recent Accounting Standards

In July 2013, the accounting standard update relating to the presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists was issued The standard update provides that a liability related to an unrecognized tax benefit should be offset against same jurisdiction deferred tax assets for a net operating loss carryforward, a similar tax loss or a tax credit carryforward if such settlement is required or expected in the event the uncertain tax position is disallowed We will adopt this standard update during the first quarter of 2014 We are currently evaluating the consolidated balance sheet impact related to this standard update

[illegible]

Wireless

Wireless Transaction

On September 2, 2013, Verizon entered into a stock purchase agreement (the Stock Purchase Agreement) with Vodafone and Vodafone 4 Limited (Seller), pursuant to which Verizon agreed to acquire Vodafone's indirect 45% interest in Cellco Partnership d/b/a Verizon Wireless (the Partnership, and such interest, the Vodafone Interest) for aggregate consideration of approximately $130 billion

On February 21 2014 pursuant to the terms and subject to the conditions set forth in the Stock Purchase Agreement, Verizon acquired (the Wireless Transaction) from Seller all of the issued and outstanding capital stock (the Transferred Shares) of Vodafone Americas Finance 1 Inc , a subsidiary of Seller (VFI Inc), which indirectly through certain subsidiaries (together with VFI Inc the Purchased Entities) owned the Vodafone Interest In consideration for the Transferred Shares, upon completion of the Wireless Transaction Verizon (i) paid approximately $58 89 billion in cash, (ii) issued approximately $60 15 billion of Verizon s common stock, par value $0 10 per share (the Stock Consideration), (iii) issued senior unsecured Verizon notes in an aggregate principal amount of $5 0 billion (the Verizon Notes), (iv) sold Verizon's indirectly owned 23 1% interest in Vodafone Omnitel N V (Omnitel, and such interest, the Omnitel Interest), valued at $3 5 billion and (v) provided other consideration of approximately $2 5 billion As a result of the Wireless Transaction, Verizon issued approximately 1 27 billion shares The total cash paid to Vodafone and the other costs of the Wireless Transaction, including financing, legal and bank fees, were financed through the incurrence of third-party indebtedness (see "Consolidated Financial Condition")

In accordance with the accounting standard on consolidation a change in a parent's ownership interest while the parent retains a controlling financial interest in its subsidiary is accounted for as an equity transaction and remeasurement of assets and liabilities of previously controlled and consolidated subsidiaries is not permitted As a result, we will account for the Wireless Transaction by adjusting the carrying amount of the noncontrolling interest to reflect the change in Verizon's ownership interest in Verizon Wireless Any difference between the fair value of the consideration paid and the amount by which the noncontrolling interest is adjusted will be recognized in equity attributable to Verizon

Omnitel Transaction

On February 21, 2014, Verizon and Vodafone also implemented the sale of the Omnitel Interest (the Omnitel Transaction) by a subsidiary of Verizon to a subsidiary of Vodafone in connection with the Wireless Transaction pursuant to a separate share purchase agreement We will recognize a gain on the disposal of the Omnitel interest in the first quarter of 2014

Verizon Notes

The Verizon Notes were issued pursuant to Verizon s existing indenture The Verizon Notes were issued in two separate series, with $2 5 billion due February 21, 2022 and $2 5 billion due February 21, 2025 The Verizon Notes bear interest at a floating rate, which will be reset quarterly, with interest payable quarterly in arrears, beginning May 21, 2014 The eight-year Verizon notes bear interest at a floating rate equal to three-month LIBOR, plus 1 222%, and the eleven-year Verizon notes bear interest at a floating rate equal to three-month LIBOR, plus 1 372% The indenture that governs the Verizon Notes contains certain negative covenants, including a negative pledge covenant and a merger or similar transaction covenant, affirmative covenants and events of default that are customary for companies maintaining an investment grade credit rating An event of default for either series of the Verizon Notes may result in acceleration of the entire principal amount of all debt securities of that series Beginning two years

after the

closing of the Wireless Transaction Verizon may redeem all or any portion of the outstanding Verizon Notes held by Vodafone or any of its affiliates for a redemption price of 100% of the principal amount plus accrued and unpaid interest The Verizon Notes may only be transferred by Vodafone to third parties in specified amounts during specified periods, commencing January 1, 2017 The Verizon Notes held by third parties will not be redeemable Verizon has agreed to file a registration statement with respect to the Verizon Notes at least three months prior to the Verizon Notes becoming transferable

Other Consideration

Included in the other consideration paid to Vodafone is the indirect assumption of long-term obligations with respect to 5 143% Class D and Class E cumulative preferred stock issued by one of the Purchased Entities Both the Class D (825,000 shares outstanding) and Class E shares (825 000 shares outstanding) are mandatorily redeemable in April 2020 at $1 000 per share plus any accrued and unpaid dividends Dividends accrue at 5 143% per annum and will be treated as interest expense Both the Class D and Class E shares will be classified as liability instruments and will be recorded at fair value as determined at the closing of the Wireless Transaction

Spectrum License Transactions

Since 2012, we have entered into several strategic spectrum transactions including

- During the third quarter of 2012, after receiving the required regulatory approvals, Verizon Wireless completed the following previously announced transactions in which we acquired wireless spectrum that will be used to deploy additional 4G LTE capacity.
  - Verizon Wireless acquired AWS spectrum in separate transactions with SpectrumCo and Cox TMI Wireless, LLC for which it paid an aggregate of $3 9 billion at the time of the closings Verizon Wireless has also recorded a liability of $0 4 billion related to a three-year service obligation to SpectrumCo s members pursuant to commercial agreements executed concurrently with the SpectrumCo transaction
  - Verizon Wireless completed license purchase and exchange transactions with Leap Wireless, Savary Island Wireless, which is majority owned by Leap Wireless, and a subsidiary of T-Mobile USA As a result of these transactions, Verizon Wireless received an aggregate $2 6 billion of AWS and PCS licenses at fair value and net cash proceeds of $0 2 billion transferred certain AWS licenses to T-Mobile USA and a 700 megahertz (MHz) lower A block license to Leap Wireless, and recorded an immaterial gain
- During the first quarter of 2013, we completed license exchange transactions with T-Mobile License LLC and Cricket License Company, LLC, a subsidiary of Leap Wireless, to exchange certain Advanced Wireless Services (AWS) licenses These non-cash exchanges include a number of intra-market swaps that we expect will enable Verizon Wireless to make more efficient use of the AWS band As a result of these exchanges, we received an aggregate $0 5 billion of AWS licenses at fair value and recorded an immaterial gain
- During the third quarter of 2013, after receiving the required regulatory approvals, Verizon Wireless sold 39 lower 700 MHz B block spectrum licenses to AT&T in exchange for a payment of $1 9 billion and the transfer by AT&T to Verizon Wireless of AWS (10 MHz) licenses in certain markets in the western United States Verizon Wireless also sold certain lower 700 MHz B block spectrum licenses to an investment firm for a payment of $0 2 billion As a result, we received $0 5 billion of AWS licenses at fair value and we recorded a pre-tax gain of approximately $0 3 billion in Selling, general and administrative expense on our consolidated statement of income for the year ended December 31, 2013
- During the fourth quarter of 2013, we entered into license exchange agreements with T-Mobile USA to exchange certain AWS and PCS licenses These non-cash exchanges, which are subject to approval by the FCC and other customary closing conditions, are expected to close in the first half of 2014 The exchange includes a number of swaps that we expect will result in more efficient use of the AWS and PCS bands As a result of these agreements, $0 9 billion of Wireless licenses are classified as held for sale and included in Prepaid expenses and other on our consolidated balance sheet at December 31, 2013 Upon completion of the transaction, we expect to record an immaterial gain

- Subsequent to the transaction with T-Mobile USA in the fourth quarter of 2013, on January 6, 2014, we announced two agreements with T-Mobile USA with respect to our remaining 700 MHz A block spectrum licenses Under one agreement, we will sell certain of these licenses to T-Mobile USA in exchange for cash consideration of approximately $2 4 billion, and under the second agreement we will exchange the remainder of these licenses for AWS and PCS spectrum licenses These transactions are subject to the approval of the FCC as well as other customary closing conditions These transactions are expected to close in the middle of 2014

Other

During 2013, we acquired various other wireless licenses and markets for cash consideration that was not significant Additionally, we obtained control of previously unconsolidated wireless partnerships, which were previously accounted for under the equity method and are now consolidated which resulted in an immaterial gain We recorded $0.2 billion of goodwill as a result of these transactions

Wireline

HUGHES Telematics, Inc.

During July 2012, we acquired HUGHES Telematics for approximately $12 per share in cash for a total acquisition price of $0 6 billion As a result of the transaction, HUGHES Telematics became a wholly-owned subsidiary of Verizon The consolidated financial statements include the results of HUGHES Telematics operations from the date the acquisition closed Upon closing, we recorded approximately $0 6 billion of goodwill, $0 1 billion of other intangibles, and assumed the debt obligations of HUGHES Telematics, which were approximately $0 1 billion as of the date of acquisition, and which were repaid by Verizon Had this acquisition been completed on January 1, 2012 or 2011, the results of the acquired operations of HUGHES Telematics would not have had a significant impact on the consolidated net income attributable to Verizon The acquisition has accelerated our ability to bring more telematics offerings to market for existing and new customers

The acquisition of HUGHES Telematics was accounted for as a business combination under the acquisition method The cost of the acquisition was allocated to the assets and liabilities acquired based on their fair values as of the close of the acquisition, with the excess amount being recorded as goodwill

Terremark Worldwide, Inc.

During April 2011, we acquired Terremark for $19 per share in cash Closing and other direct acquisition-related costs totaled approximately $13 million after-tax The acquisition was completed via a tender offer followed by a " short-form" merger under Delaware law through which Terremark became a wholly-owned subsidiary of Verizon The acquisition enhanced Verizon's offerings to business and government customers globally

Other

During the fourth quarter of 2013, Verizon acquired an industry leader in content delivery networks for $0 4 billion We expect the acquisition will increase our ability to meet the growing demand for online digital media content Upon closing we recorded $0 3 billion of goodwill Additionally, we acquired a technology and television cloud company for cash consideration that was not significant The consolidated financial statements include the results of the operations of each of these acquisitions from the date each acquisition closed

On January 21, 2014, Verizon announced an agreement to acquire a business dedicated to the development of cloud television products and services for cash consideration that was not significant The transaction which was completed in February 2014, is expected to accelerate the availability of next-generation video services

Regulatory and Competitive Trends

Regulatory and Competitive Landscape

Verizon operates in a regulated and highly competitive market Current and potential competitors include other voice and data service providers such as other wireless companies traditional telephone companies, cable companies, Internet service providers, software and application providers, and other non-traditional companies Many of these companies have a strong market presence, brand recognition, and existing customer relationships, all of which contribute to intensifying competition and may affect our future revenue growth Some of our competitors also are subject to fewer regulatory constraints than Verizon For many services offered by Verizon, the FCC is our primary regulator The FCC has jurisdiction over interstate telecommunications services and other matters under the Communications Act of 1934, as amended (Communications Act or Act) Other Verizon services are subject to state and local regulation

FCC Regulation

Broadband

Verizon offers many different broadband and Internet access services The FCC has adopted a series of orders that impose lesser regulatory requirements on broadband services than apply to older voice and slower data services For example certain facility unbundling requirements that apply to narrowband facilities of traditional telephone companies do not apply to broadband facilities In addition, the FCC concluded that both wireline and wireless broadband Internet access services qualify as largely deregulated information services Our broadband Internet access services are subject to various attempts to impose so-called "network neutrality" rules, some of which were affirmed and others vacated on appeal in early 2014 Verizon has been and remains committed to the open Internet which provides consumers with competitive choices and unblocked access to lawful websites and content when, where and how they want This will not change in light of the court's decision Our commitment applies to broadband Internet access services provided over both our wireline and wireless networks and can be found on our website at http //responsibility verizon com/broadband-commitment

Video

Verizon offers a multi-channel video service that is regulated like traditional cable service The FCC has a body of rules that apply to cable operators, and these rules also generally apply to Verizon In addition, the Act generally requires companies to obtain a local cable franchise, and the FCC has adopted rules that interpret and implement this requirement In areas where Verizon offers its facilities-based multichannel video services, Verizon has typically been required to obtain a franchise from local authorities

Wireline Voice

Verizon offers many different wireline voice services including traditional telephone service and other services that rely on newer technologies such as VoIP For regulatory purposes, legacy telephone services are generally considered to be "common carrier" services Common carrier services are subject to heightened regulatory oversight with respect to rates, terms and conditions, and other aspects of the services The FCC has not decided the regulatory classification of VoIP but has said VoIP service providers must comply with certain rules, such as 911 capabilities and law enforcement assistance requirements

Wireless Services

The FCC regulates several aspects of Verizon Wireless' operations Generally, the FCC has jurisdiction over the construction, operation acquisition, and transfer of wireless communications systems And all wireless services require use of radio frequency spectrum, the assignment and distribution of which is subject to FCC oversight Verizon Wireless anticipates that it will need additional spectrum to meet future demand It can meet spectrum needs by purchasing licenses or leasing spectrum from others, or by participating in a competitive bidding process for new spectrum from the FCC Both processes are subject to certain reviews, approvals, and potential conditions

Today, Verizon Wireless holds FCC spectrum licenses that allow it to provide a wide range of mobile and fixed communications services, including both voice and data services FCC spectrum licenses typically have a term of 10 years at which time they are subject to renewal While the FCC has routinely renewed all of Verizon Wireless' licenses, challenges could be raised in the future If a wireless license were revoked or not renewed, Verizon Wireless would not be permitted to provide services on the spectrum Some of our licenses require us to comply with so-called "open access" FCC regulations, which generally require licensees of particular spectrum to allow customers to use devices and applications of their choice, subject to certain technical limitations The FCC has also imposed certain specific mandates on wireless carriers including construction and geographic coverage requirements, technical operating standards, provision of enhanced 911 services, roaming obligations, and requirements for wireless tower and antenna facilities

The Communications Act imposes restrictions on foreign ownership of U S wireless systems The FCC has approved the foreign ownership in Verizon that has resulted from the Wireless Transaction In addition Verizon Wireless Verizon and Vodafone entered into an agreement with the federal government that imposes national security and law enforcement-related obligations on the ways in which Verizon Wireless stores information and otherwise conducts its business

Intercarrier Compensation and Network Access

The FCC regulates some of the rates that carriers pay each other for the exchange voice traffic (particularly traditional wireline traffic) over different networks and other aspects of interconnection for some voice services In many instances, Verizon makes payments to other providers and in turn Verizon receives some payments from other carriers In 2011, the FCC issued a broad reform order changing, among other things the framework for many of the per-minute rates that carriers charge each other for the exchange of voice traffic The new rules gradually reduce many of these rates to zero This order is subject to pending reconsideration petitions and appeals The FCC also regulates some of the rates and terms and conditions for certain wireline "special access" and other services and network facilities Verizon is both a seller and a buyer of these services For example, on the wireline side Verizon sells wholesale circuits to other voice and data service providers On the wireless side Verizon purchases special access and other services to transport traffic to and from cell towers In addition, as required by the Act, Verizon unbundles certain wireline network elements and makes these facilities and services available to other network providers

Universal Service

The Communications Act charges the FCC with ensuring that certain groups and areas have access to communications services, including rural and other high-cost areas, low income subscribers, schools and libraries, rural health-care organizations, and deaf and hard-of-hearing individuals The FCC established different subsidy and discount programs to achieve these goals To pay for these programs, the FCC requires contributions from providers such as Verizon based on reported revenues for certain services Verizon also receives some payments from some of these programs but is a net payer into them

State Regulation and Local Regulation

Wireline Services

State public utility commissions regulate Verizon's telephone operations with respect to certain telecommunications intrastate matters Verizon operates as an "incumbent local exchange carrier" in 14 states These incumbent operations are subject to various levels of pricing flexibility and other state oversight and requirements Verizon also has other wireline operations that are more lightly regulated In addition as a video services operator in many states, Verizon has been required to obtain a cable franchise from local government entities, or in some cases a state-wide franchise, and to comply with certain one-time and ongoing obligations as a result

Wireless Services

The Communications Act generally preempts regulation by state and local governments of the entry of, or the rates charged by, wireless carriers The Act does not prohibit states from regulating the other "terms and conditions" of wireless service For example, some states attempt to regulate wireless customer billing matters and impose reporting requirements Several states also have laws or regulations that address safety issues (e g , use of wireless handsets while driving) and taxation matters In addition, wireless tower and antenna facilities are often subject to state and local zoning and land use regulation, and securing approvals for new or modified facilities is often a lengthy and expensive process

Environmental Matters

During 2003, under a government-approved plan, remediation commenced at the site of a former Sylvania facility in Hicksville, New York that processed nuclear fuel rods in the 1950s and 1960s Remediation beyond original expectations proved to be necessary and a reassessment of the anticipated remediation costs was conducted A reassessment of costs related to remediation efforts at several other former facilities was also undertaken In September 2005, the Army Corps of Engineers (ACE) accepted the Hicksville site into the Formerly Utilized Sites Remedial Action Program This may result in the ACE performing some or all of the remediation effort for the Hicksville site with a corresponding decrease in costs to Verizon To the extent that the ACE assumes responsibility for remedial work at the Hicksville site, an adjustment to a reserve previously established for the remediation may be made Adjustments to the reserve may also be made based upon actual conditions discovered during the remediation at this or any other site requiring remediation

In this report we have made forward-looking statements. These statements are based on our estimates and assumptions and are subject to risks and uncertainties. Forward-looking statements include the information concerning our possible or assumed future results of operations. Forward-looking statements also include those preceded or followed by the words "anticipates," "believes," "estimates," "hopes" or similar expressions. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

The following important factors, along with those discussed elsewhere in this report and in other filings with the Securities and Exchange Commission (SEC), could affect future results and could cause those results to differ materially from those expressed in the forward-looking statements.

- the ability to realize the expected benefits of the Wireless Transaction in the timeframe expected or at all,
- an adverse change in the ratings afforded our debt securities by nationally accredited ratings organizations or adverse conditions in the credit markets affecting the cost, including interest rates, and/or availability of further financing,
- significantly increased levels of indebtedness as a result of the Wireless Transaction,
- changes in tax laws or treaties, or in their interpretation,
- adverse conditions in the U.S. and international economies,
- material adverse changes in labor matters, including labor negotiations, and any resulting financial and/or operational impact,
- material changes in technology or technology substitution,
- disruption of our key suppliers' provisioning of products or services,
- changes in the regulatory environment in which we operate, including any increase in restrictions on our ability to operate our networks,
- breaches of network or information technology security, natural disasters, terrorist attacks or acts of war or significant litigation and any resulting financial impact not covered by insurance,
- the effects of competition in the markets in which we operate,
- changes in accounting assumptions that regulatory agencies, including the SEC, may require or that result from changes in the accounting rules or their application, which could result in an impact on earnings,
- significant increases in benefit plan costs or lower investment returns on plan assets, and
- the inability to implement our business strategies.

We, the management of Verizon Communications Inc., are responsible for establishing and maintaining adequate internal control over financial reporting of the company. Management has evaluated internal control over financial reporting of the company using the criteria for effective internal control established in Internal Control–Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 1992.

Management has assessed the effectiveness of the company's internal control over financial reporting as of December 31, 2013. Based on this assessment, we believe that the internal control over financial reporting of the company is effective as of December 31, 2013. In connection with this assessment, there were no material weaknesses in the company's internal control over financial reporting identified by management.

The company's financial statements included in this Annual Report have been audited by Ernst & Young LLP, independent registered public accounting firm. Ernst & Young LLP has also provided an attestation report on the company's internal control over financial reporting.

/s/ Lowell C. McAdam
Lowell C. McAdam
Chairman and Chief Executive Officer

/s/ Francis J. Shammo
Francis J. Shammo
Executive Vice President and Chief Financial Officer

/s/ Anthony T. Skiadas
Anthony T. Skiadas
Senior Vice President and Controller

To The Board of Directors and Shareowners of Verizon Communications Inc.:

We have audited Verizon Communications Inc. and subsidiaries' (Verizon) internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control–Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 1992 (1992 framework) (the COSO criteria). Verizon's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Verizon maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Verizon as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, cash flows and changes in equity for each of the three years in the period ended December 31, 2013 of Verizon and our report dated February 27, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Ernst & Young LLP
New York, New York

February 27, 2014

To The Board of Directors and Shareowners of Verizon Communications Inc.:

We have audited the accompanying consolidated balance sheets of Verizon Communications Inc. and subsidiaries (Verizon) as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, cash flows and changes in equity for each of the three years in the period ended December 31, 2013. These financial statements are the responsibility of Verizon's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Verizon at December 31, 2013 and 2012, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Verizon's internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control–Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated February 27, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Ernst & Young LLP
New York, New York

February 27, 2014

(dollars in millions except per share amounts)

Years Ended December 31,	2013	2012	2011
Operating Revenues	$ 120,550	$ 115,846	$ 110,875
Operating Expenses			
Cost of services and sales (exclusive of items shown below)	44,887	46,275	45,875
Selling, general and administrative expense	27,089	39,951	35,624
Depreciation and amortization expense	16,606	16,460	16,496
Total Operating Expenses	88,582	102,686	97,995
Operating Income	31,968	13,160	12,880
Equity in earnings of unconsolidated businesses	142	324	444
Other income and (expense) net	(166)	(1,016)	(14)
Interest expense	(2,667)	(2,571)	(2,827)
Income Before (Provision) Benefit For Income Taxes	29,277	9,897	10,483
(Provision) Benefit for income taxes	(5,730)	660	(285)
Net Income	$ 23,547	$ 10,557	$ 10,198
Net income attributable to noncontrolling interests	$ 12,050	$ 9,682	$ 7,794
Net income attributable to Verizon	11,497	875	2,404
Net Income	$ 23,547	$ 10,557	$ 10,198
Basic Earnings Per Common Share			
Net income attributable to Verizon	$ 4.01	$ 31	$ 85
Weighted-average shares outstanding (in millions)	2,866	2,853	2,833
Diluted Earnings Per Common Share			
Net income attributable to Verizon	$ 4.00	$ 31	$ 85
Weighted-average shares outstanding (in millions)	2,874	2,862	2,839

See Notes to Consolidated Financial Statements

(dollars in millions)

Years Ended December 31,	2013	2012	2011
Net Income	$ 23,547	$ 10,557	$ 10,198
Other Comprehensive Income, net of taxes			
Foreign currency translation adjustments	60	69	(119)
Unrealized gain (loss) on cash flow hedges	25	(68)	30
Unrealized gain (loss) on marketable securities	16	29	(7)
Defined benefit pension and postretirement plans	22	936	316
Other comprehensive income attributable to Verizon	123	966	220
Other comprehensive income (loss) attributable to noncontrolling interests	(15)	10	1
Total Comprehensive Income	$ 23,655	$ 11,533	$ 10,419
Comprehensive income attributable to noncontrolling interests	12,035	9,692	7,795
Comprehensive income attributable to Verizon	11,620	1,841	2,624
Total Comprehensive Income	$ 23,655	$ 11,533	$ 10,419

See Notes to Consolidated Financial Statements

(dollars in millions, except per share amounts)

At December 31,	2013	2012
Assets		
Current assets		
Cash and cash equivalents	$ 53,528	$ 3,093
Short-term investments	601	470
Accounts receivable, net of allowances of $645 and $641	12,439	12,576
Inventories	1,020	1,075
Prepaid expenses and other	3,406	4,021
Total current assets	70,994	21,235
Plant, property and equipment	220,865	209,575
Less accumulated depreciation	131,909	120,933
	88,956	88,642
Investments in unconsolidated businesses	3,432	3,401
Wireless licenses	75,747	77,744
Goodwill	24,634	24,139
Other intangible assets, net	5,800	5,933
Other assets	4,535	4,128
Total assets	$ 274,098	$ 225,222
Liabilities and Equity		
Current liabilities		
Debt maturing within one year	$ 3,933	$ 4,369
Accounts payable and accrued liabilities	16,453	16,182
Other	6,664	6,405
Total current liabilities	27,050	26,956
Long-term debt	89,658	47,618
Employee benefit obligations	27,682	34,346
Deferred income taxes	28,639	24,677
Other liabilities	5,653	6,092
Equity		
Series preferred stock ($.10 par value, none issued)	–	–
Common stock ($.10 par value, 2,967,610,119 shares issued in both periods)	297	297
Contributed capital	37,939	37,990
Reinvested earnings (Accumulated deficit)	1,782	(3,734)
Accumulated other comprehensive income	2,358	2,235
Common stock in treasury, at cost	(3,961)	(4,071)
Deferred compensation – employee stock ownership plans and other	421	440
Noncontrolling interests	56,580	52,376
Total equity	95,416	85,533
Total liabilities and equity	$ 274,098	$ 225,222

See Notes to Consolidated Financial Statements

(dollars in millions)

Years Ended December 31,	2013	2012	2011
Cash Flows from Operating Activities			
Net Income	$ 23,547	$ 10,557	$ 10,198
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization expense	16,606	16,460	16,496
Employee retirement benefits	(5,052)	8,198	7,426
Deferred income taxes	5,785	(952)	(223)
Provision for uncollectible accounts	993	972	1,026
Equity in earnings of unconsolidated businesses, net of dividends received	(102)	77	36
Changes in current assets and liabilities, net of effects from acquisition/disposition of businesses			
Accounts receivable	(843)	(1,717)	(966)
Inventories	56	(136)	208
Other assets	(143)	306	86
Accounts payable and accrued liabilities	925	1,144	(1,607)
Other, net	(2,954)	(3,423)	(2,900)
Net cash provided by operating activities	38,818	31,486	29,780
Cash Flows from Investing Activities			
Capital expenditures (including capitalized software)	(16,604)	(16,175)	(16,244)
Acquisitions of investments and businesses, net of cash acquired	(494)	(913)	(1,797)
Acquisitions of wireless licenses	(580)	(4,298)	(221)
Proceeds from dispositions of wireless licenses	2,111	363	–
Net change in short-term investments	63	27	35
Other, net	671	494	977
Net cash used in investing activities	(14,833)	(20,502)	(17,250)
Cash Flows from Financing Activities			
Proceeds from long-term borrowings	49,166	4,489	11,060
Repayments of long-term borrowings and capital lease obligations	(8,163)	(6,403)	(11,805)
Decrease in short-term obligations, excluding current maturities	(142)	(1,437)	1,928
Dividends paid	(5,936)	(5,230)	(5,555)
Proceeds from sale of common stock	85	315	241
Purchase of common stock for treasury	(153)	–	–
Special distribution to noncontrolling interest	(3,150)	(8,325)	–
Other, net	(5,257)	(4,662)	(1,705)
Net cash provided by (used in) financing activities	26,450	(21,253)	(5,836)
Increase (decrease) in cash and cash equivalents	50,435	(10,269)	6,694
Cash and cash equivalents, beginning of period	3,093	13,362	6,668
Cash and cash equivalents, end of period	$ 53,528	$ 3,093	$ 13,362

See Notes to Consolidated Financial Statements

(dollars in millions, except per share amounts, and shares in thousands)

Years Ended December 31,	2013		2012		2011	
	Shares	Amount	Shares	Amount	Shares	Amount
Common Stock						
Balance at beginning of year	2,967,610	$ 297	2,967,610	$ 297	2,967,610	$ 297
Balance at end of year	2,967,610	297	2,967,610	297	2,967,610	297
Contributed Capital						
Balance at beginning of year		37,990		37,919		37,922
Other		(51)		71		(3)
Balance at end of year		37,939		37,990		37,919
Reinvested Earnings (Accumulated Deficit)						
Balance at beginning of year		(3,734)		1,179		4,368
Net income attributable to Verizon		11,497		875		2,404
Dividends declared ($2.09, $2.03, $1.975) per share		(5,981)		(5,788)		(5,593)
Balance at end of year		1,782		(3,734)		1,179
Accumulated Other Comprehensive Income						
Balance at beginning of year attributable to Verizon		2,235		1,269		1,049
Foreign currency translation adjustments		60		69		(119)
Unrealized gains (losses) on cash flow hedges		25		(68)		30
Unrealized gains (losses) on marketable securities		16		29		(7)
Defined benefit pension and postretirement plans		22		936		316
Other comprehensive income		123		966		220
Balance at end of year attributable to Verizon		2,358		2,235		1,269
Treasury Stock						
Balance at beginning of year	(109,041)	(4,071)	(133,594)	(5,002)	(140,587)	(5,267)
Shares purchased	(3,500)	(153)	–	–	–	–
Employee plans (Note 15)	6,835	260	11,434	433	6,982	265
Shareowner plans (Note 15)	96	3	13,119	498	11	–
Balance at end of year	(105,610)	(3,961)	(109,041)	(4,071)	(133,594)	(5,002)
Deferred Compensation-ESOPs and Other						
Balance at beginning of year		440		308		200
Restricted stock equity grant		152		196		146
Amortization		(171)		(64)		(38)
Balance at end of year		421		440		308
Noncontrolling Interests						
Balance at beginning of year		52,376		49,938		48,343
Net income attributable to noncontrolling interests		12,050		9,682		7,794
Other comprehensive income (loss)		(15)		10		1
Total comprehensive income		12,035		9,692		7,795
Distributions and other		(7,831)		(7,254)		(6,200)
Balance at end of year		56,580		52,376		49,938
Total Equity		$95,416		$ 85,533		$ 83,908

See Notes to Consolidated Financial Statements

Note 1

Description of Business and Summary of Significant Accounting Policies

Description of Business

Verizon Communications Inc. (Verizon or the Company) is a holding company, which acting through its subsidiaries is one of the world's leading providers of communications, information and entertainment products and services to consumers, businesses and governmental agencies with a presence in over 150 countries around the world. We have two reportable segments, Wireless and Wireline. For further information concerning our business segments, see Note 13.

The Wireless segment provides wireless communications services across one of the most extensive wireless networks in the United States (U.S.) and has the largest fourth-generation (4G) Long-Term Evolution (LTE) technology and third-generation (3G) networks of any U.S. wireless service provider.

The Wireline segment provides voice, data and video communications products and enhanced services including broadband video and data, corporate networking solutions, data center and cloud services, security and managed network services and local and long distance voice services. We provide these products and services to consumers in the United States, as well as to carriers, businesses and government customers both in the United States and in over 150 other countries around the world.

Consolidation

The method of accounting applied to investments, whether consolidated, equity or cost, involves an evaluation of all significant terms of the investments that explicitly grant or suggest evidence of control or influence over the operations of the investee. The consolidated financial statements include our controlled subsidiaries. For controlled subsidiaries that are not wholly-owned, the noncontrolling interests are included in Net income and Total equity. Investments in businesses which we do not control, but have the ability to exercise significant influence over operating and financial policies, are accounted for using the equity method. Investments in which we do not have the ability to exercise significant influence over operating and financial policies are accounted for under the cost method. Equity and cost method investments are included in Investments in unconsolidated businesses in our consolidated balance sheets. Certain of our cost method investments are classified as available-for-sale securities and adjusted to fair value pursuant to the accounting standard related to debt and equity securities. All significant intercompany accounts and transactions have been eliminated.

Basis of Presentation

We have reclassified certain prior year amounts to conform to the current year presentation.

Use of Estimates

We prepare our financial statements using U.S. generally accepted accounting principles (GAAP), which require management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates.

Examples of significant estimates include: the allowance for doubtful accounts; the recoverability of plant, property and equipment; the recoverability of intangible assets and other long-lived assets; unbilled revenues; fair values of financial instruments; unrecognized tax benefits; valuation allowances on tax assets; accrued expenses; pension and postretirement benefit assumptions; contingencies and allocation of purchase prices in connection with business combinations.

Revenue Recognition

Multiple Deliverable Arrangements

In both our Wireless and Wireline segments, we offer products and services to our customers through bundled arrangements. These arrangements involve multiple deliverables which may include products, services, or a combination of products and services.

Wireless

Our Wireless segment earns revenue primarily by providing access to and usage of its network. In general, access revenue is billed one month in advance and recognized when earned. Usage revenue is generally billed in arrears and recognized when service is rendered. Equipment sales revenue associated with the sale of wireless handsets and accessories is recognized when the products are delivered to and accepted by the customer, as this is considered to be a separate earnings process from providing wireless services. For agreements involving the resale of third-party services in which we are considered the primary obligor in the arrangements, we record the revenue gross at the time of the sale. For equipment sales, we generally subsidize the cost of wireless devices. The amount of this subsidy is generally contingent on the arrangement and terms selected by the customer. In multiple deliverable arrangements which involve the sale of equipment and a service contract, the equipment revenue is recognized up to the amount collected when the wireless device is sold.

Wireline

Our Wireline segment earns revenue based upon usage of its network and facilities and contract fees. In general, fixed monthly fees for voice, video, data and certain other services are billed one month in advance and recognized when earned. Revenue from services that are not fixed in amount and are based on usage is generally billed in arrears and recognized when service is rendered.

We sell each of the services offered in bundled arrangements (i.e., voice, video and data), as well as separately, therefore each product or service has a standalone selling price. For these arrangements revenue is allocated to each deliverable using a relative selling price method. Under this method, arrangement consideration is allocated to each separate deliverable based on our standalone selling price for each product or service. These services include FiOS services, individually or in bundles, and High Speed Internet.

When we bundle equipment with maintenance and monitoring services, we recognize equipment revenue when the equipment is installed in accordance with contractual specifications and ready for the customer's use. The maintenance and monitoring services are recognized monthly over the term of the contract as we provide the services.

Installation related fees along with the associated costs up to but not exceeding these fees, are deferred and amortized over the estimated customer relationship period.

For each of our segments we report taxes imposed by governmental authorities on revenue-producing transactions between us and our customers on a net basis.

Maintenance and Repairs

We charge the cost of maintenance and repairs, including the cost of replacing minor items not constituting substantial betterments, principally to Cost of services and sales as these costs are incurred.

Advertising Costs

Costs for advertising products and services as well as other promotional and sponsorship costs are charged to Selling, general and administrative expense in the periods in which they are incurred (see Note 15).

Earnings Per Common Share

Basic earnings per common share are based on the weighted-average number of shares outstanding during the period. Where appropriate, diluted earnings per common share include the dilutive effect of shares issuable under our stock-based compensation plans.

There were a total of approximately 8 million, 9 million and 6 million stock options and restricted stock units outstanding included in the computation of diluted earnings per common share for the years ended December 31, 2013, 2012 and 2011, respectively. Outstanding options to purchase shares that were not included in the computation of diluted earnings per common share, because to do so would have been anti-dilutive for the period, were not significant for the years ended December 31, 2013 and 2012, respectively, and included approximately 19 million weighted-average shares for the years ended December 31, 2011.

As of December 31, 2013, we were authorized to issue up to 4.25 billion and 250 million shares of common stock and Series Preferred Stock, respectively. On January 28, 2014, at a special meeting of our shareholders, we received shareholder approval to increase our authorized shares of common stock by 2 billion shares to an aggregate of 6.25 billion authorized shares of common stock. On February 4, 2014, this authorization became effective.

Cash and Cash Equivalents

We consider all highly liquid investments with a maturity of 90 days or less when purchased to be cash equivalents. Cash equivalents are stated at cost, which approximates quoted market value and include amounts held in money market funds.

Marketable Securities

We have investments in marketable securities, which are considered "available-for-sale" under the provisions of the accounting standard for certain debt and equity securities, and are included in the accompanying consolidated balance sheets in Short-term investments, Investments in unconsolidated businesses or Other assets. We continually evaluate our investments in marketable securities for impairment due to declines in market value considered to be other-than-temporary. That evaluation includes, in addition to persistent, declining stock prices, general economic and company-specific evaluations. In the event of a determination that a decline in market value is other-than-temporary, a charge to earnings is recorded for the loss, and a new cost basis in the investment is established.

Inventories

Inventory consists of wireless and wireline equipment held for sale, which is carried at the lower of cost (determined principally on either an average cost or first-in, first-out basis) or market.

Plant and Depreciation

We record plant, property and equipment at cost. Plant, property and equipment of wireline and wireless operations are generally depreciated on a straight-line basis.

Leasehold improvements are amortized over the shorter of the estimated life of the improvement or the remaining term of the related lease, calculated from the time the asset was placed in service.

When the depreciable assets of our wireline and wireless operations are retired or otherwise disposed of, the related cost and accumulated depreciation are deducted from the plant accounts, and any gains or losses on disposition are recognized in income.

We capitalize and depreciate network software purchased or developed along with related plant assets. We also capitalize interest associated with the acquisition or construction of network-related assets. Capitalized interest is reported as a reduction in interest expense and depreciated as part of the cost of the network-related assets.

In connection with our ongoing review of the estimated remaining average useful lives of plant, property and equipment at our local telephone operations, we determined that there were no changes necessary for average useful lives for 2013, 2012 and 2011. In connection with our ongoing review of the estimated remaining average useful lives of plant, property and equipment at our wireless operations, we determined that changes were necessary to the remaining estimated useful lives as a result of technology upgrades, enhancements, and planned retirements. These changes resulted in an increase in depreciation expense of $0.4 billion in 2011. While the timing and extent of current deployment plans are subject to ongoing analysis and modification, we believe the current estimates of useful lives are reasonable.

Computer Software Costs

We capitalize the cost of internal-use network and non-network software that has a useful life in excess of one year. Subsequent additions, modifications or upgrades to internal-use network and non-network software are capitalized only to the extent that they allow the software to perform a task it previously did not perform. Planning, software maintenance and training costs are expensed in the period in which they are incurred. Also, we capitalize interest associated with the development of internal-use network and non-network software. Capitalized non-network internal-use software costs are amortized using the straight-line method over a period of 3 to 7 years and are included in Other intangible assets, net in our consolidated balance sheets. For a discussion of our impairment policy for capitalized software costs, see "Goodwill and Other Intangible Assets" below. Also, see Note 3 for additional detail of internal-use non-network software reflected in our consolidated balance sheets.

Goodwill and Other Intangible Assets

Goodwill

Goodwill is the excess of the acquisition cost of businesses over the fair value of the identifiable net assets acquired. Impairment testing for goodwill is performed annually in the fourth fiscal quarter or more frequently if impairment indicators are present. The Company has the option to perform a qualitative assessment to determine if the fair value of the entity is less than its carrying value. However, the Company may elect to perform an impairment test even if no indications of a potential impairment exist. The impairment test for goodwill uses a two-step approach, which is performed at the reporting unit level. We have determined that in our case, the reporting units are our operating segments since that is the lowest level at which discrete, reliable financial and cash flow information is available. Step one compares the fair value of the reporting unit (calculated using a market approach and/or a discounted cash flow method) to its carrying value. If the carrying value exceeds the fair value, there is a potential impairment and step two must be performed. Step two compares the carrying value of the reporting unit's goodwill to its implied fair value (i.e., fair value of reporting unit less the fair value of the unit's assets and liabilities, including identifiable intangible assets). If the implied fair value of goodwill is less than the carrying amount of goodwill, an impairment is recognized.

Intangible Assets Not Subject to Amortization

A significant portion of our intangible assets are wireless licenses that provide our wireless operations with the exclusive right to utilize designated radio frequency spectrum to provide wireless communication services. While licenses are issued for only a fixed time, generally ten years, such licenses are subject to renewal by the Federal Communications Commission (FCC). License renewals have occurred routinely and at nominal cost. Moreover, we have determined that there are currently no legal, regulatory, contractual, competitive, economic or other factors that limit the useful life of our wireless licenses. As a result, we treat the wireless licenses as an indefinite-lived intangible asset. We reevaluate the useful life determination for wireless licenses each year to determine whether events and circumstances continue to support an indefinite useful life.

We test our wireless licenses for potential impairment annually. In 2013, we performed a qualitative assessment to determine whether it is more likely than not that the fair value of our wireless licenses was less than the carrying amount. As part of our assessment, we considered several qualitative factors including the business enterprise value of Wireless, macroeconomic conditions (including changes in interest rates and discount rates), industry and market considerations (including industry revenue and EBITDA (Earnings before interest, taxes, depreciation and amortization) margin projections), the projected financial performance of Wireless, as well as other factors. In 2012 and 2011, our quantitative assessment consisted of comparing the estimated fair value of our wireless licenses to the aggregated carrying amount as of the test date. Using the quantitative assessment, we evaluated our licenses on an aggregate basis using a direct value approach. The direct value approach estimates fair value using a discounted cash flow analysis to estimate what a marketplace participant would be willing to pay to purchase the aggregated wireless licenses as of the valuation date. If the fair value of the aggregated wireless licenses is less than the aggregated carrying amount of the licenses, an impairment is recognized.

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

Intangible Assets Subject to Amortization and Long-Lived Assets

Our intangible assets that do not have indefinite lives (primarily customer lists and non-network internal-use software) are amortized over their estimated useful lives. All of our intangible assets subject to amortization and long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If any indications were present, we would test for recoverability by comparing the carrying amount of the asset group to the net undiscounted cash flows expected to be generated from the asset group. If those net undiscounted cash flows do not exceed the carrying amount, we would perform the next step, which is to determine the fair value of the asset and record an impairment, if any. We reevaluate the useful life determinations for these intangible assets each year to determine whether events and circumstances warrant a revision in their remaining useful lives.

For information related to the carrying amount of goodwill by segment, wireless licenses and other intangible assets, as well as the major components and average useful lives of our other acquired intangible assets, see Note 3.

Fair Value Measurements

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

Level 1—Quoted prices in active markets for identical assets or liabilities
Level 2—Observable inputs other than quoted prices in active markets for identical assets and liabilities
Level 3—No observable pricing inputs in the market

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

Income Taxes

Our effective tax rate is based on pre-tax income, statutory tax rates, tax laws and regulations and tax planning strategies available to us in the various jurisdictions in which we operate.

Deferred income taxes are provided for temporary differences in the bases between financial statement and income tax assets and liabilities. Deferred income taxes are recalculated annually at tax rates then in effect. We record valuation allowances to reduce our deferred tax assets to the amount that is more likely than not to be realized.

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

The accounting standard relating to income taxes generated by leveraged lease transactions requires that changes in the projected timing of income tax cash flows generated by a leveraged lease transaction be recognized as a gain or loss in the year in which the change occurs

Significant management judgment is required in evaluating our tax positions and in determining our effective tax rate

Stock-Based Compensation

We measure and recognize compensation expense for all stock-based compensation awards made to employees and directors based on estimated fair values See Note 10 for further details

Foreign Currency Translation

The functional currency of our foreign operations is generally the local currency For these foreign entities we translate income statement amounts at average exchange rates for the period and we translate assets and liabilities at end-of-period exchange rates We record these translation adjustments in Accumulated other comprehensive income, a separate component of Equity, in our consolidated balance sheets We report exchange gains and losses on intercompany foreign currency transactions of a long-term nature in Accumulated other comprehensive income Other exchange gains and losses are reported in income

Employee Benefit Plans

Pension and postretirement health care and life insurance benefits earned during the year as well as interest on projected benefit obligations are accrued currently Prior service costs and credits resulting from changes in plan benefits are generally amortized over the average remaining service period of the employees expected to receive benefits Expected return on plan assets is determined by applying the return on assets assumption to the actual fair value of plan assets Actuarial gains and losses are recognized in operating results in the year in which they occur These gains and losses are measured annually as of December 31 or upon a remeasurement event Verizon management employees no longer earn pension benefits or earn service towards the company retiree medical subsidy (see Note 11)

We recognize a pension or a postretirement plan's funded status as either an asset or liability on the consolidated balance sheets Also, we measure any unrecognized prior service costs and credits that arise during the period as a component of Accumulated other comprehensive income, net of applicable income tax

Derivative Instruments

We have entered into derivative transactions primarily to manage our exposure to fluctuations in foreign currency exchange rates, interest rates, equity and commodity prices We employ risk management strategies, which may include the use of a variety of derivatives including cross currency swaps, foreign currency and prepaid forwards and collars interest rate and commodity swap agreements and interest rate locks We do not hold derivatives for trading purposes

We measure all derivatives, including derivatives embedded in other financial instruments, at fair value and recognize them as either assets or liabilities on our consolidated balance sheets Our derivative instruments are valued primarily using models based on readily observable market parameters for all substantial terms of our derivative contracts and thus are classified as Level 2 Changes in the fair values of derivative instruments not qualifying as hedges or any ineffective portion of hedges are recognized in earnings in the current period Changes in the fair values of derivative instruments used effectively as fair value hedges are recognized in earnings, along with changes in the fair value of the hedged item Changes in the fair value of the effective portions of cash flow hedges are reported in Other comprehensive income and recognized in earnings when the hedged item is recognized in earnings

Recently Adopted Accounting Standards

During the first quarter of 2013, we adopted the accounting standard update regarding testing of intangible assets for impairment This standard update allows companies the option to perform a qualitative assessment to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired An entity is not required to calculate the fair value of an indefinite-lived intangible asset and perform the quantitative impairment test unless the entity determines that it is more likely than not the asset is impaired The adoption of this standard update did not have an impact on our consolidated financial statements

During the first quarter of 2013, we adopted the accounting standard update regarding reclassifications out of Accumulated other comprehensive income This standard update requires companies to report the effect of significant reclassifications out of Accumulated other comprehensive income on the respective line items in our consolidated statements of income if the amount being reclassified is required to be reclassified in its entirety to net income For other amounts that are not required to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference to other required disclosures that provide additional detail about those amounts See Note 14 for additional details

During the third quarter of 2013, we adopted the accounting standard update regarding the ability to use the Federal Funds Effective Swap Rate as a U S benchmark interest rate for hedge accounting purposes Previously the interest rates on direct Treasury obligations of the U S government and the London Interbank Offered Rate (LIBOR) were considered to be the only benchmark interest rates The adoption of this standard update did not have a significant impact on our consolidated financial statements

Recent Accounting Standards

In July 2013, the accounting standard update relating to the presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists was issued The standard update provides that a liability related to an unrecognized tax benefit should be offset against same jurisdiction deferred tax assets for a net operating loss carryforward, a similar tax loss or a tax credit carryforward if such settlement is required or expected in the event the uncertain tax position is disallowed We will adopt this standard update during the first quarter of 2014 We are currently evaluating the consolidated balance sheet impact related to this standard update

Note 2

Acquisitions and Divestitures

Wireless

Wireless Transaction

On September 2, 2013, Verizon entered into a stock purchase agreement (the Stock Purchase Agreement) with Vodafone Group Plc (Vodafone) and Vodafone 4 Limited (Seller), pursuant to which Verizon agreed to acquire Vodafone s indirect 45% interest in Cellco Partnership d/b/a Verizon Wireless (the Partnership, and such interest, the Vodafone Interest) for aggregate consideration of approximately $130 billion

On February 21 2014, pursuant to the terms and subject to the conditions set forth in the Stock Purchase Agreement, Verizon acquired (the Wireless Transaction) from Seller all of the issued and outstanding capital stock (the Transferred Shares) of Vodafone Americas Finance 1 Inc , a subsidiary of Seller (VF1 Inc), which indirectly through certain subsidiaries (together with VF1 Inc , the Purchased Entities) owned the Vodafone Interest In consideration for the Transferred Shares upon completion of the Wireless Transaction, Verizon (i) paid approximately $58 89 billion in cash, (ii) issued approximately $60 15 billion of Verizon's common stock, par value $0 10 per share (the Stock Consideration), (iii) issued senior unsecured Verizon notes in an aggregate principal amount of $5 0 billion (the Verizon Notes), (iv) sold Verizon's indirectly owned 23 1% interest in Vodafone Omnitel N V (Omnitel, and such interest, the Omnitel Interest), valued at $3 5 billion and (v) provided other consideration of approximately $2 5 billion As a result of the Wireless Transaction, Verizon issued approximately 1 27 billion shares The total cash paid to Vodafone and the other costs of the Wireless Transaction, including financing, legal and bank fees, were financed through the incurrence of third-party indebtedness See Note 8 for additional information

In accordance with the accounting standard on consolidation, a change in a parent's ownership interest while the parent retains a controlling financial interest in its subsidiary is accounted for as an equity transaction and remeasurement of assets and liabilities of previously controlled and consolidated subsidiaries is not permitted As a result, we will account for the Wireless Transaction by adjusting the carrying amount of the noncontrolling interest to reflect the change in Verizon's ownership interest in Verizon Wireless Any difference between the fair value of the consideration paid and the amount by which the noncontrolling interest is adjusted will be recognized in equity attributable to Verizon

Omnitel Transaction

On February 21, 2014, Verizon and Vodafone also implemented the sale of the Omnitel Interest (the Omnitel Transaction) by a subsidiary of Verizon to a subsidiary of Vodafone in connection with the Wireless Transaction pursuant to a separate share purchase agreement We will recognize a gain on the disposal of the Omnitel interest in the first quarter of 2014

Verizon Notes

The Verizon Notes were issued pursuant to Verizon's existing indenture The Verizon Notes were issued in two separate series, with $2 5 billion due February 21, 2022 and $2 5 billion due February 21, 2025 The Verizon Notes bear interest at a floating rate, which will be reset quarterly, with interest payable quarterly in arrears, beginning May 21, 2014 The eight-year Verizon notes bear interest at a floating rate equal to three-month LIBOR, plus 1 222%, and the eleven-year Verizon notes bear interest at a floating rate equal to three-month LIBOR, plus 1 372% The indenture that governs the Verizon Notes contains certain negative covenants, including a negative pledge covenant and a merger or similar transaction covenant, affirmative covenants and events of default that are customary for companies maintaining an investment grade credit rating An event of default for either series of the Verizon Notes may result in acceleration of the entire principal amount of all debt securities of that series Beginning two years after the closing of the Wireless Transaction Verizon may redeem all or any portion of the outstanding Verizon Notes held by Vodafone or any of its affiliates for a redemption price of 100% of the principal amount plus accrued and unpaid interest The Verizon Notes may only be transferred by Vodafone to third parties in specified amounts during specified periods, commencing January 1, 2017 The Verizon Notes held by third parties will not be redeemable Verizon has agreed to file a registration statement with respect to the Verizon Notes at least three months prior to the Verizon Notes becoming transferable

Other Consideration

Included in the other consideration paid to Vodafone is the indirect assumption of long-term obligations with respect to 5 143% Class D and Class E cumulative preferred stock (Preferred Stock) issued by one of the Purchased Entities Both the Class D (825,000 shares outstanding) and Class E shares (825,000 shares outstanding) are mandatorily redeemable in April 2020 at $1,000 per share plus any accrued and unpaid dividends Dividends accrue at 5 143% per annum and will be treated as interest expense Both the Class D and Class E shares will be classified as liability instruments and will be recorded at fair value as determined at the closing of the Wireless Transaction

Pro Forma Information

The unaudited pro forma information presents the combined operating results of Verizon and the Vodafone Interest, with the results prior to the Wireless Transaction closing date adjusted to include the pro forma impact of the elimination of the historical equity in earnings, net of tax, related to the investment in Omnitel, an adjustment to reflect interest expense associated with the additional indebtedness incurred and expected to be incurred in connection with the Wireless Transaction and outstanding as of the closing of the Wireless Transaction, an adjustment for the dividends on the Preferred Stock, an adjustment for the amortization of certain debt incurrence costs based on the contractual life of the underlying indebtedness, an adjustment to reflect changes in the provision for income taxes associated with the additional income attributable to Verizon and the benefit associated with the additional interest expense, the elimination of the historical net income attributable to noncontrolling interests representing the noncontrolling interest in Verizon Wireless, and an adjustment to reflect the sum of all other adjustments to the pro forma condensed consolidated statements of income on net income attributable to Verizon

The unaudited pro forma results are presented for illustrative purposes only These pro forma results do not purport to be indicative of the results that would have actually been obtained if the Wireless Transaction had occurred as of January 1, 2012, nor does the pro forma data intend to be a projection of results that may be obtained in the future

The following unaudited pro forma consolidated results of operations assume that the Wireless Transaction was completed as of January 1, 2012

	(dollars in millions)	
Years ended December 31,	2013	2012
Net income attributable to Verizon	$ 17,058	$ 4,449

Spectrum License Transactions

Since 2012 we have entered into several strategic spectrum transactions including

- During the third quarter of 2012, after receiving the required regulatory approvals, Verizon Wireless completed the following previously announced transactions in which we acquired wireless spectrum that will be used to deploy additional 4G LTE capacity
  - Verizon Wireless acquired Advanced Wireless Services (AWS) spectrum in separate transactions with SpectrumCo and Cox TMI Wireless, LLC for which it paid an aggregate of $3 9 billion at the time of the closings Verizon Wireless has also recorded a liability of $0 4 billion related to a three-year service obligation to SpectrumCo's members pursuant to commercial agreements executed concurrently with the SpectrumCo transaction
  - Verizon Wireless completed license purchase and exchange transactions with Leap Wireless Savary Island Wireless, which is majority owned by Leap Wireless, and a subsidiary of T-Mobile USA, Inc (T-Mobile USA) As a result of these transactions, Verizon Wireless received an aggregate $2 6 billion of AWS and Personal Communication Services (PCS) licenses at fair value and net cash proceeds of $0 2 billion, transferred certain AWS licenses to T-Mobile USA and a 700 megahertz (MHz) lower A block license to Leap Wireless, and recorded an immaterial gain
- During the first quarter of 2013, we completed license exchange transactions with T-Mobile License LLC and Cricket License Company, LLC, a subsidiary of Leap Wireless, to exchange certain AWS licenses These non-cash exchanges include a number of intra-market swaps that we expect will enable Verizon Wireless to make more efficient use of the AWS band As a result of these exchanges we received an aggregate $0 5 billion of AWS licenses at fair value and recorded an immaterial gain
- During the third quarter of 2013, after receiving the required regulatory approvals, Verizon Wireless sold 39 lower 700 MHz B block spectrum licenses to AT&T Inc (AT&T) in exchange for a payment of $1 9 billion and the transfer by AT&T to Verizon Wireless of AWS (10 MHz) licenses in certain markets in the western United States Verizon Wireless also sold certain lower 700 MHz B block spectrum licenses to an investment firm for a payment of $0 2 billion As a result we received $0 5 billion of AWS licenses at fair value and we recorded a pre-tax gain of approximately $0 3 billion in Selling, general and administrative expense, on our consolidated statement of income for the year ended December 31, 2013
- During the fourth quarter of 2013, we entered into license exchange agreements with T-Mobile USA to exchange certain AWS and PCS licenses These non-cash exchanges, which are subject to approval by the FCC and other customary closing conditions, are expected to close in the first half of 2014 The exchange includes a number of swaps that we expect will result in more efficient use of the AWS and PCS bands As a result of these agreements, $0 9 billion of Wireless licenses are classified as held for sale and included in Prepaid expenses and other on our consolidated balance sheet at December 31, 2013 Upon completion of the transaction, we expect to record an immaterial gain
- Subsequent to the transaction with T-Mobile USA in the fourth quarter of 2013, on January 6, 2014 we announced two agreements with T-Mobile USA with respect to our remaining 700 MHz A block spectrum licenses Under one agreement, we will sell certain of these licenses to T-Mobile USA in exchange for cash consideration of approximately $2 4 billion, and under the second agreement we will exchange the remainder of these licenses for AWS and PCS spectrum licenses These transactions are subject to the approval of the FCC as well as other customary closing conditions These transactions are expected to close in the middle of 2014

Other

During 2013, we acquired various other wireless licenses and markets for cash consideration that was not significant Additionally, we obtained control of previously unconsolidated wireless partnerships, which were previously accounted for under the equity method and are now consolidated which resulted in an immaterial gain We recorded $0 2 billion of goodwill as a result of these transactions

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

Wireline

HUGHES Telematics, Inc.

During July 2012, we acquired HUGHES Telematics, Inc (HUGHES Telematics) for approximately $12 per share in cash for a total acquisition price of $0 6 billion As a result of the transaction, HUGHES Telematics became a wholly-owned subsidiary of Verizon The consolidated financial statements include the results of HUGHES Telematics' operations from the date the acquisition closed Upon closing, we recorded approximately $0 6 billion of goodwill, $0 1 billion of other intangibles, and assumed the debt obligations of HUGHES Telematics, which were approximately $0 1 billion as of the date of acquisition and which were repaid by Verizon Had this acquisition been completed on January 1, 2012 or 2011, the results of the acquired operations of HUGHES Telematics would not have had a significant impact on the consolidated net income attributable to Verizon The acquisition has accelerated our ability to bring more telematics offerings to market for existing and new customers

The acquisition of HUGHES Telematics was accounted for as a business combination under the acquisition method The cost of the acquisition was allocated to the assets and liabilities acquired based on their fair values as of the close of the acquisition, with the excess amount being recorded as goodwill

Terremark Worldwide, Inc.

During April 2011, we acquired Terremark Worldwide, Inc (Terremark), a global provider of information technology infrastructure and cloud services, for $19 per share in cash Closing and other direct acquisition-related costs totaled approximately $13 million after-tax The acquisition was completed via a tender offer followed by a "short-form" merger under Delaware law through which Terremark became a wholly-owned subsidiary of Verizon The acquisition enhanced Verizon's offerings to business and government customers globally

The consolidated financial statements include the results of Terremark's operations from the date the acquisition closed Had this acquisition been consummated on January 1, 2011 the results of Terremark's acquired operations would not have had a significant impact on the consolidated net income attributable to Verizon The debt obligations of Terremark that were outstanding at the time of its acquisition by Verizon were repaid during May 2011

Other

During the fourth quarter of 2013, Verizon acquired an industry leader in content delivery networks for $0 4 billion We expect the acquisition will increase our ability to meet the growing demand for online digital media content Upon closing, we recorded $0 3 billion of goodwill Additionally we acquired a technology and television cloud company for cash consideration that was not significant The consolidated financial statements include the results of the operations of each of these acquisitions from the date each acquisition closed

On January 21, 2014, Verizon announced an agreement to acquire a business dedicated to the development of cloud television products and services for cash consideration that was not significant The transaction, which was completed in February 2014 is expected to accelerate the availability of next-generation video services

Note 6
Wireless Licenses, Goodwill and Other Intangible Assets

Wireless Licenses

Changes in the carrying amount of Wireless licenses are as follows

	(dollars in millions)
Balance at January 1, 2012	$ 73,250
Acquisitions (Note 2)	4,544
Capitalized interest on wireless licenses	205
Reclassifications, adjustments and other	(255)
Balance at December 31, 2012	$ 77,744
Acquisitions (Note 2)	579
Dispositions (Note 2)	(2,361)
Capitalized interest on wireless licenses	566
Reclassifications, adjustments and other	(781)
Balance at December 31, 2013	$ 75,747

Reclassifications, adjustments and other includes $0 9 billion of Wireless licenses that are classified as held for sale and included in Prepaid expenses and other on our consolidated balance sheet at December 31, 2013 as well as the exchanges of wireless licenses in 2013 and 2012 See Note 2 for additional details

At December 31, 2013 and 2012 approximately $7 7 billion and $7 3 billion, respectively of wireless licenses were under development for commercial service for which we were capitalizing interest costs

The average remaining renewal period of our wireless license portfolio was 5 1 years as of December 31, 2013 See Note 1 for additional details

Goodwill

Changes in the carrying amount of Goodwill are as follows

	Wireless	Wireline	(dollars in millions) Total
Balance at January 1, 2012	$ 17,963	$ 5,394	$ 23,357
Acquisitions (Note 2)	209	551	760
Reclassifications, adjustments and other	–	22	22
Balance at December 31, 2012	$ 18,172	$ 5,967	$ 24,139
Acquisitions (Note 2)	204	291	495
Balance at December 31, 2013	$ 18,376	$ 6,258	$ 24,634

The increase in Goodwill at Wireless at December 31, 2013 was primarily due to obtaining control of previously unconsolidated wireless partnerships, which were previously accounted for under the equity method and are now consolidated This resulted in an immaterial gain recorded during the year ended December 31 2013 The increase in Goodwill at Wireline at December 31, 2013 was primarily due to the acquisition of a provider of content delivery networks

Other Intangible Assets

The following table displays the composition of Other intangible assets net

At December 31,	Gross Amount	Accumulated Amortization	2013 Net Amount	Gross Amount	Accumulated Amortization	(dollars in millions) 2012 Net Amount
Customer lists (5 to 13 years)	$ 3,639	$ (2,660)	$ 979	$ 3,556	$ (2,338)	$ 1,218
Non-network internal-use software (3 to 7 years)	11,770	(7,317)	4,453	10,415	(6,210)	4,205
Other (2 to 25 years)	691	(323)	368	802	(292)	510
Total	$ 16,100	$ (10,300)	$ 5,800	$ 14,773	$ (8,840)	$ 5,933

The amortization expense for Other intangible assets was as follows

Years	(dollars in millions)
2013	$ 1,587
2012	1,540
2011	1,505

Estimated annual amortization expense for Other intangible assets is as follows

Years	(dollars in millions)
2014	$ 1,486
2015	1,215
2016	971
2017	784
2018	619

Note 7
Plant, Property and Equipment

The following table displays the details of Plant, property and equipment which is stated at cost

At December 31,	Lives (years)	2013	(dollars in millions) 2012
Land	–	$ 819	$ 859
Buildings and equipment	15-45	23,857	22,909
Central office and other network equipment	3-15	121,594	113,262
Cable, poles and conduit	11-50	55,240	53,761
Leasehold improvements	5-20	5,877	5,404
Work in progress	–	4,176	4,126
Furniture, vehicles and other	3-20	9,302	9,254
		220,865	209,575
Less accumulated depreciation		131,909	120,933
Total		$ 88,956	$ 88,642

Note 8
Investments in Unconsolidated Businesses

Our investments in unconsolidated businesses are comprised of the following

At December 31,	Ownership	2013	(dollars in millions) 2012
Equity Investees			
Vodafone Omnitel	23 1%	$ 2,511	$ 2,200
Other	Various	818	1,106
Total equity investees		3,329	3,306
Cost Investees	Various	103	95
Total investments in unconsolidated businesses		$ 3,432	$ 3,401

Dividends and repatriations of foreign earnings received from these investees were not significant in 2013, $0 4 billion in 2012 and $0 5 billion in 2011 See Note 12 regarding undistributed earnings of our foreign subsidiaries

Equity Method Investments

Vodafone Omnitel

Vodafone Omnitel N V (Vodafone Omnitel) is one of the largest wireless communications companies in Italy At December 31, 2013 and 2012, our investment in Vodafone Omnitel included goodwill of $1 1 billion and $1 0 billion, respectively As part of the consideration of the Wireless Transaction a subsidiary of Verizon sold its entire ownership interest in Vodafone Omnitel to a subsidiary of Vodafone on February 21, 2014 See Note 2 for additional information

Other Equity Investees

The remaining investments include wireless partnerships in the U S , limited partnership investments in entities that invest in affordable housing projects and other smaller domestic and international investments

Summarized Financial Information

Summarized financial information for our equity investees is as follows

Balance Sheet

At December 31,	2013	(dollars in millions) 2012
Current assets	$ 3,983	$ 3,516
Noncurrent assets	7,748	8,159
Total assets	$ 11,731	$ 11,675
Current liabilities	$ 4,692	$ 5,526
Noncurrent liabilities	5	5
Equity	7,034	6,144
Total liabilities and equity	$ 11,731	$ 11,675

Income Statement

Years Ended December 31,	2013	2012	(dollars in millions) 2011
Net revenue	$ 8,984	$ 10,825	$ 12,668
Operating income	1,632	2,823	4,021
Net income	925	1,679	2,451

Note 9
Noncontrolling Interests

Noncontrolling interests in equity of subsidiaries were as follows

At December 31	2013	(dollars in millions) 2012
Verizon Wireless	$ 55,465	$ 51,492
Wireless partnerships and other	1,115	884
	$ 56,580	$ 52,376

Wireless Joint Venture

Our Wireless segment is primarily comprised of Cellco Partnership doing business as Verizon Wireless (Verizon Wireless) Cellco Partnership is a joint venture formed in April 2000 by the combination of the U S wireless operations and interests of Verizon and Vodafone As of December 31, 2013, Verizon owned a controlling 55% interest in Verizon Wireless and Vodafone owned the remaining 45% On February 21, 2014, Verizon completed the Wireless Transaction and acquired 100% ownership of Verizon Wireless See Note 2 for additional information

Special Distributions

In May 2013, the Board of Representatives of Verizon Wireless declared a distribution to its owners, which was paid in the second quarter of 2013 in proportion to their partnership interests on the payment date, in the aggregate amount of $7 0 billion As a result, Vodafone received a cash payment of $3 15 billion and the remainder of the distribution was received by Verizon

In November 2012, the Board of Representatives of Verizon Wireless declared a distribution to its owners which was paid in the fourth quarter of 2012 in proportion to their partnership interests on the payment date, in the aggregate amount of $8 5 billion As a result, Vodafone received a cash payment of $3 8 billion and the remainder of the distribution was received by Verizon

In July 2011, the Board of Representatives of Verizon Wireless declared a distribution to its owners, which was paid in the first quarter of 2012 in proportion to their partnership interests on the payment date in the aggregate amount of $10 billion As a result, Vodafone received a cash payment of $4 5 billion and the remainder of the distribution was received by Verizon

Note 10
Leasing Arrangements

As Lessor

We are the lessor in leveraged and direct financing lease agreements for commercial aircraft and power generating facilities which comprise the majority of our leasing portfolio along with telecommunications equipment, commercial real estate property and other equipment These leases have remaining terms of up to 37 years as of December 31, 2013 In addition, we lease space on certain of our cell towers to other wireless carriers Minimum lease payments receivable represent unpaid rentals, less principal and interest on third-party nonrecourse debt relating to leveraged lease transactions Since we have no general liability for this debt, which is secured by a senior security interest in the leased equipment and rentals, the related principal and interest have been offset against the minimum lease payments receivable in accordance with U S GAAP All recourse debt is reflected in our consolidated balance sheets

At each reporting period, we monitor the credit quality of the various lessees in our portfolios Regarding the leveraged lease portfolio, external credit reports are used where available and where not available we use internally developed indicators These indicators or internal credit risk grades factor historic loss experience, the value of the underlying collateral, delinquency trends, and industry and general economic conditions The credit quality of our lessees varies from AAA to CCC+ For each reporting period the leveraged leases within the portfolio are reviewed for indicators of impairment where it is probable the rent due according to the contractual terms of the lease will not be collected All significant accounts, individually or in the aggregate, are current and none are classified as impaired

Finance lease receivables, which are included in Prepaid expenses and other and Other assets in our consolidated balance sheets, are comprised of the following

(dollars in millions)

At December 31,	2013			2012		
	Leveraged Leases	Direct Finance Leases	Total	Leveraged Leases	Direct Finance Leases	Total
Minimum lease payments receivable	$ 1,069	$ 16	$ 1,085	$ 1,253	$ 58	$ 1,311
Estimated residual value	780	5	785	923	6	929
Unearned income	(589)	(4)	(593)	(654)	(10)	(664)
Total	$ 1,260	$ 17	$ 1,277	$ 1,522	$ 54	$ 1,576
Allowance for doubtful accounts			(90)			(99)
Finance lease receivables, net			$ 1,187			$ 1,477
Prepaid expenses and other			$ 5			$ 22
Other assets			1,182			1,455
			$ 1,187			$ 1,477

Accumulated deferred taxes arising from leveraged leases, which are included in Deferred income taxes, amounted to $1.0 billion at December 31, 2013 and $1.2 billion at December 31, 2012

The following table is a summary of the components of income from leveraged leases

(dollars in millions)

Years Ended December 31,	2013	2012	2011
Pre-tax income	$ 34	$ 30	$ 61
Income tax expense	12	12	24

The future minimum lease payments to be received from noncancelable capital leases (direct financing and leveraged leases) net of nonrecourse loan payments related to leveraged leases and allowances for doubtful accounts, along with expected receipts relating to operating leases for the periods shown at December 31, 2013, are as follows

(dollars in millions)

Years	Capital Leases	Operating Leases
2014	$ 34	$ 197
2015	46	170
2016	114	142
2017	38	50
2018	56	23
Thereafter	797	19
Total	$ 1,085	$ 601

As Lessee

We lease certain facilities and equipment for use in our operations under both capital and operating leases Total rent expense under operating leases amounted to $2.6 billion in 2013 and $2.5 billion in 2012 and 2011, respectively

Amortization of capital leases is included in Depreciation and amortization expense in the consolidated statements of income Capital lease amounts included in Plant, property and equipment are as follows

(dollars in millions)

At December 31	2013	2012
Capital leases	$ 353	$ 358
Less accumulated amortization	188	158
Total	$ 165	$ 200

The aggregate minimum rental commitments under noncancelable leases for the periods shown at December 31, 2013, are as follows

(dollars in millions)

Years	Capital Leases	Operating Leases
2014	$ 110	$ 2,255
2015	70	2,020
2016	54	1,703
2017	46	1,379
2018	20	1,085
Thereafter	83	3,748
Total minimum rental commitments	383	$ 12,190
Less interest and executory costs	90	
Present value of minimum lease payments	293	
Less current installments	91	
Long-term obligation at December 31, 2013	$ 202	

Debt

Changes to debt during 2013 are as follows

(dollars in millions)

	Debt Maturing within One Year	Long-term Debt	Total
Balance at January 1, 2013	$ 4,369	$ 47,618	$ 51,987
Proceeds from long-term borrowings	–	49,166	49,166
Repayments of long-term borrowings and capital lease obligations	(3,943)	(4,220)	(8,163)
Decrease in short-term obligations, excluding current maturities	(142)	–	(142)
Reclassifications of long-term debt	3,328	(3,328)	–
Other	321	422	743
Balance at December 31, 2013	$ 3,933	$ 89,658	$ 93,591

Debt maturing within one year is as follows

(dollars in millions)

At December 31	2013	2012
Long-term debt maturing within one year	$ 3,486	$ 3,869
Commercial paper and other	447	500
Total debt maturing within one year	$ 3,933	$ 4,369

The weighted-average interest rate for our commercial paper outstanding was 0.2% and 0.4% at December 31 2013 and 2012, respectively

Credit Facilities

On August 13, 2013 we amended our $6.2 billion credit facility with a group of major financial institutions to extend the maturity date to August 12, 2017 As of December 31 2013, the unused borrowing capacity under this credit facility was approximately $6.1 billion

During October 2013, we entered into a $2.0 billion 364-day revolving credit agreement with a group of major financial institutions Although effective as of October 2013, we could not draw on this revolving credit agreement prior to the completion of the Wireless Transaction We may use borrowings under the 364-day credit agreement for general corporate purposes The 364-day revolving credit agreement contains certain negative covenants, including a negative pledge covenant, a merger or similar transaction covenant and an accounting changes covenant, affirmative covenants and events of default that are customary for companies maintaining an investment grade credit rating In addition, this agreement requires us to maintain a leverage ratio (as defined in the agreement) not in excess of 3.50 1.00, until our credit ratings reach a certain level

Long-Term Debt

Outstanding long-term debt obligations are as follows

(dollars in millions)

At December 31,	Interest Rates %	Maturities	2013	2012
Verizon Communications—notes payable and other	0.50 – 3.85	2014 – 2042	$ 20,416	$ 11,198
	4.50 – 5.50	2015 – 2041	20,226	7,062
	5.55 – 6.90	2016 – 2043	31,965	11,031
	7.35 – 8.95	2018 – 2039	5,023	5,017
	Floating	2014 – 2018	5,500	1,000
Verizon Wireless—notes payable and other	8.50 – 8.88	2015 – 2018	3,931	8,635
Verizon Wireless—Alltel assumed notes	6.80 – 7.88	2016 – 2032	1,300	1,500
Telephone subsidiaries—debentures	5.13 – 6.86	2027 – 2033	1,075	2,045
	7.38 – 7.88	2022 – 2032	1,099	1,349
	8.00 – 8.75	2019 – 2031	880	880
Other subsidiaries—debentures and other	6.84 – 8.75	2018 – 2028	1,700	1,700
Capital lease obligations (average rate of 8.1% and 6.3% in 2013 and 2012, respectively)			293	298
Unamortized discount, net of premium			(264)	(228)
Total long-term debt, including current maturities			93,144	51,487
Less long-term debt maturing within one year			3,486	3,869
Total long-term debt			$ 89,658	$ 47,618

2013

During March 2013, we issued $0.5 billion aggregate principal amount of floating rate Notes due 2015 in a private placement resulting in cash proceeds of approximately $0.5 billion, net of discounts and issuance costs The proceeds were used for the repayment of commercial paper

During April 2013, $1.25 billion of 5.25% Verizon Communications Notes matured and were repaid In addition, during June 2013, $0.5 billion of 4.375% Verizon Communications Notes matured and were repaid

During September 2013, in connection with the Wireless Transaction, we issued $49.0 billion aggregate principal amount of fixed and floating rate notes resulting in cash proceeds of approximately $48.7 billion, net of discounts and issuance costs The issuances consisted of the following $2.25 billion aggregate principal amount of floating rate Notes due 2016 that bear interest at a rate equal to three-month LIBOR plus 1.53% which rate will be reset quarterly, $1.75 billion aggregate principal amount of floating rate Notes due 2018 that bear interest at a rate equal to three-month LIBOR plus 1.75% which rate will be reset quarterly, $4.25 billion aggregate principal amount of 2.50% Notes due 2016, $4.75 billion aggregate principal amount of 3.65% Notes due 2018, $4.0 billion aggregate principal amount of 4.50% Notes due 2020 $11.0 billion aggregate principal amount of 5.15% Notes due 2023 $6.0 billion aggregate principal amount of 6.40% Notes due 2033 and $15.0 billion aggregate principal amount of 6.55% Notes due 2043 (collectively, the new notes) The proceeds of the new notes were used to finance, in part, the Wireless Transaction and to pay related fees and expenses As a result of the issuance of the new notes, we incurred interest expense related to the Wireless Transaction of $0.7 billion during 2013

In addition, during 2013 we utilized $0.2 billion under fixed rate vendor financing facilities

During February 2014, we issued €1.75 billion aggregate principal amount of 2.375% Notes due 2022, €1.25 billion aggregate principal amount of 3.25% Notes due 2026 and £0.85 billion aggregate principal amount of 4.75% Notes due 2034 The issuance of these Notes resulted in cash proceeds of approximately $5.4 billion, net of discounts and issuance costs The net proceeds were used, in part, to finance the Wireless Transaction Any net proceeds not used to finance the Wireless Transaction will be used for general corporate purposes Also, during February 2014, we issued $0.5 billion aggregate principal amount of 5.9% Retail Notes due 2054 resulting in cash proceeds of approximately $0.5 billion, net of discounts and issuance costs The proceeds will be used for general corporate purposes

Verizon Notes

During February 2014, in connection with the Wireless Transaction, we issued $5.0 billion aggregate principal amount of floating rate notes The Verizon Notes were issued in two separate series, with $2.5 billion due February 21, 2022 and $2.5 billion due February 21, 2025 The Verizon Notes bear interest at a floating rate, which will be reset quarterly with interest payable quarterly in arrears, beginning May 21, 2014 (see Note 2) The eight-year Verizon notes bear interest at a floating rate equal to three-month LIBOR, plus 1.222%, and the eleven-year Verizon notes bear interest at a floating rate equal to three-month LIBOR, plus 1.372%

Term Loan Agreement

During October 2013, we entered into a term loan agreement with a group of major financial institutions pursuant to which we drew $6.6 billion to finance, in part, the Wireless Transaction and to pay transaction costs Half of any loans under the term loan agreement have a maturity of three years and the other half have a maturity of five years (the 5-Year Loans) The 5-Year Loans provide for the partial amortization of principal during the last two years that they are outstanding Loans under the term loan agreement bear interest at floating rates The term loan agreement contains certain negative covenants including a negative pledge covenant, a merger or similar transaction covenant and an accounting changes covenant, affirmative covenants and events of default that are customary for companies maintaining an investment grade credit rating In addition, the term loan agreement requires us to maintain a leverage ratio (as defined in the term loan agreement) not in excess of 3.50 1.00, until our credit ratings reach a certain level

Bridge Credit Agreement

During September 2013, we entered into a $61.0 billion bridge credit agreement with a group of major financial institutions The credit agreement provided us with the ability to borrow up to $61.0 billion to finance in part, the Wireless Transaction and to pay related transaction costs Following the September 2013 issuance of notes, borrowing availability under the bridge credit agreement was reduced to $12.0 billion. Following the effectiveness of the term loan agreement in October 2013, the bridge credit agreement was terminated in accordance with its terms and as such, the related fees of $0.2 billion were recognized in Other income and (expense), net during the fourth quarter of 2013

2012

On November 2 2012, we announced the commencement of a tender offer (the Tender Offer) to purchase for cash any and all of the outstanding $1.25 billion aggregate principal amount of 8.95% Verizon Communications Notes due 2039 In the Tender Offer that was completed November 9, 2012, $0.9 billion aggregate principal amount of the notes was purchased at a price of 186.5% of the principal amount of the notes (see "Early Debt Redemption and Other Costs") and $0.35 billion principal amount of the notes remained outstanding Any accrued and unpaid interest on the principal purchased was paid to the date of purchase

During November 2012, we issued $4 5 billion aggregate principal amount of fixed rate notes resulting in cash proceeds of approximately $4 47 billion net of discounts and issuance costs The issuances consisted of the following $1 0 billion of 0 70% Notes due 2015, $0 5 billion of 1 10% Notes due 2017, $1 75 billion of 2 45% Notes due 2022 and $1 25 billion of 3 85% Notes due 2042 During December 2012, the net proceeds were used to redeem $0 7 billion of the $2 0 billion of 8 75% Notes due November 2018 at a redemption price of 140 2% of the principal amount of the notes (see "Early Debt Redemption and Other Costs"), $0 75 billion of 4 35% Notes due February 2013 at a redemption price of 100 7% of the principal amount of the notes and certain telephone subsidiary debt (see "Telephone and Other Subsidiary Debt"), as well as for the Tender Offer and other general corporate purposes Any accrued and unpaid interest was paid to the date of redemption

In addition, during 2012 we utilized $0 2 billion under fixed rate vendor financing facilities

Verizon Wireless – Notes Payable and Other

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

2013

During November 2013, $1 25 billion of 7 375% Verizon Wireless Notes and $0 2 billion of 6 50% Verizon Wireless Notes matured and were repaid Also during November 2013, Verizon Wireless redeemed $3 5 billion of 5 55% Notes, due February 1, 2014 at a redemption price of 101% of the principal amount of the notes Any accrued and unpaid interest was paid to the date of redemption

2012

During February 2012, $0 8 billion of 5 25% Verizon Wireless Notes matured and were repaid During July 2012, $0 8 billion of 7 0% Verizon Wireless Notes matured and were repaid

Telephone and Other Subsidiary Debt

2013

During May 2013, $0 1 billion of 7 0% Verizon New York Inc Debentures matured and were repaid During June 2013, $0 1 billion of 7 0% Verizon New York Inc Debentures matured and were repaid In addition, during June 2013, we redeemed $0 25 billion of 7 15% Verizon Maryland LLC Debentures, due May 2023 at a redemption price of 100% of the principal amount of the debentures During October 2013 $0 3 billion of 4 75% Verizon New England Inc Debentures matured and were repaid. During November 2013, we redeemed $0 3 billion of 6 70% Verizon New York Inc Debentures, due November 2023 at a redemption price of 100% of the principal amount of the debentures During December 2013, we redeemed $0 2 billion of 7 0% Verizon New York Inc Debentures, due December 2033 at a redemption price of 100% of the principal amount of the debentures and $20 million of 7 0% Verizon Delaware LLC Debentures, due December 2023 at a redemption price of 100% of the principal amount of the debentures Any accrued and unpaid interest was paid to the date of redemption

2012

During January 2012, $1 0 billion of 5 875% Verizon New Jersey Inc Debentures matured and were repaid During December 2012, we redeemed the $1 0 billion of 4 625% Verizon Virginia LLC Debentures Series A due March 2013 at a redemption price of 101 1% of the principal amount of the debentures Any accrued and unpaid interest was paid to the date of redemption

In addition, during 2012, various Telephone and Other Subsidiary Debentures totaling approximately $0 2 billion were repaid and any accrued and unpaid interest was paid to the date of payment

Early Debt Redemption and Other Costs

During November 2012, we recorded debt redemption costs of $0 8 billion in connection with the purchase of $0 9 billion of the $1 25 billion of 8 95% Verizon Communications Notes due 2039 in a cash tender offer

During December 2012, we recorded debt redemption costs of $0 3 billion in connection with the early redemption of $0 7 billion of the $2 0 billion of 8 75% Verizon Communications Notes due 2018, $1 0 billion of 4.625% Verizon Virginia LLC Debentures, Series A, due March 2013 and $0 75 billion of 4 35% Verizon Communications Notes due February 2013 as well as $0 3 billion of other costs

Guarantees

We guarantee the debentures and first mortgage bonds of our operating telephone company subsidiaries As of December 31, 2013, $3 1 billion principal amount of these obligations remain outstanding Each guarantee will remain in place for the life of the obligation unless terminated pursuant to its terms, including the operating telephone company no longer being a wholly-owned subsidiary of Verizon

We also guarantee the debt obligations of GTE Corporation that were issued and outstanding prior to July 1, 2003 As of December 31, 2013, $1 7 billion principal amount of these obligations remain outstanding

Debt Covenants

We and our consolidated subsidiaries are in compliance with all debt covenants

Maturities of Long-Term Debt

Maturities of long-term debt outstanding at December 31, 2013 are as follows

Years	(dollars in millions)
2014	$ 3,486
2015	2,740
2016	10,818
2017	1,331
2018	14,970
Thereafter	59,799

Note 7
Fair Value Measurements and Financial Instruments

The following table presents the balances of assets and liabilities measured at fair value on a recurring basis as of December 31 2013

	Level 1 [1]	Level 2 [2]	Level 3 [3]	(dollars in millions) Total
Assets				
Cash and cash equivalents				
Fixed income securities	$ 9,190	$ –	$ –	$ 9,190
Short-term investments				
Equity securities	387	–	–	387
Fixed income securities	3	211	–	214
Other assets				
Forward interest rate swaps	–	76	–	76
Fixed income securities	–	875	–	875
Cross currency swaps	–	166	–	166
Total	$ 9,580	$ 1,328	$ –	$ 10,908
Liabilities				
Other liabilities				
Interest rate swaps	$ –	$ 23	$ –	$ 23
Total	$ –	$ 23	$ –	$ 23

[1] quoted prices in active markets for identical assets or liabilities
[2] observable inputs other than quoted prices in active markets for identical assets and liabilities
[3] no observable pricing inputs in the market

Equity securities consist of investments in common stock of domestic and international corporations measured using quoted prices in active markets

Fixed income securities consist primarily of investments in U S Treasuries, as well as municipal bonds We use quoted prices in active markets for our U S Treasury securities and therefore these securities are classified as Level 1 For all other fixed income securities that do not have quoted prices in active markets, we use alternative matrix pricing resulting in these debt securities being classified as Level 2

Derivative contracts are valued using models based on readily observable market parameters for all substantial terms of our derivative contracts and thus are classified within Level 2 We use mid-market pricing for fair value measurements of our derivative instruments Our derivative instruments are recorded on a gross basis

We recognize transfers between levels of the fair value hierarchy as of the end of the reporting period There were no transfers within the fair value hierarchy during 2013

Fair Value of Short-term and Long-term Debt

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

At December 31,	2013		2012	(dollars in millions)
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Short- and long-term debt excluding capital leases	$ 93,298	$ 103,527	$ 51,689	$ 61,552

Derivative Instruments

Interest Rate Swaps

We have entered into domestic interest rate swaps to achieve a targeted mix of fixed and variable rate debt We principally receive fixed rates and pay variable rates based on LIBOR, resulting in a net increase or decrease to Interest expense These swaps are designated as fair value hedges and hedge against changes in the fair value of our debt portfolio We record the interest rate swaps at fair value on our consolidated balance sheets as assets and liabilities

During 2012, interest rate swaps with a notional value of $5 8 billion were settled As a result of the settlements, we received net proceeds of $0 7 billion, including accrued interest which is included in Other, net operating activities in the consolidated statement of cash flows The fair value basis adjustment to the underlying debt instruments was recognized into earnings as a reduction of interest expense over the remaining lives of the underlying debt obligations During the second quarter of 2013, interest rate swaps with a notional value of $1 25 billion matured and the impact to our consolidated financial statements was not material During the third quarter of 2013, we entered into interest rate swaps with a total notional value of $1 8 billion At December 31, 2013 and 2012, the fair value of these interest rate swaps was not material At December 31, 2013, the total notional amount of these interest rate swaps was $1 8 billion The ineffective portion of these interest rate swaps was not material at December 31, 2013

Forward Interest Rate Swaps

In order to manage our exposure to future interest rate changes, during the fourth quarter of 2013, we entered into forward interest rate swaps with a notional value of $2 0 billion We designated these contracts as cash flow hedges The fair value of these contracts was not material at December 31, 2013

Cross Currency Swaps

Verizon Wireless previously entered into cross currency swaps designated as cash flow hedges to exchange approximately $1 6 billion of British Pound Sterling and Euro-denominated debt into U S dollars and to fix our future interest and principal payments in U S dollars, as well as to mitigate the impact of foreign currency transaction gains or losses A portion of the gains and losses recognized in Other comprehensive income was reclassified to Other income and (expense), net to offset the related pre-tax foreign currency transaction gain or loss on the underlying debt obligations The fair value of the outstanding swaps was not material at December 31, 2013 or December 31, 2012 During 2013 and 2012 the gains with respect to these swaps were not material

During February 2014 we entered into cross currency swaps designated as cash flow hedges to exchange approximately $5 4 billion of Euro and British Pound Sterling denominated debt into U S dollars and to fix our future interest and principal payments in U S dollars, as well as to mitigate the impact of foreign currency transaction gains or losses

Concentrations of Credit Risk

Financial instruments that subject us to concentrations of credit risk consist primarily of temporary cash investments, short-term and long-term investments trade receivables certain notes receivable, including lease receivables, and derivative contracts Our policy is to deposit our temporary cash investments with major financial institutions Counterparties to our derivative contracts are also major financial institutions with whom we have negotiated derivatives agreements (ISDA master agreement) and credit support annex agreements which provide rules for collateral exchange We generally apply collateralized arrangements with our counterparties for uncleared derivatives to mitigate credit risk We may enter into swaps on an uncollateralized basis in certain circumstances While we may be exposed to credit losses due to the nonperformance of our counterparties, we consider the risk remote and do not expect the settlement of these transactions to have a material effect on our results of operations or financial condition

Note 10

Stock-Based Compensation

Verizon Communications Long-Term Incentive Plan

The Verizon Communications Inc Long-Term Incentive Plan (the Plan) permits the granting of stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance stock units and other awards The maximum number of shares available for awards from the Plan is 119 6 million shares

Restricted Stock Units

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

Performance Stock Units

The Plan also provides for grants of Performance Stock Units (PSUs) that generally vest at the end of the third year after the grant As defined by the Plan, the Human Resources Committee of the Board of Directors determines the number of PSUs a participant earns based on the extent to which the corresponding performance goals have been achieved over the three-year performance cycle The PSUs are classified as liability awards because the PSU awards are paid in cash upon vesting The PSU award liability is measured at its fair value at the end of each reporting period and, therefore will fluctuate based on the price of Verizon common stock as well as performance relative to the targets Dividend equivalent units are also paid to participants at the time that the PSU award is determined and paid, and in the same proportion as the PSU award The granted and cancelled activity for the PSU award includes adjustments for the performance goals achieved

The following table summarizes Verizon s Restricted Stock Unit and Performance Stock Unit activity

(shares in thousands)	Restricted Stock Units	Performance Stock Units
Outstanding January 1, 2011	20,923	32,380
Granted	6,667	10,348
Payments	(7 600)	(12 137)
Cancelled/Forfeited	(154)	(2,977)
Outstanding December 31, 2011	19,836	27,614
Granted	6,350	20 537
Payments	(7,369)	(8 499)
Cancelled/Forfeited	(148)	(189)
Outstanding December 31 2012	18 669	39,463
Granted	**4,950**	**7,470**
Payments	**(7,246)**	**(22,703)**
Cancelled/Forfeited	**(180)**	**(506)**
Outstanding December 31, 2013	**16,193**	**23,724**

As of December 31, 2013, unrecognized compensation expense related to the unvested portion of Verizon's RSUs and PSUs was approximately $0 4 billion and is expected to be recognized over approximately two years

The RSUs granted in 2013 and 2012 have weighted-average grant date fair values of $47 96 and $38 67 per unit, respectively During 2013, 2012 and 2011, we paid $1 1 billion, $0 6 billion and $0 7 billion, respectively, to settle RSUs and PSUs classified as liability awards

Verizon Wireless' Long-Term Incentive Plan

The Verizon Wireless Long-Term Incentive Plan (the Wireless Plan) provides compensation opportunities to eligible employees of Verizon Wireless (the Partnership) Under the Wireless Plan, Value Appreciation Rights (VARs) were granted to eligible employees As of December 31, 2013 all VARs were fully vested We have not granted new VARs since 2004

VARs reflect the change in the value of the Partnership, as defined in the Wireless Plan Similar to stock options, the valuation is determined using a Black-Scholes model Once VARs become vested, employees can exercise their VARs and receive a payment that is equal to the difference between the VAR price on the date of grant and the VAR price on the date of exercise, less applicable taxes All outstanding VARs are fully exercisable and have a maximum term of 10 years All VARs were granted at a price equal to the estimated fair value of the Partnership, as defined in the Wireless Plan at the date of the grant

The following table summarizes the assumptions used in the Black-Scholes model during 2013

	End of Period
Risk-free rate	0 11%
Expected term (in years)	0 12
Expected volatility	43 27%

The risk-free rate is based on the U S Treasury yield curve in effect at the time of the measurement date Expected volatility was based on a blend of the historical and implied volatility of publicly traded peer companies for a period equal to the VARs expected life ending on the measurement date

The following table summarizes the Value Appreciation Rights activity

(shares in thousands)	VARs	Weighted-Average Grant-Date Fair Value
Outstanding rights, January 1, 2011	11,569	$ 13 11
Exercised	(3,303)	14 87
Cancelled/Forfeited	(52)	14 74
Outstanding rights, December 31 2011	8,214	12 39
Exercised	(3,427)	10 30
Cancelled/Forfeited	(21)	11 10
Outstanding rights, December 31, 2012	4 766	13 89
Exercised	**(1,916)**	**13.89**
Cancelled/Forfeited	**(3)**	**13.89**
Outstanding rights, December 31, 2013	**2,847**	**13 89**

During 2013, 2012 and 2011, we paid $0 1 billion, respectively, to settle VARs classified as liability awards

Stock-Based Compensation Expense

After-tax compensation expense for stock-based compensation related to RSUs, PSUs, and VARs described above included in Net income attributable to Verizon was $0 4 billion $0.7 billion and $0 5 billion for 2013, 2012 and 2011 respectively

Stock Options

The Plan provides for grants of stock options to participants at an option price per share of no less than 100% of the fair market value of Verizon common stock on the date of grant Each grant has a 10-year life, vesting equally over a three-year period, starting at the date of the grant We have not granted new stock options since 2004

The following table summarizes Verizon's stock option activity

(shares in thousands)	Stock Options	Weighted-Average Exercise Price
Outstanding, January 1, 2011	56,844	$ 44 25
Exercised	(7,104)	35 00
Cancelled/Forfeited	(21,921)	51 06
Outstanding, December 31, 2011	27,819	41 24
Exercised	(7,447)	35 20
Cancelled/Forfeited	(17,054)	45 15
Outstanding, December 31, 2012	3,318	34 69
Exercised	**(2,253)**	**34 85**
Cancelled/Forfeited	**(82)**	**34.49**
Outstanding, December 31, 2013	**983**	**34.35**

All stock options outstanding at December 31, 2013, 2012 and 2011 were exercisable

The following table summarizes information about Verizon's stock options outstanding as of December 31, 2013

Range of Exercise Prices	Stock Options (in thousands)	Weighted-Average Remaining Life (years)	Weighted-Average Exercise Price
$30 00-39 99	969	0 1	$ 34 18
40 00-49 99	14	0 1	46 31
Total	**983**	**0.1**	**34.35**

The total intrinsic value for stock options outstanding as of December 31, 2013 is not significant The total intrinsic value of stock options exercised was not significant in 2013 and the associated tax benefits were not significant in 2013, 2012 and 2011 The amount of cash received from the exercise of stock options was $0 1 billion in 2013, $0 3 billion in 2012 and $0 2 billion in 2011 There was no stock option expense for 2013, 2012 and 2011

Note 11

Employee Benefits

We maintain non-contributory defined benefit pension plans for many of our employees In addition, we maintain postretirement health care and life insurance plans for our retirees and their dependents, which are both contributory and non-contributory, and include a limit on our share of the cost for certain recent and future retirees In accordance with our accounting policy for pension and other postretirement benefits, operating expenses include pension and benefit related credits and/or charges based on actuarial assumptions, including projected discount rates and an estimated return on plan assets These estimates are updated in the fourth quarter to reflect actual return on plan assets and updated actuarial assumptions The adjustment is recognized in the income statement during the fourth quarter or upon a remeasurement event pursuant to our accounting policy for the recognition of actuarial gains/losses

Pension and Other Postretirement Benefits

Pension and other postretirement benefits for many of our employees are subject to collective bargaining agreements Modifications in benefits have been bargained from time to time, and we may also periodically amend the benefits in the management plans The following tables summarize benefit costs, as well as the benefit obligations, plan assets, funded status and rate assumptions associated with pension and postretirement health care and life insurance benefit plans

Obligations and Funded Status

At December 31,	Pension 2013	Pension 2012	Health Care and Life 2013	Health Care and Life 2012
			(dollars in millions)	
Change in Benefit Obligations				
Beginning of year	$ 26,773	$ 30,582	$ 26,844	$ 27,369
Service cost	395	358	318	359
Interest cost	1,002	1,449	1,095	1,284
Plan amendments	(149)	183	(119)	(1,826)
Actuarial (gain) loss, net	(2,327)	6,074	(3,576)	1,402
Benefits paid	(1,777)	(2,735)	(1,520)	(1,744)
Curtailment and termination benefits	4	–	–	–
Annuity purchase	–	(8,352)	–	–
Settlements paid	(889)	(786)	–	–
End of year	$ 23,032	$ 26,773	$ 23,042	$ 26,844
Change in Plan Assets				
Beginning of year	$ 18,282	$ 24,110	$ 2,657	$ 2,628
Actual return on plan assets	1,388	2,326	556	312
Company contributions	107	3,719	1,360	1,461
Benefits paid	(1,777)	(2,735)	(1,520)	(1,744)
Settlements paid	(889)	(786)	–	–
Annuity purchase	–	(8,352)	–	–
End of year	$ 17,111	$ 18,282	$ 3,053	$ 2,657
Funded Status				
End of year	$ (5,921)	$ (8,491)	$ (19,989)	$ (24,187)

At December 31,	Pension 2013	Pension 2012	Health Care and Life 2013	Health Care and Life 2012
			(dollars in millions)	
Amounts recognized on the balance sheet				
Noncurrent assets	$ 339	$ 236	$ –	$ –
Current liabilities	(137)	(129)	(710)	(766)
Noncurrent liabilities	(6,123)	(8,598)	(19,279)	(23,421)
Total	$ (5,921)	$ (8,491)	$ (19,989)	$ (24,187)
Amounts recognized in Accumulated Other Comprehensive Income (Pre-tax)				
Prior Service Benefit (Cost)	$ 25	$ 181	$ (2,120)	$ (2,247)
Total	$ 25	$ 181	$ (2,120)	$ (2,247)

Beginning in 2013, as a result of federal health care reform, Verizon no longer files for the Retiree Drug Subsidy (RDS) and instead contracts with a Medicare Part D plan on a group basis to provide prescription drug benefits to Medicare eligible retirees

During 2012, we reached agreements with the Communications Workers of America and the International Brotherhood of Electrical Workers on new, three-year contracts that cover approximately 43,000 Wireline employees. This resulted in the adoption of plan amendments which will result in lower other postretirement benefit costs in 2013 and beyond.

The accumulated benefit obligation for all defined benefit pension plans was $22.9 billion and $26.5 billion at December 31, 2013 and 2012, respectively.

Information for pension plans with an accumulated benefit obligation in excess of plan assets follows:

At December 31,	2013	2012
	(dollars in millions)	
Projected benefit obligation	$ 22,610	$ 26,351
Accumulated benefit obligation	22,492	26,081
Fair value of plan assets	16,350	17,623

Net Periodic Cost

The following table summarizes the benefit (income) cost related to our pension and postretirement health care and life insurance plans:

Years Ended December 31,	Pension 2013	Pension 2012	Pension 2011	Health Care and Life 2013	Health Care and Life 2012	Health Care and Life 2011
				(dollars in millions)		
Service cost	$ 395	$ 358	$ 307	$ 318	$ 359	$ 299
Amortization of prior service cost (credit)	6	(1)	72	(247)	(89)	(57)
Subtotal	401	357	379	71	270	242
Expected return on plan assets	(1,245)	(1,795)	(1,976)	(143)	(171)	(163)
Interest cost	1,002	1,449	1,590	1,095	1,284	1,421
Subtotal	158	11	(7)	1,023	1,383	1,500
Remeasurement (gain) loss, net	(2,470)	5,542	4,146	(3,989)	1,262	1,787
Net periodic benefit (income) cost	(2,312)	5,553	4,139	(2,966)	2,645	3,287
Curtailment and termination benefits	4	–	–	–	–	–
Total	$ (2,308)	$ 5,553	$ 4,139	$ (2,966)	$ 2,645	$ 3,287

Other pre-tax changes in plan assets and benefit obligations recognized in other comprehensive (income) loss are as follows:

At December 31,	Pension 2013	Pension 2012	Health Care and Life 2013	Health Care and Life 2012
			(dollars in millions)	
Prior service cost	$ (149)	$ 183	$ (119)	$ (1,826)
Reversal of amortization items				
Prior service cost	(6)	1	247	89
Total recognized in other comprehensive (income) loss (pre-tax)	$ (155)	$ 184	$ 128	$ (1,737)

The estimated prior service cost for the defined benefit pension plan that will be amortized from Accumulated other comprehensive income (loss) into net periodic benefit cost over the next fiscal year is not significant. The estimated prior service cost for the defined benefit postretirement plans that will be amortized from Accumulated other comprehensive income into net periodic benefit (income) cost over the next fiscal year is $0.3 billion.

Assumptions

The weighted-average assumptions used in determining benefit obligations follow:

At December 31	Pension 2013	Pension 2012	Health Care and Life 2013	Health Care and Life 2012
Discount Rate	5.00%	4.20%	5.00%	4.20%
Rate of compensation increases	3.00	3.00	N/A	N/A

The weighted-average assumptions used in determining net periodic cost follow:

At December 31,	Pension 2013	Pension 2012	Pension 2011	Health Care and Life 2013	Health Care and Life 2012	Health Care and Life 2011
Discount Rate	4.20%	5.00%	5.75%	4.20%	5.00%	5.75%
Expected return on plan assets	7.50	7.50	8.00	5.60	7.00	6.00
Rate of compensation increases	3.00	3.00	3.00	N/A	N/A	N/A

In order to project the long-term target investment return for the total portfolio, estimates are prepared for the total return of each major asset class over the subsequent 10-year period. Those estimates are based on a combination of factors including the current market interest rates and valuation levels, consensus earnings expectations and historical long-term risk premiums. To determine the aggregate return for the pension trust, the projected return of each individual asset class is then weighted according to the allocation to that investment area in the trust's long-term asset allocation policy.

The assumed health care cost trend rates follow:

At December 31,	Health Care and Life 2013	Health Care and Life 2012	Health Care and Life 2011
Healthcare cost trend rate assumed for next year	6.50%	7.00%	7.50%
Rate to which cost trend rate gradually declines	4.75	5.00	5.00
Year the rate reaches the level it is assumed to remain thereafter	2020	2016	2016

A one-percentage point change in the assumed health care cost trend rate would have the following effects:

One-Percentage Point	Increase	Decrease
	(dollars in millions)	
Effect on 2013 service and interest cost	$ 184	$ (150)
Effect on postretirement benefit obligation as of December 31, 2013	2,539	(2,086)

Plan Assets

Historically, our portfolio strategy emphasized a long-term equity orientation, significant global diversification, and the use of both public and private investments. In an effort to reduce the risk of our portfolio strategy and better align assets with liabilities, we have shifted our strategy to one that is more liability driven, where cash flows from investments better match projected benefit payments but result in lower asset returns. We intend to reduce the likelihood that assets will decline at a time when liabilities increase (referred to as liability hedging), with the goal to reduce the risk of underfunding to the plan and its participants and beneficiaries. Both active and passive management approaches are used depending on perceived market efficiencies and various other factors. Our diversification and risk control processes serve to minimize the concentration of risk.

While target allocation percentages will vary over time, the company's overall investment strategy is to achieve a mix of assets, which allows us to meet projected benefits payments while taking into consideration risk and return. The current target allocation for plan assets is designed so that 70% of the assets have the objective of achieving a return in excess of the growth in liabilities (comprised of public equities, private equities, real estate, hedge funds and emerging debt) and 30% of the assets are invested as liability hedging assets (typically longer duration fixed income). This allocation will shift as funded status improves to a higher allocation to liability hedging assets. Target policies will be revisited periodically to ensure they are in line with fund objectives. Due to our diversification and risks control processes, there are no significant concentrations of risk, in terms of sector, industry, geography or company names.

Pension and healthcare and life plans assets do not include significant amounts of Verizon common stock.

Pension Plans

The fair values for the pension plans by asset category at December 31, 2013 are as follows:

Asset Category	Total	Level 1	Level 2	Level 3
			(dollars in millions)	
Cash and cash equivalents	$ 968	$ 881	$ 87	$ –
Equity securities	4,200	3,300	900	–
Fixed income securities				
U.S. Treasuries and agencies	1,097	691	406	–
Corporate bonds	2,953	212	2,579	162
International bonds	364	51	313	–
Other	3	–	3	–
Real estate	1,784	–	–	1,784
Other				
Private equity	3,942	–	–	3,942
Hedge funds	1,800	–	604	1,196
Total	$ 17,111	$ 5,135	$ 4,892	$ 7,084

The fair values for the pension plans by asset category at December 31, 2012 are as follows:

Asset Category	Total	Level 1	Level 2	Level 3
			(dollars in millions)	
Cash and cash equivalents	$ 1,618	$ 1,586	$ 32	$ –
Equity securities	2,944	2,469	475	–
Fixed income securities				
U.S. Treasuries and agencies	1,589	1,125	464	–
Corporate bonds	2,456	35	2,225	196
International bonds	601	140	461	–
Other	210	–	210	–
Real estate	2,018	–	–	2,018
Other				
Private equity	5,039	–	–	5,039
Hedge funds	1,807	–	1,249	558
Total	$ 18,282	$ 5,355	$ 5,116	$ 7,811

The following is a reconciliation of the beginning and ending balance of pension plan assets that are measured at fair value using significant unobservable inputs

(dollars in millions)

	Corporate Bonds	Real Estate	Private Equity	Hedge Funds	Total
Balance at January 1, 2012	$ 189	$ 2,158	$ 6,055	$ 662	$ 9,064
Actual gain on plan assets	12	84	146	43	285
Purchases and sales	(14)	(224)	(1,162)	(147)	(1,547)
Transfers in	9	–	–	–	9
Balance at December 31, 2012	$ 196	$ 2,018	$ 5,039	$ 558	$ 7,811
Actual gain on plan assets	**12**	**81**	**674**	**84**	**851**
Purchases and sales	**(13)**	**(315)**	**(1,732)**	**(124)**	**(2,184)**
Transfers in (out)	**(33)**	**–**	**(39)**	**678**	**606**
Balance at December 31, 2013	**$ 162**	**$ 1,784**	**$ 3,942**	**$ 1,196**	**$ 7,084**

Health Care and Life Plans

The fair values for the other postretirement benefit plans by asset category at December 31, 2013 are as follows

(dollars in millions)

Asset Category	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 237	$ 12	$ 225	$ –
Equity securities	2,178	1,324	854	–
Fixed income securities				
U.S. Treasuries and agencies	121	94	27	–
Corporate bonds	252	45	207	–
International bonds	104	18	86	–
Other	161	40	121	–
Total	$ 3,053	$ 1,533	$ 1,520	$ –

The fair values for the other postretirement benefit plans by asset category at December 31, 2012 are as follows

(dollars in millions)

Asset Category	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 291	$ 13	$ 278	$ –
Equity securities	1,753	1,004	749	–
Fixed income securities				
U.S. Treasuries and agencies	118	80	38	–
Corporate bonds	192	11	181	–
International bonds	189	72	117	–
Other	114	–	114	–
Total	$ 2,657	$ 1,180	$ 1,477	$ –

The following are general descriptions of asset categories, as well as the valuation methodologies and inputs used to determine the fair value of each major category of assets

Cash and cash equivalents include short-term investment funds, primarily in diversified portfolios of investment grade money market instruments and are valued using quoted market prices or other valuation methods and thus are classified within Level 1 or Level 2

Equity securities are investments in common stock of domestic and international corporations in a variety of industry sectors, and are valued primarily using quoted market prices or other valuation methods, and thus are classified within Level 1 or Level 2

Fixed income securities include U.S. Treasuries and agencies, debt obligations of foreign governments and domestic and foreign corporations. Fixed income also includes investments in collateralized mortgage obligations, mortgage backed securities and interest rate swaps. The fair value of fixed income securities is based on observable prices for identical or comparable assets, adjusted using benchmark curves, sector grouping, matrix pricing, broker/dealer quotes and issuer spreads, and thus is classified within Level 1 or Level 2

Real estate investments include those in limited partnerships that invest in various commercial and residential real estate projects both domestically and internationally. The fair values of real estate assets are typically determined by using income and/or cost approaches or a comparable sales approach, taking into consideration discount and capitalization rates, financial conditions, local market conditions and the status of the capital markets, and thus are classified within Level 3

Private equity investments include those in limited partnerships that invest in operating companies that are not publicly traded on a stock exchange. Investment strategies in private equity include leveraged buyouts, venture capital, distressed investments and investments in natural resources. These investments are valued using inputs such as trading multiples of comparable public securities, merger and acquisition activity and pricing data from the most recent equity financing taking into consideration illiquidity, and thus are classified within Level 3

Hedge fund investments include those seeking to maximize absolute returns using a broad range of strategies to enhance returns and provide additional diversification. The fair values of hedge funds are estimated using net asset value per share (NAV) of the investments. Verizon has the ability to redeem these investments at NAV within the near term and thus are classified within Level 2. Investments that cannot be redeemed in the near term are classified within Level 3

Cash Flows

In 2013, contributions to our qualified pension plans were not material. Also in 2013, we contributed $0.1 billion to our nonqualified pension plans and $1.4 billion to our other postretirement benefit plans. We anticipate approximately $1.2 billion in contributions to our qualified pension plans, $0.2 billion to our nonqualified pension plans and $1.4 billion to our other postretirement benefit plans in 2014.

Estimated Future Benefit Payments

The benefit payments to retirees are expected to be paid as follows:

(dollars in millions)

Year	Pension Benefits	Health Care and Life
2014	$ 2,980	$ 1,582
2015	2,280	1,574
2016	1,742	1,538
2017	1,666	1,506
2018	1,377	1,474
2019-2023	6,712	6,846

Savings Plan and Employee Stock Ownership Plans

We maintain four leveraged employee stock ownership plans (ESOP). Only one plan currently has unallocated shares. We match a certain percentage of eligible employee contributions to the savings plans with shares of our common stock from this ESOP. At December 31, 2013, the number of unallocated and allocated shares of common stock in this ESOP was 163 thousand and 62 million, respectively. All leveraged ESOP shares are included in earnings per share computations.

Total savings plan costs were $1.0 billion in 2013 and $0.7 billion in 2012 and 2011, respectively.

Pension Annuitization

On October 17, 2012, we, along with our subsidiary Verizon Investment Management Corp., and Fiduciary Counselors Inc., as independent fiduciary of the Verizon Management Pension Plan (the Plan), entered into a definitive purchase agreement with The Prudential Insurance Company of America (Prudential) and Prudential Financial, Inc., pursuant to which the Plan would purchase a single premium group annuity contract from Prudential.

On December 10, 2012, upon issuance of the group annuity contract by Prudential, Prudential irrevocably assumed the obligation to make future annuity payments to approximately 41,000 Verizon management retirees who began receiving pension payments from the Plan prior to January 1, 2010. The amount of each retiree's annuity payment equals the amount of such individual's pension benefit. In addition, the group annuity contract is intended to replicate the same rights to future payments, such as survivor benefits, that are currently offered by the Plan.

We contributed approximately $2.6 billion to the Plan between September 1, 2012 and December 31, 2012 in connection with the transaction so that the Plan's funding percentage would not decrease as a result of the transaction.

Severance Benefits

The following table provides an analysis of our actuarially determined severance liability recorded in accordance with the accounting standard regarding employers' accounting for postemployment benefits:

(dollars in millions)

Year	Beginning of Year	Charged to Expense	Payments	Other	End of Year
2011	$ 1,569	$ 32	$ (474)	$ (14)	$ 1,113
2012	1,113	396	(531)	32	1,010
2013	**1,010**	**134**	**(381)**	**(6)**	**757**

Severance, Pension and Benefit (Credits) Charges

During 2013, we recorded net pre-tax severance, pension and benefits credits of approximately $6.2 billion primarily for our pension and postretirement plans in accordance with our accounting policy to recognize actuarial gains and losses in the year in which they occur. The credits were primarily driven by an increase in our discount rate assumption used to determine the current year liabilities from a weighted-average of 4.2% at December 31, 2012 to a weighted-average of 5.0% at December 31, 2013 ($4.3 billion); lower than assumed retiree medical costs and other assumption adjustments ($1.4 billion) and the difference between our estimated return on assets of 7.5% at December 31, 2012 and our actual return on assets of 8.6% at December 31, 2013 ($0.5 billion).

During 2012, we recorded net pre-tax severance, pension and benefits charges of approximately $7.2 billion primarily for our pension and postretirement plans in accordance with our accounting policy to recognize actuarial gains and losses in the year in which they occur. The charges were primarily driven by a decrease in our discount rate assumption used to determine the current year liabilities from a weighted-average of 5% at December 31, 2011 to a weighted-average of 4.2% at December 31, 2012 ($5.3 billion) and revisions to the retirement assumptions for participants and other assumption adjustments, partially offset by the difference between our estimated return on assets of 7.5% and our actual return on assets of 10% ($0.7 billion). As part of this charge, we also recorded $1.0 billion related to the annuitization of pension liabilities, as described above, as well as severance charges of $0.4 billion primarily for approximately 4,000 management employees.

During 2011, we recorded net pre-tax severance, pension and benefits charges of approximately $6.0 billion for our pension and postretirement plans in accordance with our accounting policy to recognize actuarial gains and losses in the year in which they occur. The charges were primarily driven by a decrease in our discount rate assumption used to determine the current year liabilities from 5.75% at December 31, 2010 to 5% at December 31, 2011 ($5.0 billion); the difference between our estimated return on assets of 8% and our actual return on assets of 5% ($0.9 billion); and revisions to the life expectancy of participants and other adjustments to assumptions.

Taxes

The components of income before (provision) benefit for income taxes are as follows:

(dollars in millions)

Years Ended December 31,	2013	2012	2011
Domestic	$ 28,833	$ 9,316	$ 9,724
Foreign	444	581	759
Total	$ 29,277	$ 9,897	$ 10,483

The components of the provision (benefit) for income taxes are as follows:

(dollars in millions)

Years Ended December 31,	2013	2012	2011
Current			
Federal	$ (197)	$ 223	$ 193
Foreign	(59)	(45)	25
State and Local	201	114	290
Total	(55)	292	508
Deferred			
Federal	5,060	(559)	270
Foreign	8	10	(38)
State and Local	717	(403)	(455)
Total	5,785	(952)	(223)
Total income tax provision (benefit)	$ 5,730	$ (660)	$ 285

The following table shows the principal reasons for the difference between the effective income tax rate and the statutory federal income tax rate:

Years Ended December 31,	2013	2012	2011
Statutory federal income tax rate	35.0%	35.0%	35.0%
State and local income tax rate, net of federal tax benefits	2.1	(1.9)	(1.0)
Affordable housing credit	(0.6)	(1.9)	(1.8)
Employee benefits including ESOP dividend	(0.4)	(1.1)	(1.4)
Equity in earnings from unconsolidated businesses	(0.3)	(1.4)	(1.9)
Noncontrolling interests	(14.3)	(33.7)	(23.0)
Other, net	(1.9)	(1.7)	(3.2)
Effective income tax rate	19.6%	(6.7)%	2.7%

The effective income tax rate for 2013 was 19.6% compared to (6.7)% for 2012. The increase in the effective income tax rate and provision for income taxes was primarily due to higher income before income taxes as a result of severance, pension and benefit credits recorded during 2013 compared to lower income before income taxes as a result of severance, pension and benefit charges as well as early debt redemption costs recorded during 2012.

The effective income tax rate for 2012 was (6 7)% compared to 2 7% for 2011 The negative effective income tax rate for 2012 and the decrease in the provision for income taxes during 2012 compared to 2011 was primarily due to lower income before income taxes as a result of higher severance, pension and benefit charges as well as early debt redemption costs recorded during 2012

The amounts of cash taxes paid are as follows

Years Ended December 31,	2013	2012	2011
	(dollars in millions)		
Income taxes, net of amounts refunded	$ 422	$ 351	$ 762
Employment taxes	1,282	1,308	1,328
Property and other taxes	2,082	1,727	1,883
Total	$ 3,786	$ 3,386	$ 3,973

Deferred taxes arise because of differences in the book and tax bases of certain assets and liabilities Significant components of deferred tax assets and liabilities are as follows

At December 31,	2013	2012
	(dollars in millions)	
Employee benefits	$ 10,242	$ 13,644
Tax loss and credit carry forwards	2,747	4,819
Uncollectible accounts receivable	213	206
Other - assets	959	1,050
	14,161	19,719
Valuation allowances	(1,596)	(2,041)
Deferred tax assets	12,565	17,678
Former MCI intercompany accounts receivable basis difference	1,121	1,275
Depreciation	14,030	13,953
Leasing activity	997	1,208
Wireless joint venture including wireless licenses	23,032	22,171
Other - liabilities	1,470	1,320
Deferred tax liabilities	40,650	39,927
Net deferred tax liability	$ 28,085	$ 22,249

At December 31, 2013, undistributed earnings of our foreign subsidiaries indefinitely invested outside the US amounted to approximately $2 1 billion The majority of Verizon's cash flow is generated from domestic operations and we are not dependent on foreign cash or earnings to meet our funding requirements, nor do we intend to repatriate these undistributed foreign earnings to fund US operations Furthermore, a portion of these undistributed earnings represent amounts that legally must be kept in reserve in accordance with certain foreign jurisdictional requirements and are unavailable for distribution or repatriation As a result, we have not provided US deferred taxes on these undistributed earnings because we intend that they will remain indefinitely reinvested outside of the US and therefore unavailable for use in funding US operations Determination of the amount of unrecognized deferred taxes related to these undistributed earnings is not practicable

At December 31, 2013, we had net after-tax loss and credit carry forwards for income tax purposes of approximately $2 7 billion Of these net after-tax loss and credit carry forwards, approximately $2 1 billion will expire between 2014 and 2033 and approximately $0 6 billion may be carried forward indefinitely The amount of net after-tax loss and credit carry forwards reflected as a deferred tax asset above has been reduced by approximately $0 1 billion at December 31 2012 due to federal and state tax law limitations on utilization of net operating losses

During 2013, the valuation allowance decreased approximately $0 4 billion The balance of the valuation allowance at December 31 2013 and the 2013 activity is primarily related to state and foreign tax losses and credit carry forwards

Unrecognized Tax Benefits

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

	2013	2012	2011
	(dollars in millions)		
Balance at January 1,	$ 2,943	$ 3,078	$ 3,242
Additions based on tax positions related to the current year	116	131	111
Additions for tax positions of prior years	250	92	456
Reductions for tax positions of prior years	(801)	(415)	(644)
Settlements	(210)	100	(56)
Lapses of statutes of limitations	(168)	(43)	(31)
Balance at December 31,	$ 2,130	$ 2,943	$ 3,078

Included in the total unrecognized tax benefits at December 31, 2013 2012 and 2011 is $1 4 billion, $2 1 billion and $2 2 billion, respectively, that if recognized, would favorably affect the effective income tax rate

We recognized the following net after-tax benefits related to interest and penalties in the provision for income taxes

Years Ended December 31,	(dollars in millions)
2013	$ 33
2012	82
2011	60

The after-tax accruals for the payment of interest and penalties in the consolidated balance sheets are as follows

At December 31,	(dollars in millions)
2013	$ 274
2012	386

The decrease in unrecognized tax benefits was primarily due to the resolution of issues with the Internal Revenue Services (IRS) involving tax years 2004 through 2006, as well as the resolution of tax controversies in Canada and Italy

Verizon and/or its subsidiaries file income tax returns in the US federal jurisdiction, and various state, local and foreign jurisdictions As a large taxpayer, we are under audit by the IRS and multiple state and foreign jurisdictions for various open tax years The IRS is currently examining the Company's US income tax returns for tax years 2007-2009 and Cellco Partnership s US income tax returns for tax years 2010-2011 Significant tax examinations and litigation are ongoing in New York City for tax years as early as 2000 The amount of the liability for unrecognized tax benefits will change in the next twelve months due to the expiration of the statute of limitations in various jurisdictions and it is reasonably possible that various current tax examinations will conclude or require reevaluations of the Company's tax positions during this period An estimate of the range of the possible change cannot be made until these tax matters are further developed or resolved

Note 3

Segment Information

Reportable Segments

We have two reportable segments which we operate and manage as strategic business units and organize by products and services We measure and evaluate our reportable segments based on segment operating income, consistent with the chief operating decision maker's assessment of segment performance

Corporate eliminations and other includes unallocated corporate expenses, intersegment eliminations recorded in consolidation, the results of other businesses, such as our investments in unconsolidated businesses, pension and other employee benefit related costs, lease financing, as well as other adjustments and gains and losses that are not allocated in assessing segment performance due to their non-operational nature Although such transactions are excluded from the business segment results, they are included in reported consolidated earnings Gains and losses that are not individually significant are included in all segment results as these items are included in the chief operating decision maker's assessment of segment performance

The reconciliation of segment operating revenues and expenses to consolidated operating revenues and expenses below also includes those items of a non-recurring or non-operational nature We exclude from segment results the effects of certain items that management does not consider in assessing segment performance, primarily because of their non-recurring or non-operational nature

We have adjusted prior period consolidated and segment information, where applicable, to conform to current year presentation

Our segments and their principal activities consist of the following

Segment	Description
Wireless	Wireless' communications products and services include wireless voice and data services and equipment sales, which are provided to consumer, business and government customers across the United States
Wireline	Wireline's voice, data and video communications products and enhanced services include broadband video and data corporate networking solutions data center and cloud services security and managed network services and local and long distance voice services We provide these products and services to consumers in the United States, as well as to carriers, businesses and government customers both in the United States and in over 150 other countries around the world

The following table provides operating financial information for our two reportable segments

2013	Wireless	Wireline	Total Segments
			(dollars in millions)
External Operating Revenues			
Retail service	$ 66,282	$ –	$ 66,282
Other service	2,691	–	2,691
Service revenue	68,973	–	68,973
Equipment	8,096	–	8,096
Other	3,851	–	3,851
Consumer retail	–	14,737	14,737
Small business	–	2,587	2,587
Mass Markets	–	17,324	17,324
Strategic services	–	8,410	8,410
Core	–	6,267	6,267
Global Enterprise	–	14,677	14,677
Global Wholesale	–	5,703	5,703
Other	–	456	456
Intersegment revenues	103	1,063	1,166
Total operating revenues	81,023	39,223	120,246
Cost of services and sales	23,648	21,928	45,576
Selling, general and administrative expense	23,176	8,595	31,771
Depreciation and amortization expense	8,202	8,327	16,529
Total operating expenses	55,026	38,850	93,876
Operating income	$ 25,997	$ 373	$ 26,370
Assets	$ 146,429	$ 84,573	$ 231,002
Plant, property and equipment, net	35,932	51,885	87,817
Capital expenditures	9,425	6,229	15,654

2012	Wireless	Wireline	Total Segments
		(dollars in millions)	
External Operating Revenues			
Retail service	$ 61,383	$ –	$ 61,383
Other service	2,290	–	2,290
Service revenue	63,673	–	63,673
Equipment	8,010	–	8,010
Other	4,096	–	4,096
Consumer retail	–	14,043	14,043
Small business	–	2,648	2,648
Mass Markets	–	16,691	16,691
Strategic services	–	8,052	8,052
Core	–	7,240	7,240
Global Enterprise	–	15,292	15,292
Global Wholesale	–	6,177	6,177
Other	–	508	508
Intersegment revenues	89	1,112	1,201
Total operating revenues	75,868	39,780	115,648
Cost of services and sales	24,490	22,413	46,903
Selling, general and administrative expense	21,650	8,883	30,533
Depreciation and amortization expense	7,960	8,424	16,384
Total operating expenses	54,100	39,720	93,820
Operating income	$ 21,768	$ 60	$ 21,828
Assets	$ 142,485	$ 84,815	$ 227,300
Plant, property and equipment, net	34,545	52,911	87,456
Capital expenditures	8,857	6,342	15,199

2011	Wireless	Wireline	Total Segments
		(dollars in millions)	
External Operating Revenues			
Retail service	$ 56,601	$ –	$ 56,601
Other service	2,497	–	2,497
Service revenue	59,098	–	59,098
Equipment	7,446	–	7,446
Other	3,517	–	3,517
Consumer retail	–	13,605	13,605
Small business	–	2,720	2,720
Mass Markets	–	16,325	16,325
Strategic services	–	7,607	7,607
Core	–	8,014	8,014
Global Enterprise	–	15,621	15,621
Global Wholesale	–	6,795	6,795
Other	–	704	704
Intersegment revenues	93	1,237	1,330
Total operating revenues	70,154	40,682	110,836
Cost of services and sales	24,086	22,158	46,244
Selling, general and administrative expense	19,579	9,107	28,686
Depreciation and amortization expense	7,962	8,458	16,420
Total operating expenses	51,627	39,723	91,350
Operating income	$ 18,527	$ 959	$ 19,486
Assets	$ 147,378	$ 86,185	$ 233,563
Plant, property and equipment, net	33,451	54,149	87,600
Capital expenditures	8,973	6,399	15,372

Reconciliation to Consolidated Financial Information

A reconciliation of the segment operating revenues to consolidated operating revenues is as follows

Years Ended December 31,	2013	2012	2011
		(dollars in millions)	
Operating Revenues			
Total reportable segments	$ 120,246	$ 115,648	$ 110,836
Reconciling items			
Corporate eliminations and other	304	198	39
Consolidated operating revenues	$ 120,550	$ 115,846	$ 110,875

A reconciliation of the total of the reportable segments' operating income to consolidated income before (provision) benefit for income taxes is as follows

Years Ended December 31,	2013	2012	2011
		(dollars in millions)	
Operating Income			
Total segment operating income	$ 26,370	$ 21,828	$ 19,486
Severance, pension and benefit credits (charges) (Note 11)	6,232	(7,186)	(5,954)
Gain on spectrum license transaction (Note 2)	278	–	–
Litigation settlements (Note 16)	–	(384)	–
Other costs (Note 8)	–	(276)	–
Corporate, eliminations and other	(912)	(822)	(652)
Consolidated operating income	31,968	13,160	12,880
Equity in earnings of unconsolidated businesses	142	324	444
Other income and (expense), net	(166)	(1,016)	(14)
Interest expense	(2,667)	(2,571)	(2,827)
Income Before (Provision) Benefit for Income Taxes	$ 29,277	$ 9,897	$ 10,483

A reconciliation of the total of the reportable segments' assets to consolidated assets is as follows

At December 31,	2013	2012
	(dollars in millions)	
Assets		
Total reportable segments	$ 231,002	$ 227,300
Corporate eliminations and other	43,096	(2,078)
Total consolidated	$ 274,098	$ 225,222

Corporate, eliminations and other at December 31 2013 is primarily comprised of cash and cash equivalents which were used to complete the Wireless Transaction on February 21 2014

We generally account for intersegment sales of products and services and asset transfers at current market prices No single customer accounted for more than 10% of our total operating revenues during the years ended December 31, 2013 2012 and 2011 International operating revenues and long-lived assets are not significant

Comprehensive Income

Comprehensive income consists of net income and other gains and losses affecting equity that, under U S GAAP, are excluded from net income Significant changes in the components of Other comprehensive income, net of provision for income taxes are described below

Accumulated Other Comprehensive Income

The changes in the balances of Accumulated other comprehensive income by component are as follows

(dollars in millions)	Foreign currency translation adjustments	Unrealized gain on cash flow hedges	Unrealized gain on marketable securities	Defined benefit pension and postretirement plans	Total
Balance at January 1, 2013	$ 793	$ 88	$ 101	$ 1,253	$ 2,235
Other comprehensive income	60	50	33	–	143
Amounts reclassified to net income	--	(25)	(17)	22	(20)
Net other comprehensive income	60	25	16	22	123
Balance at December 31, 2013	$ 853	$ 113	$ 117	$ 1,275	$ 2,358

The amounts presented above in net other comprehensive income are net of taxes and noncontrolling interests, which are not significant For the year ended December 31, 2013, the amounts reclassified to net income related to defined benefit pension and postretirement plans in the table above are included in Cost of services and sales and Selling, general and administrative expense on our consolidated statements of income For the year ended December 31, 2013, all other amounts reclassified to net income in the table above are included in Other income, net on our consolidated statements of income

Foreign Currency Translation Adjustments

The change in Foreign currency translation adjustments during 2013, 2012 and 2011 was primarily related to our investment in Vodafone Omnitel N V and was primarily driven by the movements of the U S dollar against the Euro

Net Unrealized Gains (Losses) on Cash Flow Hedges

During 2013, 2012 and 2011, Unrealized gains (losses) on cash flow hedges included in Other comprehensive income (loss) attributable to noncontrolling interests, primarily reflect activity related to a cross currency swap (see Note 9) Reclassification adjustments for gains (losses) realized in net income were not significant

Net Unrealized Gains (Losses) on Marketable Securities

During 2013, 2012 and 2011, reclassification adjustments on marketable securities for gains (losses) realized in net income were not significant

Defined Benefit Pension and Postretirement Plans

The change in Defined benefit pension and postretirement plans at December 31, 2013 was not significant

The change in Defined benefit pension and postretirement plans of $0 9 billion, net of taxes of $0 6 billion at December 31 2012 was primarily a result of plan amendments

Note 18

Additional Financial Information

The tables that follow provide additional financial information related to our consolidated financial statements

Income Statement Information

Years Ended December 31,	2013	2012	2011
		(dollars in millions)	
Depreciation expense	$ 15,019	$ 14,920	$ 14,991
Interest costs on debt balances	3,421	2,977	3,269
Capitalized interest costs	(754)	(406)	(442)
Advertising expense	2,438	2,381	2,523

Balance Sheet Information

At December 31,	2013	2012
	(dollars in millions)	
Accounts Payable and Accrued Liabilities		
Accounts payable	$ 4,954	$ 4,454
Accrued expenses	3,954	4,529
Accrued vacation, salaries and wages	4,790	5,006
Interest payable	1,199	632
Taxes payable	1,556	1,561
	$ 16,453	$ 16,182
Other Current Liabilities		
Advance billings and customer deposits	$ 2,829	$ 3,554
Dividends payable	1,539	1,494
Other	2,296	1,357
	$ 6,664	$ 6,405

Cash Flow Information

Years Ended December 31,	2013	2012	2011
		(dollars in millions)	
Cash Paid			
Interest, net of amounts capitalized	$ 2,122	$ 1,971	$ 2,629

Common stock has been used from time to time to satisfy some of the funding requirements of employee and shareowner plans, including 24 6 million common shares issued from Treasury stock during 2012, related to dividend payments, which had an aggregate value of $1 0 billion

Note 19

Commitments and Contingencies

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

During 2003, under a government-approved plan, remediation commenced at the site of a former Sylvania facility in Hicksville, New York that processed nuclear fuel rods in the 1950s and 1960s Remediation beyond original expectations proved to be necessary and a reassessment of the anticipated remediation costs was conducted A reassessment of costs related to remediation efforts at several other former facilities was also undertaken In September 2005, the Army Corps of Engineers (ACE) accepted the Hicksville site into the Formerly Utilized Sites Remedial Action Program This may result in the ACE performing some or all of the remediation effort for the Hicksville site with a corresponding decrease in costs to Verizon To the extent that the ACE assumes responsibility for remedial work at the Hicksville site, an adjustment to a reserve previously established for the remediation may be made Adjustments to the reserve may also be made based upon actual conditions discovered during the remediation at this or any other site requiring remediation

Verizon is currently involved in approximately 50 federal district court actions alleging that Verizon is infringing various patents Most of these cases are brought by non-practicing entities and effectively seek only monetary damages, a small number are brought by companies that sell products and seek injunctive relief as well These cases have progressed to various degrees and a small number may go to trial in the coming 12 months if they are not otherwise resolved In the third quarter of 2012, we settled a number of patent litigation matters, including cases with ActiveVideo Networks Inc (ActiveVideo) and TiVo Inc (TiVo) In connection with the settlements with ActiveVideo and TiVo, we recorded a charge of $0 4 billion in the third quarter of 2012 and will pay and recognize over the following six years an additional $0 2 billion

In connection with the execution of agreements for the sales of businesses and investments, Verizon ordinarily provides representations and warranties to the purchasers pertaining to a variety of nonfinancial matters such as ownership of the securities being sold, as well as indemnity from certain financial losses From time to time, counterparties may make claims under these provisions, and Verizon will seek to defend against those claims and resolve them in the ordinary course of business

Subsequent to the sale of Verizon Information Services Canada in 2004, we continue to provide a guarantee to publish directories, which was issued when the directory business was purchased in 2001 and had a 30-year term (before extensions) The preexisting guarantee continues, without modification, despite the subsequent sale of Verizon Information Services Canada and the spin-off of our domestic print and Internet yellow pages directories business The possible financial impact of the guarantee, which is not expected to be adverse, cannot be reasonably estimated as a variety of the potential outcomes available under the guarantee result in costs and revenues or benefits that may offset each other We do not believe performance under the guarantee is likely

As of December 31, 2013 letters of credit totaling approximately $0.1 billion which were executed in the normal course of business and support several financing arrangements and payment obligations to third parties, were outstanding

We have several commitments primarily to purchase handsets and peripherals, equipment software, programming and network services, and marketing activities, which will be used or sold in the ordinary course of business, from a variety of suppliers totaling $33 4 billion Of this total amount, $19 7 billion is attributable to 2014 $8 8 billion is attributable to 2015 through 2016, $4 1 billion is attributable to 2017 through 2018 and $0 8 billion is attributable to years thereafter These amounts do not represent our entire anticipated purchases in the future, but represent only those items that are the subject of contractual obligations Our commitments are generally determined based on the noncancelable quantities or termination amounts Purchases against our commitments for 2013 totaled approximately $16 billion Since the commitments to purchase programming services from television networks and broadcast stations have no minimum volume requirement, we estimated our obligation based on number of subscribers at December 31, 2013, and applicable rates stipulated in the contracts in effect at that time We also purchase products and services as needed with no firm commitment

Note 20

Quarterly Financial Information (Unaudited)

Quarter Ended	Operating Revenues	Operating Income (Loss)	Net Income (Loss) attributable to Verizon [1] Amount	Per Share-Basic	Per Share-Diluted	Net Income (Loss)
			(dollars in millions, except per share amounts)			
2013						
March 31	$ 29,420	$ 6,222	$ 1,952	$ .68	$ .68	$ 4,855
June 30	29,786	6,555	2,246	.78	.78	5,198
September 30	30,279	7,128	2,232	.78	.78	5,578
December 31	31,065	12,063	5,067	1.77	1.76	7,916
2012						
March 31	$ 28,242	$ 5,195	$ 1,686	$ .59	$ .59	$ 3,906
June 30	28,552	5,651	1,825	.64	.64	4,285
September 30	29,007	5,483	1,593	.56	.56	4,292
December 31	30,045	(3,169)	(4,229)	(1.48)	(1.48)	(1,926)

- Results of operations for the second quarter of 2013 include after-tax credits attributable to Verizon of $0 1 billion related to a pension remeasurement
- Results of operations for the third quarter of 2013 include immaterial after-tax credits attributable to Verizon related to a gain on a spectrum license transaction as well as immaterial after-tax costs attributable to Verizon related to the Wireless Transaction
- Results of operations for the fourth quarter of 2013 include after-tax credits attributable to Verizon of $3.7 billion related to severance, pension and benefit credits, as well as after-tax costs attributable to Verizon of $0 5 billion related to the Wireless Transaction
- Results of operations for the third quarter of 2012 include after-tax charges attributable to Verizon of $0 2 billion related to legal settlements
- Results of operations for the fourth quarter of 2012 include after-tax charges attributable to Verizon of $5 3 billion related to severance, pension and benefit charges and early debt redemption and other costs

[1] Net income (loss) attributable to Verizon per common share is computed independently for each quarter and the sum of the quarters may not equal the annual amount

EXHIBIT 21

Verizon Communications Inc. and Subsidiaries
Principal Subsidiaries of Registrant at December 31, 2013

Name	Jurisdiction of Organization
Verizon California Inc	California
Verizon Delaware LLC	Delaware
Verizon Florida LLC	Florida
Verizon Maryland LLC	Delaware
Verizon New England Inc	New York
Verizon New Jersey Inc	New Jersey
Verizon New York Inc	New York
Verizon Pennsylvania LLC	Delaware
GTE Southwest Incorporated (d/b/a Verizon Southwest)	Delaware
Verizon Virginia LLC	Virginia
Bell Atlantic Mobile Systems LLC	Delaware
Cellco Partnership (d/b/a Verizon Wireless)	Delaware
GTE Corporation	New York
GTE Wireless Incorporated	Delaware
MCI Communications Corporation	Delaware
Verizon Business Global LLC	Delaware
Cranberry Properties LLC	Delaware

EXHIBIT 23

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Verizon Communications Inc. (Verizon) of our reports dated February 27, 2014 with respect to the consolidated financial statements of Verizon and the effectiveness of internal control over financial reporting of Verizon, included in the 2013 Annual Report to Shareowners of Verizon

Our audits also included the financial statement schedule of Verizon listed in Item 15(a) This schedule is the responsibility of Verizon's management Our responsibility is to express an opinion based on our audits In our opinion, as to which the date is February 27, 2014, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein

We also consent to the incorporation by reference in the following registration statements of Verizon and where applicable related Prospectuses, of our reports dated February 27, 2014, with respect to the consolidated financial statements of Verizon and the effectiveness of internal control over financial reporting of Verizon, incorporated herein by reference, and our report included in the preceding paragraph with respect to the financial statement schedule of Verizon included in this Annual Report (Form 10-K) for the year ended December 31, 2013 Form S-4, No 333-11573 Form S-8, No 333-41593, Form S-8, No 333-50146, Form S-4, No 333-76171, Form S-8, No 333-76171 Form S-8, No 333-53830, Form S-8 No 333-82690, Form S-4, No 333-124008 Form S-8, No 333-124008 Form S-4, No 333-132651, Form S-8, No 333-169267, Form S-8, No 333-172501, Form S-8, No 333-172999, Form S-3, No 333-182749, Form S-3, No 333-190954 and Form S-4, No 333-191628

/s/ Ernst & Young LLP
Ernst & Young LLP
New York New York
February 27, 2014

EXHIBIT 31.1

I, Lowell C McAdam, certify that

1 I have reviewed this annual report on Form 10-K of Verizon Communications Inc ,

2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made not misleading with respect to the period covered by this report,

3 Based on my knowledge the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report,

4 The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared,

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles,

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation, and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting and

5 The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions)

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting

Date February 27, 2014

/s/ Lowell C McAdam
Lowell C McAdam
Chairman and Chief Executive Officer

EXHIBIT 31.2

I, Francis J Shammo, certify that

1 I have reviewed this annual report on Form 10-K of Verizon Communications Inc .

2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made not misleading with respect to the period covered by this report,

3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of and for, the periods presented in this report,

4 The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared,

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles,

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation, and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected or is reasonably likely to materially affect, the registrant's internal control over financial reporting, and

5 The registrant's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions)

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process summarize and report financial information, and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting

Date February 27, 2014

/s/ Francis J Shammo
Francis J Shammo
Executive Vice President
and Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002, PURSUANT TO SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE

I, Lowell C McAdam, Chairman and Chief Executive Officer of Verizon Communications Inc (the Company), certify that

(1) the report of the Company on Form 10-K for the annual period ending December 31, 2013 (the Report) fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934 (the Exchange Act), and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods referred to in the Report

Date February 27 2014

/s/ Lowell C McAdam
Lowell C McAdam
Chairman and Chief Executive Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Verizon Communications Inc and will be retained by Verizon Communications Inc and furnished to the Securities and Exchange Commission or its staff upon request

EXHIBIT 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002, PURSUANT TO SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE

I, Francis J Shammo, Executive Vice President and Chief Financial Officer of Verizon Communications Inc (the Company), certify that

(1) the report of the Company on Form 10-K for the annual period ending December 31, 2013 (the Report) fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934 (the Exchange Act); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods referred to in the Report.

Date February 27, 2014

/s/ Francis J Shammo
Francis J Shammo
Executive Vice President
and Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Verizon Communications Inc and will be retained by Verizon Communications Inc and furnished to the Securities and Exchange Commission or its staff upon request

EXHIBIT 99

Selected Corporate Governance and Executive Compensation Information Included In the Preliminary Proxy Statement for the Verizon 2014 Annual Meeting of Shareholders filed with the Securities and Exchange Commission on February 26, 2014

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Business Conduct and Ethics

Verizon is committed to operating our business with the highest level of integrity, responsibility and accountability We have adopted a Code of Conduct that applies to all employees, including the Chief Executive Officer (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 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, which can be found in Appendix A 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 $358,000 in 2013 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 $126,000 in 2013 In each case, the amount of compensation was commensurate with that of other employees in similar positions

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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 10 incumbent non-employee Directors who are standing for election are independent Shellye Archambeau, Richard Carrión, Melanie Healey, M. Frances Keeth, Robert Lane, Donald Nicolaisen, Clarence Otis, Jr., Rodney Slater, Kathryn Tesija and Gregory Wasson The Board also determined that Sandra Moose, Joseph Neubauer and Hugh Price, who are retiring from the Board in April 2014 and are not standing for re-election, are independent

In determining the independence of Mr Carrión, Ms Healey, Mr Neubauer, Mr Otis, Mr. Price, Mr Slater, Ms Tesija and Mr Wasson, the Board considered payments for telecommunications services and solutions 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 are not material and do not impair the ability of those Directors to act independently

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- ***Audit Committee***

Members Donald Nicolaisen, Chairperson
M Frances Keeth
Sandra Moose
Clarence Otis, Jr
Gregory Wasson

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

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SHELLYE L. ARCHAMBEAU

Ms Archambeau, 51, is Chief Executive Officer of MetricStream, Inc., a leading provider of governance, risk, compliance and quality management solutions to corporations across diverse industries Under her leadership, the privately-held MetricStream has grown 2,500% over the past ten years, with approximately 1,000 employees worldwide Prior to joining MetricStream in 2002, Ms. Archambeau was Chief Marketing Officer and Executive Vice President of Sales for Loudcloud, Inc., a leader in Internet infrastructure services, Chief Marketing Officer of NorthPoint Communications and President of Blockbuster Inc.'s e-commerce division. Before joining Blockbuster, she held domestic and international executive positions during a 15-year career at IBM

Ms. Archambeau brings to the Board, among other skills and qualifications, leadership experience in technology, e-commerce, digital media and communications. An active participant in Silicon Valley's emerging company community, her in-depth knowledge of the technology sector and extensive background in the application of emerging technologies to address business challenges uniquely position her to advise the Board and senior management on implementing the Company's growth strategies Ms Archambeau's experience developing and marketing telecommunications and Internet services and solutions gives her insight into areas critical to Verizon's success

Ms. Archambeau has served as a Director of Verizon since December 2013. In the past five years, she has served on the board of Arbitron, Inc

RICHARD L. CARRIÓN

Mr Carrión, 61, 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 Inc 's principal bank subsidiary Popular, Inc. is the largest financial institution based in Puerto Rico, with consolidated assets of $36 billion, total deposits of $27 billion and 8,059 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 Chairperson of the Finance Committee and a member of the Corporate Governance and Policy Committee and the Human Resources Committee

MELANIE L. HEALEY

Ms. Healey, 52, is Group President – North America and Global Hyper-Market, Super-Market and 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 2013 had net sales of $32 8 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 2011 and is a member of the Human Resources Committee

M. FRANCES KEETH

Ms. Keeth, 67, 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 Venzon since 2006 and is a member of the Audit Committee, the Human Resources Committee, and the Finance Committee. She is also a director of Arrow Electronics, Inc. (since 2004) and, in the past five years, she has served as a director of Peabody Energy Corporation.

ROBERT W. LANE

Mr. Lane, 64, 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.

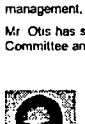
Mr. Lane has served as a Director of Venzon since 2004 and is a member of the Finance Committee. He is also a director of General Electric Company (since 2005) and Northern Trust Corporation (since 2009) and a member of the supervisory board of BMW AG (since 2009). In the past five years, Mr. Lane has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

CLARENCE OTIS, JR.

Mr. Otis, 57, 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 26, 2013, the company's 206,000 employees operated 2,138 restaurants in the United States and Canada and generated fiscal 2013 sales of $8.5 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 Venzon. 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 Venzon 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 Venzon.

Mr. Otis has served as a Director of Venzon since 2006 and is a member of the Audit Committee, the Finance Committee and the Human Resources Committee. He is also a director of VF Corporation (since 2004).



RODNEY E. SLATER

Mr. Slater, 59, 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 Venzon 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 Venzon 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.

LOWELL C. MCADAM

Mr. McAdam, 59, is Chairman and Chief Executive Officer of Venzon 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--Venzon Wireless and Venzon Telecom and Business--as well as Venzon's shared services operations. Prior to assuming this role, Mr. McAdam held key executive positions at Venzon Wireless from its inception in 2000 and was instrumental in building Venzon Wireless into an industry-leading wireless provider. He was President and Chief Executive Officer of Venzon Wireless from 2007 until 2010, and before that served as the company's Executive Vice President and Chief Operating Officer. Before the formation of Venzon 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 Venzon 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 Venzon since 2011. Mr. McAdam has been a member of the Board of Representatives of Venzon Wireless since 2003 and has served as its Chairman since 2010.

DONALD T. NICOLAISEN

Mr. Nicolaisen, 69, 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 Venzon 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).

KATHRYN A. TESIJA

Ms. Tesija, 51, 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 Venzon. Her extensive background positions Ms. Tesija well to advise the Venzon Board and senior management on implementing the Company's strategies.

Ms. Tesija has served as a Director of Venzon since December 2012 and is a member of the Corporate Governance and Policy Committee.

GREGORY D. WASSON

Mr. Wasson, 55, is President and Chief Executive Officer of Walgreen Co., the nation's largest retail drugstore chain, which in fiscal 2013 had $72.2 billion of net sales, 8,582 locations and 240,000 employees. In June 2012, Walgreens announced a strategic partnership with Alliance Boots, the leading pharmacy-led health and beauty group across Europe 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. A registered pharmacist, 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 Venzon 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 Venzon's evolving business strategy.

Mr. Wasson has served as a Director of Venzon since March 2013 and is a member of the Audit Committee and the Human Resources Committee.

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 2014 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 2013 and 2012.

	2013	2012
Audit fees	$ 24 6 million	$23.9 million
Audit-related fees	$ 4 6 million	$3 3 million
Tax fees	$4 0 million	$3 8 million
All other fees	$1 1 million	$0 7 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 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 and all fees are approved

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 2014 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 2014 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.

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 Carrión
Melanie Healey
M Frances Keeth
Clarence Otis, Jr
Gregory Wasson

Dated February 25, 2014

Compensation Discussion and Analysis

The Human Resources Committee of the Board of Directors 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 2013, Verizon's named executive officers were

Lowell C McAdam	Chairman and Chief Executive Officer
Daniel S Mead	Executive Vice President and President and Chief Executive Officer – Verizon Wireless
Francis J Shammo	Executive Vice President and Chief Financial Officer
John G Stratton	Executive Vice President and President – Verizon Enterprise Solutions
Randal S Milch	Executive Vice President – Public Policy and General Counsel

Executive Summary

Verizon's strategy is to build on the strength of our network as a platform for future growth and innovation. To that end, in 2013 we focused on the growing areas of our business – mobility, broadband, video, cloud services and security We also passed a strategic milestone, entering into a transaction that would give us sole ownership of Verizon Wireless, which we expect to enable us to better leverage our assets and capabilities across our business going forward Under the leadership of our management team, our solid execution on our strategic initiatives and our disciplined focus on our financial objectives delivered strong results in 2013 These included

Performance Metric [1]	2013 Result	Change from 2012
Adjusted EPS	$2 84	26 8%
Total Revenue	$120 6B	4 1%
Free Cash Flow	$22.2B	45 1%
Return on Equity	23 6%	654 bps

[1] A reconciliation of non-GAAP measures to the most directly comparable GAAP measures can be found in Appendix C to this proxy statement

As discussed in greater detail below, based on Verizon's strong financial performance in 2013 and total shareholder return over the past three years, the 2013 short-term incentive award was paid at 110% of its targeted level and the performance stock units granted in connection with the 2011-2013 long-term incentive award vested at the 100% level

Summary of Executive Compensation Program and Practices

Our commitment to adopting 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

- 90% variable, incentive-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
- 10% fixed pay – annual cash base salary

In addition, the compensation program does not include other forms of fixed, non-performance related pay, such as guaranteed pension and supplemental retirement benefits

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 32 and in Appendix B The Committee references the 50 th percentile of the Related Dow Peers for total compensation opportunity, with further consideration given to the tenure and overall level of responsibility of a particular executive.

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 2013, approximately 89% of the votes cast on the say-on-pay proposal were voted in favor of the proposal The Committee considered this vote as demonstrating strong shareholder support for the Company's executive compensation programs

Based on the shareholders' strong support for the Company's say-on-pay proposal in 2013 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 continued to apply the same effective principles and philosophies highlighted above and described more fully below that have been applied in prior years when making compensation decisions for 2013

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

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 other 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 th percentile of the Related Dow Peers for total compensation opportunity, although the total compensation opportunity may be above or below the 50 th 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 and Verizon's size relative to the Related Dow Peers 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 2013 compensation purposes, their market capitalization as of December 31, 2013, 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

Verizon's compensation program is designed 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, with fixed compensation in the form of base salary constituting only approximately 10% of each executive's total compensation opportunity, and
- 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 twice the target compensation opportunities related to short-term performance

Additionally, the Company's compensation program features three-year long-term incentive awards, including PSUs subject to both performance-based and time-based vesting requirements and, to encourage high-performing executives to remain with the Company, RSUs that vest based on the executive's continued employment through the end of the three-year performance cycle.

Elements of Compensation

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

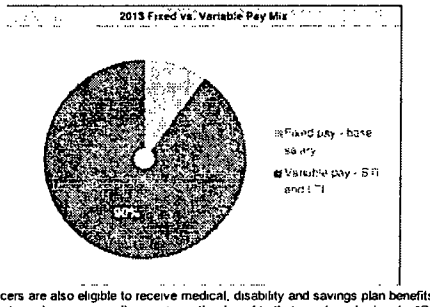
- Fixed and variable pay elements;
- Short- and long-term pay elements, and
- Cash and equity-based pay elements

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 goals
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 th 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 2013 between elements that are variable, performance-based and fixed pay



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 40.

2013 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 2013 of 12.5% for Mr. Mead, 10.7% for Mr. Shammo, 7.4% for Mr. Stratton and 3.1% for Mr. Milch. The base salary levels of the named executive officers were adjusted with the goal of providing a total compensation opportunity that more closely approximates the 50 th percentile for comparable executives within the Related Dow Peers, with approximately 10% of each named executive officer's total compensation opportunity provided in the form of base salary. In 2013 the independent members of the Board approved an increase of 7.1% for Mr. McAdam. This is the first base salary increase that Mr. McAdam has received since 2010 when he was promoted to the position of President and Chief Operating Officer of Verizon.

2013 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. These award opportunities are established at threshold, target and maximum levels. 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 46

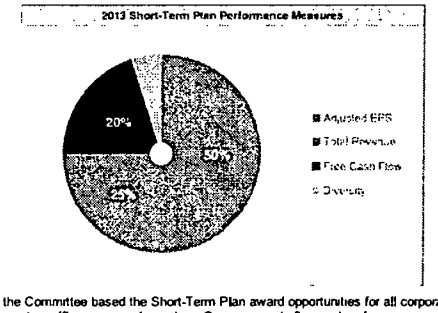
The following chart shows the 2013 Short-Term Plan target award opportunity for each of the named executive officers

Named Executive Officer	2013 Short-Term Plan Target Award Opportunity ($)
Mr. McAdam	3,750,000
Mr. Mead	990,000
Mr. Shammo	852,500
Mr. Stratton	797,500
Mr. Milch	737,000

The 2013 target award opportunities for our named executive officers, expressed as a percentage of base salary, did not increase from the target levels established for their 2012 award opportunities. 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.

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 motivates executives to achieve challenging financial and operational performance goals. In the first quarter of 2013, 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 2012, 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 also 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 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, both of which we consider to be important goals.

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 2013 performance measures also include a diversity measure. For 2013, 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 Committee's assessment of 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.

2013 Annual Performance Measures

The 2013 annual performance measures for all corporate executives, including the named executive officers, were

- An adjusted EPS target range of $2.52 to $2.66,
- A consolidated total revenue target range of $121.4 billion to $122.0 billion,
- A consolidated free cash flow target range of $20.8 billion to $22.4 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 10% of the overall supplier spending at the corporate level to minority- and female-owned or operated firms.

2013 Company Results and Annual Performance Awards

In 2013, Verizon reported generally strong results. Verizon's 2013 results [1] included

- ROE of 23.6%,
- Adjusted EPS of $2.84, which exceeded the target range,
- Consolidated total revenue of $120.6 billion, which was just below the target range,
- Consolidated free cash flow of $22.2 billion, which was within the target range; and
- Diversity in new hires and promotions above target performance and supplier spending above target performance.

After considering the level of performance with respect to 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 2013, the payout percentage was determined to be 110% 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 2013 Short-Term Plan Award ($)
Mr. McAdam	4,125,000
Mr. Mead	1,089,000
Mr. Shammo	937,750
Mr. Stratton	877,250
Mr. Milch	810,700

[1] A reconciliation of non-GAAP measures to the most directly comparable GAAP measures may be found in Appendix C to this proxy statement

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 and further link executives' interests to shareholders' interests 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

Consistent with the three prior award cycles, the 2013 PSUs are payable in cash and the 2013 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 shareholder dilution from paying awards in shares and cash flow 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 2013 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 the RSUs vest The 2013 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 The Committee determines an executive's total compensation opportunity by assuming he or she will earn 100% of the RSUs awarded

2013 Long-Term Plan Award Opportunities

Consistent with the 2012 awards, for 2013, each of the named executive officers received 60% of their 2013 Long-Term Plan award opportunity in the form of PSUs and 40% of their award opportunity in the form of RSUs Two-thirds of the PSUs 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 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 2013 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 the named executive officers increased over their 2012 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.

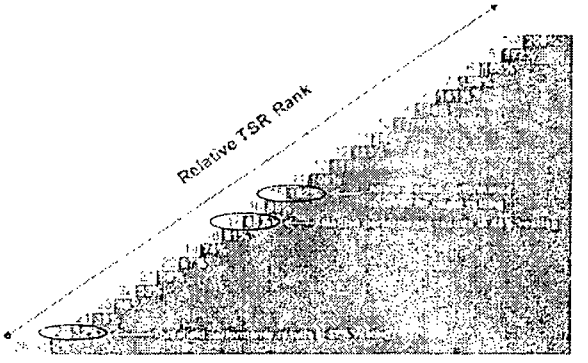
The following table shows the target value of the awards granted to the named executive officers during 2013 in connection with the annual long-term incentive compensation opportunity Additional detail regarding the 2013 PSU awards, including the performance requirements, follows the table

Named Executive Officer	2013 Long-Term Plan Target Award Opportunity ($)
Mr McAdam	9,375,000
Mr Mead	4,725,000
Mr. Shammo	4,068,750
Mr. Stratton	3,806,250
Mr Milch	3,350,000

Terms of 2013 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 2013-2015 performance cycle One-third of the number of PSUs awarded is eligible to vest based on Verizon's cumulative free cash flow over the 2013-2015 performance cycle compared against the performance targets established by the Committee at the beginning of the performance cycle

TSR Metric. With respect to PSUs that vest based on relative TSR performance (TSR PSUs), the following chart shows the percentage of the TSR PSUs awarded for the 2013-2015 performance cycle that will vest based on Verizon's relative TSR positioning compared with the companies in the Related Dow Peers



Verizon's TSR during the three-year performance cycle must rank at least 15 th , or at the 58 th 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 st percentile or higher If Verizon's TSR during the three-year performance cycle ranks below 25 th , or below approximately the 27 th 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 2013-2015 performance cycle that will 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. 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 2013-2015 performance cycle was set at a level that the Committee believes may be challenging in light of the economic environment, but attainable. The number of 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 between vesting percentage levels.

2011 PSU Awards Earned in 2013

With respect to the PSUs awarded in 2011, the Committee determined the number of PSUs that vested for a participant based on Verizon's TSR for the 2011-2013 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 2011-2013 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 Companies in the Related Dow Peers	Corresponding Relative TSR Percentile Ranking Among the Companies in the Related Dow Peers	Percentage of Awarded PSUs that will Vest
1 – 4	91 st to 100 th	200%
5 – 8	79 th to 88 th	175%
9 – 12	67 th to 76 th	150%
13 – 16	55 th to 64 th	100%
17 – 21	39 th to 52 nd	75%
22 – 25	27 th to 36 th	50%
26 – 24	0 to 24 th	0%

Over the three-year performance cycle ending on December 31, 2013, Verizon's TSR ranked 13 th , or at the 64 th percentile, when compared to the Related Dow Peers, As a result of this achievement, in early 2014 the Committee approved a payment to all participants, including the named executive officers, of 100% of the number of PSUs awarded for the 2011-2013 performance cycle, plus dividend equivalents credited on those PSUs that vested pursuant to the terms of the award As a result, even though the Company achieved performance at the 64 th percentile of the Related Dow Peers, the named executive officers only received the target number of PSUs granted, plus dividend equivalents

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.

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 45

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 45

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 45

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 titled "Pension Plans" beginning on page 48

During 2013, 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 titled "Defined Contribution Savings Plans" beginning on page 50

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 2013 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.

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

Selected Compensation Policies

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 claw back 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.

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 2013. 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.

Committee Actions Taken After Fiscal Year 2013

On February 6, 2014, the Committee recommended, and the Board of Directors approved, compensation adjustments for Mr. McAdam, and the Committee approved compensation adjustments for Messrs Mead, Shammo, Stratton and Milch. In making these decisions, the Committee, and in the case of Mr. McAdam, the Board, noted that the changes reflect Verizon's commitment to emphasizing performance-based incentive pay and compensating its executive officers at levels commensurate with Verizon's position in the market. For 2014, Mr. McAdam's target annual long-term incentive opportunity, expressed as a percentage of base salary, was increased from 625% to 750%, and the target annual short-term incentive opportunity for each of the named executive officers other than Mr McAdam, expressed as a percentage of base salary, was increased from 110% to 150%. The base salaries of each of the named executive officers were increased as follows for Mr McAdam, 6 7%, for Mr Mead, 5.6%, for Mr Shammo, 6 5%, for Mr Stratton, 10 3%; and for Mr Milch, 8.2% The base salary adjustments are effective March 2, 2014 No change was made to Mr. McAdam's target annual short-term incentive opportunity, and no change was made to the target annual long-term incentive opportunities for any of the named executive officers other than Mr McAdam.

Compensation Tables

Summary Compensation Table

Name and Principal Position (a)	Year (b)	Salary ($) (c)	Bonus ($) (d)	Stock Awards [1] ($) (e)	Option Awards ($) (f)	Non-Equity Incentive Plan Compensation [2] ($) (g)	Change in Pension Value and Nonqualified Deferred Compensation Earnings [3] ($) (h)	All Other Compensation [4] ($) (i)	Total ($) (j)
Lowell C McAdam	2013	1,480 769	0	9 375 077	0	4,125,000	64 886	780 874	15,826,606
Chairman and 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 [5]	0	2 362 500	127,181	480 719	23,120 499 [5]
Daniel S Mead	2013	880 769	0	4,725,020	0	1,089 000	199,644	286,634	7,181 067
Executive Vice President and President and CEO – Verizon Wireless	2012	794,231	0	4,700,026	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
Francis J Shammo	2013	760,577	0	4,068,783	0	937,750	10,475	163,476	5,941,061
Executive Vice President and 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
John G Stratton Executive Vice President and President – Verizon Enterprise Solutions	2013	715 385	0	3,805 297	0	877,250	37,128	139,433	5,575,493
	2012	673 558	0	3,543,796	0	668,250	31 776	143 629	5 061 009
Randal S Milch Executive Vice President – Public Policy and General Counsel	2013	666,154	0	3,350,006	0	810,700	73 527	129,710	5 030 097
	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

[1] 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 award 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

	Grant Date Fair Value of PSUs				Maximum Value of PSUs			
Name	2011 ($)	2011 Special Award ($)	2012 ($)	2013 ($)	2011 ($)	2011 Special Award ($)	2012 ($)	2013 ($)
Mr McAdam	5 250,034	7 000 031	5 250 033	5,625 037	10,500,068	14,000,062	10,500,066	11,250 074
Mr Mead	2 283 755	NA	2 520 008	2 835 012	4 567,510	NA	5 040 016	5 670,024
Mr Shammo	2 126 265	NA	2 205 002	2 441,260	4 252,530	NA	4 410 004	4 882 520
Mr Stratton	NA	NA	2 126 270	2 283 759	NA	NA	4 252 540	4 567,518
Mr Milch	1 875 025	NA	1 950 012	2 010 004	3 750 050	NA	3 900 024	4 020,008

[2] The amounts in this column for 2013 reflect the 2013 Short-Term Plan award paid to the named executive officers in February 2014 as described on pages 34-37

[3] The amounts in this column for 2013 reflect the above-market earnings on amounts held in nonqualified deferred compensation plans. Messrs Shammo and Stratton are not eligible for pension benefits. For Messrs McAdam, Mead and Milch, for 2013 there was a reduction in pension value of $233,803, $48,231 and $13,162, respectively, based on the applicable calculation formula In accordance with SEC rules, because the aggregate change in the actuarial present value of the accumulated benefit under the defined benefit plans was a negative number for 2013, the amounts shown in this column for 2013 for Messrs. McAdam, Mead 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

[4] The following table provides the detail for 2013 compensation reported in the "All Other Compensation" column

Name	Personal Use of Company Aircraft [a] ($)	Personal Use of Company Vehicle [b] ($)	Company Contributions to the Qualified Savings Plan ($)	Company Contributions to the Nonqualified Deferral Plan ($)	Company Contributions to the Life Insurance Benefit [c] ($)	Other [d] ($)	All Other Compensation Total ($)
Mr McAdam	120,304	4,293	19,050	315 233	168,253	153,741	780 874
Mr Mead	0	0	19,050	104 241	144 444	18 899	286 634
Mr Shammo	14,462	0	14 712	92 637	31 665	10,000	163,476
Mr Stratton	0	0	19,050	83,184	27,199	10 000	139,433
Mr Milch	0	0	19,050	78,742	21,918	10,000	129,710

[a] The aggregate incremental cost of the personal use of a Company aircraft is determined by multiplying the total 2013 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

[b] 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 2013 personal miles by the incremental vehicle cost per mile, and (iii) adding the incremental driver cost (the 2013 driver hours for personal use multiplied by the driver's hourly rate)

[c] 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 67% of target 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.

[d] This column represents the total amount of other perquisites and personal benefits provided These other benefits consist of (i) for Mr McAdam, non-recurring expenses for home security, (ii) for Mr Mead, financial planning services and personal travel, and (iii) for Messrs Shammo, Stratton and Milch, financial planning services 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.

[5] 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.

Plan-Based Awards

The following table provides information about the 2013 awards granted under the Short-Term Plan and the Long-Term Plan to each named executive officer.

Grants of Plan-Based Awards

Name (a)	Type of Award [1]	Grant Date (b)	Estimated Future Payouts Under Non-Equity Incentive Plan Awards [2] Threshold ($) (c)	Target ($) (d)	Maximum ($) (e)	Estimated Future Payouts Under Equity Incentive Plan Awards [3] Threshold (#) (f)	Target (#) (g)	Maximum (#) (h)	All Other Stock Awards Number of Shares of Stock or Units [4] (#) (i)	All Other Option Awards Number of Securities Underlying Options (#) (j)	Exercise or Base Price of Option Awards ($/Sh) (k)	Grant Date Fair Value of Stock and Option Awards [5] ($) (l)
Mr McAdam	STIP	—	1 875 000	3 750,000	5,625,000							
	PSU	3/8/2013				37 532	117,286	234,572				5,625,037
	RSU	3/8/2013							78 191			3 750 040
Mr Mead	STIP	—	495 000	990,000	1,485,000							
	PSU	3/8/2013				18 916	59 112	118 224				2 835,012
	RSU	3/8/2013							39,408			1,890 006
Mr Shammo	STIP	—	426 250	852,500	1,278,750							
	PSU	3/8/2013				16,289	50,902	101 804				2 441,260
	RSU	3/8/2013							33 935			1,627,523
Mr Stratton	STIP	—	398,750	797,500	1,196,250							
	PSU	3/8/2013				15 238	47,618	95,236				2 283,759
	RSU	3/8/2013							31,746			1,522 538
Mr Milch	STIP	—	368 500	737 000	1,105,500							
	PSU	3/8/2013				13 411	41 910	83 820				2 010 004
	RSU	3/8/2013							27,940			1,340 002

[1] These awards are described in the Compensation Discussion and Analysis on pages 34-39.

[2] The actual amount awarded in 2013 was paid in February 2014 and is shown in column (g) of the Summary Compensation Table on page 44.

[3] These columns reflect the potential payout range of PSU awards granted in 2013 to our named executive officers in accordance with the Company's annual long-term incentive award program, as described on pages 38-40 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 38-40 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

[4] This column reflects the RSU awards granted in 2013 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

[5] 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.

Outstanding Equity Awards at Fiscal Year-End

Name (a)	Option Awards: Number of Securities Underlying Unexercised Options (#) Exercisable (b)	Option Awards: Number of Securities Underlying Unexercised Options (#) Unexercisable (c)	Option Awards: Equity Incentive Plan Awards Number of Securities Underlying Unexercised Unearned Options (#) (d)	Option Awards: Option Exercise Price ($) (e)	Option Awards: Option Expiration Date (f)	Stock Awards: Number of Shares or Units of Stock That Have Not Vested [1] (#) (g)	Stock Awards: Market Value of Shares or Units of Stock That Have Not Vested [2] ($) (h)	Stock Awards: Equity Incentive Plan Awards Number of Unearned Shares Units or Other Rights That Have Not Vested [3] (#) (i)	Stock Awards: Equity Incentive Plan Awards Market or Payout Value of Unearned Shares Units or Other Rights That Have Not Vested [4] ($) (j)	Grant Date
Mr McAdam	0	0	0	0	0	92 739	4 557 194	432 779	21 266 760	8/1/2011
						97 711	4,801 519	174 414	8,570 704	3/2/2012
						80 610	3 961,175	94 313	4 634 541	3/8/2013
Mr Mead	0	0	0	0	0	46 902	2 304 764	83 719	4 113 952	3/2/2012
						40 627	1 996 411	47 534	2 335 821	3/8/2013
Mr Shammo	0	0	0	0	0	41 038	2 016 607	73 254	3 599 702	3/2/2012
						34 585	1 719 163	40 932	2 011 358	3/8/2013
Mr Stratton	0	0	0	0	0	38 573	1 944,617	70 638	3 471 151	3/2/2012
						32 728	1 608 254	38 291	1 881 620	3/8/2013
Mr Milch	0	0	0	0	0	36 293	1 783 438	64 762	3 183 387	3/2/2012
						28 804	1 415 429	33 701	1 656 067	3/8/2013

[1] The annual 2012 and 2013 RSU awards vest on December 31, 2014 and December 31, 2015, 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, 2013.

[2] This column represents the value of the RSU awards listed in column (g) based on a share price of $49.14, the closing price of Verizon's common stock on December 31, 2013.

[3] The annual 2012 and 2013 PSU awards vest on December 31, 2014 and December 31, 2015, 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 2012 PSU awards at a 119% vesting percentage, the 2013 PSU awards at a 78% 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, 2013 that will be paid to the executives if the awards vest at the indicated levels.

[4] This column represents the value of the PSU awards listed in column (i) based on a share price of $49 14, the closing price of Verizon's common stock on December 31, 2013

Value Realized from Stock Options and Certain Stock-Based Awards

The following table reports the value realized from the vesting of the following stock-based awards for the named executive officers.

- 2011 PSUs that vested on December 31, 2013, and
- 2011 RSUs that vested on December 31, 2013

The following table also reports the number of partnership value appreciation rights ("VARs") Mr McAdam exercised in 2013, which were granted to Mr. McAdam on March 31, 2004, by Verizon Wireless, his employer on that date. Mr McAdam exercised his VARs in December 2013 in connection with the impending expiration date of the 10 year term of the award and the expiration of the VAR program on March 31, 2014

In 2014, based on the Company's relative TSR as compared with the Related Dow Peers, the Committee approved a vested percentage of 100% of the target number of PSU awards granted for the 2011-2013 performance cycle for all participants, including the named executive officers The values of the 2011 PSU awards upon vesting for Mr. McAdam, Mr Mead, Mr. Shammo, Mr Stratton and Mr Milch were $8,165,769, $3,552,093, $3,307,139, $2,799,689, and $2,916,366, respectively, and the value of the 2011 RSUs upon vesting for Mr McAdam, Mr. Mead, Mr Shammo, Mr. Stratton and Mr Milch were $5,443,827, $2,368,062, $2,204,759, $1,866,497 and $1,944,244, respectively.

Option Exercises and Stock Vested

Name (a)	Option Awards: Number of Shares Acquired on Exercise [1] (#) (b)	Option Awards: Value Realized on Exercise [1] ($) (c)	Stock Awards: Number of Shares Acquired on Vesting [2] (#) (d)	Stock Awards: Value Realized on Vesting [2, 3] ($) (e)
Mr McAdam	420 863	20,820,093	276,956	13,609,596
Mr Mead	0	0	120,475	5,920,155
Mr Shammo	0	0	112,167	5,511,898
Mr Stratton	0	0	94,957	4,666,186
Mr Milch	0	0	98,914	4 860,610

[1] The option awards listed for Mr McAdam represent VARs granted on March 31, 2004, by Verizon Wireless, his employer on that date The value realized on exercise represents the difference between $63 36, the value of the corresponding Verizon Wireless partnership rights on the date the rights were exercised, and $13 89, the exercise price for such rights. The value of the Verizon Wireless partnership rights was determined by an independent third party valuation in November 2013, in accordance with the terms of the VARs and consistent with past practice

[2] The amounts include dividend equivalents that were credited on the PSU and RSU awards that vested on December 31, 2013 in accordance with the terms of the awards The amounts in this column represent the number of shares acquired on vesting multiplied by $49 14, the closing price of Verizon's common stock on December 31, 2013

[3] The amounts in this column include $2,960,078 for Mr Mead and $466,619 for Mr Stratton that were deferred under the Venzon Executive Deferral Plan in 2014 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 Messrs Mead and Milch are 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.

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 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 unreduced early retirement benefits under the plan. 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, 2013 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 (a)	Plan Name (b)	Number of Years Credited Service (#) (c)	Present Value of Accumulated Benefit [1] ($) (d)	Payments During Last Fiscal Year ($) (e)
Mr. McAdam	Verizon Wireless Retirement Plan - Qualified	30	1,082,237	0
	Verizon Wireless Retirement Plan - Nonqualified	10 [2]	1,630,091	0
Mr. Mead	Verizon Management Pension Plan	35	1,260,100	0
	Verizon Excess Pension Plan	8 [2]	3,427,986	0
Mr. Milch	Verizon Management Pension Plan	20	167,319	0
	Verizon Excess Pension Plan	9 [2]	102,526	0

[1] 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, 2013, as included in the Company's 2013 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.

[2] The years of credited service for each of Messrs. McAdam, Mead and Milch with respect to the applicable plan is less than the named executive officer's number of actual years of service with the Company. For Mr. McAdam, the 10 years of credited service represents the period over which he earned a benefit in the nonqualified portion of the Verizon Wireless Pension Plan. For Mr. Mead and Mr. Milch, the 8 and 9 years of credited service represent the periods over which they earned a benefit in the Verizon Excess Pension Plan, respectively.

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 2013, the discretionary contribution was 3.0%.

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.

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 2013 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, 2013.

Nonqualified Deferred Compensation

Name (a)		Executive Contributions in Last FY [1] ($) (b)	Registrant Contributions in Last FY [2] ($) (c)	Aggregate Earnings in Last FY [3] ($) (d)	Aggregate Withdrawals/ Distributions ($) (e)	Aggregate Balance at Last FYE [4] ($) (f)
Mr. McAdam	Verizon Executive Deferral Plan	262,546	315,233	511,477	0	5,416,347
	Verizon Wireless Executive Deferral Plan	0	0	20,004	0	457,760
	Verizon Wireless Executive Savings Plan	0	0	95,122	0	2,176,724
Mr. Mead	Verizon Executive Deferral Plan	4,111,189	104,241	1,066,373	0	16,466,004
	Verizon Income Deferral Plan	0	0	12,648	0	289,423
	Verizon Wireless Executive Deferral Plan	0	0	82,594	0	1,890,019
	Verizon Wireless Executive Savings Plan	0	0	84,436	0	1,506,474
Mr. Shammo	Verizon Executive Deferral Plan	71,915	92,637	501,553	0	3,511,396
	Verizon Wireless Executive Deferral Plan	0	0	6,085	0	139,253
	Verizon Wireless Executive Savings Plan	0	0	151,171	0	1,332,465
Mr. Stratton	Verizon Executive Deferral Plan	395,023	83,184	491,071	0	3,674,118
	Verizon Wireless Executive Deferral Plan	0	0	232,975	0	2,250,558
	Verizon Wireless Executive Savings Plan	0	0	394,201	0	3,601,454
Mr. Milch	Verizon Executive Deferral Plan	833,250	78,742	478,497	0	4,514,169
	Verizon Income Deferral Plan	0	0	416,420	0	5,314,501

[1] 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, $73,546; for Mr. Mead, $156,442; for Mr. Shammo, $30,335; for Mr. Stratton, $161,135; and for Mr. Milch, $24,669.

[2] The amounts listed in this column are also included in columns (i) and (j) of the Summary Compensation Table.

[3] 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, $64,886; for Mr. Mead, $199,644; for Mr. Shammo, $10,475; for Mr. Stratton, $37,128; and for Mr. Milch, $73,527.

[4] 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 $2,655,543 was reported (2008 to 2013).
- For Mr. Mead, a total of $1,437,873 was reported (2011 to 2013).
- For Mr. Shammo, a total of $479,446 was reported (2011 to 2013).
- For Mr. Stratton, a total of $469,484 was reported (2013); and
- For Mr. Milch, a total of $329,291 was reported (2012 to 2013).

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 2013 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 2013 Short-Term Plan awards and amounts earned under our 2011 Long-Term Plan awards are not included in the summaries or tables below. Amounts earned under our 2013 Short-Term Plan awards are discussed in the Compensation Discussion and Analysis on pages 34-37 and are reported in the Summary Compensation Table on page 44. Amounts earned under our 2011 Long-Term Plan awards are discussed in the Compensation Discussion and Analysis on pages 38-40 and are reported in the Option Exercises and Stock Vested table on page 48. If a named executive officer's employment had terminated on December 31, 2013 for any reason other than for cause, the full amount of the 2013 Short-Term Plan award and the full amount of the 2011 Long-Term Plan awards 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.

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.

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 2013 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 2013. 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. As of December 31, 2013, Mr. Mead had attained plan maturity and would not have been entitled to receive any additional payments from Verizon with respect to this benefit if his employment had terminated on the last business day of 2013.

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 2013 and had incurred a qualifying separation under the Senior Manager Severance Plan

Name	Cash Separation Payment ($)	Continued Health Benefits [1] ($)	Outplacement Services ($)	Financial Planning [2] ($)	Executive Life Insurance Benefit [3] ($)
Mr. McAdam	0	0	0	0	163,157
Mr. Mead	3,780,000	24,700	14,500	10,000	0
Mr. Shammo	3,255,000	37,057	14,500	10,000	182,534
Mr. Stratton	3,045,000	37,057	14,500	10,000	181,859
Mr. Milch	2,814,000	37,057	14,500	10,000	134,853

[1] The amounts reflect Verizon's estimated cost of providing medical, dental and vision coverage for two years

[2] Mr. McAdam did not participate in the financial planning program in 2013 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 2013

[3] If Mr. Mead had retired on December 31, 2013, he would not have been entitled to receive additional company contributions because he had reached plan maturity as of that date.

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. As of December 31, 2013, Mr. Mead had attained plan maturity and was no longer eligible to receive any additional payments from Verizon with respect to this benefit if his employment had terminated on the last business day of 2013.

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.

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.

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 2013.

Name	Executive Life Insurance Benefit [1] ($)	Disability Benefit [2] ($)	Financial Planning [3] ($)
Mr. McAdam			
Death	8,026,000	0	0
Disability	163,157	1,333,661	0
Retirement	163,157	0	0
Mr. Mead			
Death	1,800,000	0	10,000
Disability	0	1,228,443	10,000
Retirement	0	0	10,000
Mr. Shammo			
Death	2,694,000	0	10,000
Disability	182,534	420,677	10,000
Retirement	182,534	0	10,000
Mr. Stratton			
Death	2,520,000	0	10,000
Disability	181,859	423,793	10,000
Retirement [4]	0	0	0
Mr. Milch			
Death	2,328,000	0	10,000
Disability	134,853	1,768,505	10,000
Retirement	134,853	0	10,000

[1] 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 annual premium 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. If Mr. Mead had retired on December 31, 2013, he would not have been entitled to receive additional company contributions because he had reached plan maturity as of that date

[2] 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 5.0% 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 $445,974, $410,789, $420,677, $423,793 and $591,385, respectively, and the nonqualified portion of the disability benefit for Messrs. McAdam, Mead and Milch is estimated at $887,687, $817,654, and $1,177,120, 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

[3] Mr. McAdam did not participate in the financial planning program in 2013 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 2013.

[4] Mr. Stratton would not have been entitled to receive executive life insurance benefits or financial planning benefits because he had not fulfilled the eligibility requirements for retirement under the terms of those programs on the last business day of 2013

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, 2013, Messrs. McAdam, Mead, Shammo and Milch 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 2013: (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 2012 and 2013, 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 2013 and $49.14, 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

Name	Change in Control Without Termination ($)	Change in Control And Termination Without Cause ($)	Termination Without Cause ($)	Retirement [1] ($)	Death or Disability ($)
Mr. McAdam	0	37,097,309	37,097,309	21,906,710	37,097,309
Mr. Mead	0	10,752,913	10,752,913	10,752,913	10,752,913
Mr. Shammo	0	9,339,450	9,339,450	9,339,450	9,339,450
Mr. Stratton	0	8,882,153	8,882,153	0	8,882,153
Mr. Milch	0	7,997,191	7,997,191	7,997,191	7,997,191

[1] Mr. Stratton would not have been entitled to receive any amount in respect of his outstanding unvested equity awards upon retirement because he had not met the eligibility requirements for retirement under the terms of the Long-Term Plan on the last business day of 2013

Non-Employee Director Compensation

In 2013, each non-employee Director of Verizon received an annual cash retainer of $100,000. Any Director who served on the Board for less than the full year received an amount pro-rated to reflect the portion of the year he or she served. The Corporate Governance and Policy and Finance Committee Chairpersons received an additional annual cash retainer of $15,000, the Audit and Human Resources Committee Chairpersons received an additional annual cash retainer of $25,000, and the Presiding Director 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 2013, the Board established a committee composed of Mr. Price (Chairperson), Ms. Keeth and Ms. Tesija 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 three meetings held by the Committee during 2013.

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 2013, the aggregate cost of maintaining and administering the legacy charitable giving programs for all participants was $62,185.

The Directors are eligible to participate in the Verizon Foundation Matching Gifts Program. Under this program, which is open to all Verizon employees, the Foundation matches up to $5,000 per year of charitable contributions to accredited colleges and universities, $1,000 per year of charitable contributions to any non-profit with 501(c)(3) status, and $1,000 per year of charitable donations to designated disaster relief campaigns.

Director Compensation

Name (a)	Fees Earned or Paid in Cash [1] ($) (b)	Stock Awards [2] ($) (c)	Option Awards ($) (d)	Non-Equity Incentive Plan Compensation ($) (e)	Change in Pension Value and Nonqualified Deferred Compensation Earnings [3] ($) (f)	All Other Compensation [4] ($) (g)	Total ($) (h)
Shellye L. Archambeau	8,333	160,280	0	0	0	0	168,613
Richard L. Carrión*	122,500	150,000	0	0	4,217	0	276,717
Melanie L. Healey	124,000	150,000	0	0	0	5,750	279,750
M. Frances Keeth	134,000	150,000	0	0	0	0	284,000
Robert W. Lane	128,000	150,000	0	0	4,462	0	282,462
Sandra O. Moose*	153,000	150,000	0	0	7,776	5,000	315,776
Joseph Neubauer*	149,000	150,000	0	0	0	0	299,000
Donald T. Nicolaisen*	153,000	150,000	0	0	0	0	303,000
Clarence Otis, Jr.	128,000	150,000	0	0	10,692	0	288,692
Hugh B. Price*	135,000	150,000	0	0	1,471	5,000	291,471
Rodney E. Slater	122,000	150,000	0	0	0	0	272,000
Kathryn A. Tesija	132,000	150,000	0	0	832	0	282,832
Gregory D. Wasson	109,333	265,160	0	0	0	6,000	380,493

* Denotes a Chairperson of a standing or special committee

1 This column includes all fees earned or paid in 2013, whether the fee was paid in 2013 or deferred.

2 For each Director this column reflects the grant date fair value of the Director's 2013 annual stock award computed in accordance with FASB ASC Topic 718. For Ms. Archambeau, 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 $147,780 that she received upon her appointment to the Board effective December 1, 2013, in each case based on the closing price of Verizon's common stock on the grant date. For Mr. Wasson, this column reflects the grant date fair value of his annual share equivalents award valued at $125,000, which was prorated to reflect the portion of the year that he served on the Board, and includes the one-time grant of 3,000 Verizon share equivalents with the grant date fair value of $140,160 that he received upon his appointment to the Board effective March 1, 2013, 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, 2013 for each person who served as a non-employee Director during 2013: Shellye Archambeau, 3,254 and 0; Richard Carrión, 90,366 and 0; Melanie Healey, 11,007 and 0; M. Frances Keeth, 38,399 and 0; Robert Lane, 48,982 and 0; Sandra Moose, 80,085 and 0; Joseph Neubauer, 99,201 and 7,798; Donald Nicolaisen, 45,615 and 0; Clarence Otis, Jr., 44,994 and 0; Hugh Price, 70,160 and 0; Rodney Slater, 20,131 and 0; Kathryn Tesija, 6,646 and 0; and Gregory Wasson, 5,851 and 0.

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

4 This column reflects matching contributions made on the Directors' behalf under the Verizon Foundation Matching Gift Program.

Security Ownership of Certain Beneficial Owners and Management

Principal Shareholders

On March 3, 2014, there were approximately [XX] billion shares of Verizon common stock outstanding and each share is entitled to one vote. 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. To the extent that information in the table is based on information contained in an SEC filing, it is accurate only as of the date referenced in the filing. On February 21, 2014 in connection with the Verizon Wireless transaction, we issued approximately 1.27 billion shares, thereby increasing our outstanding common stock by approximately 45%. As a result, it is possible that shareholders' percentage interest in our outstanding common stock has changed significantly since that date.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
BlackRock Inc. 40 East 52 nd Street New York, New York 10022	169,544,335	5.9%

* This information is based on a Schedule 13G filed with the SEC on February 10, 2014 by BlackRock Inc., setting forth information as of December 31, 2013. The Schedule 13G states that BlackRock Inc. has sole voting power with respect to 137,363,936 shares and shared voting power with respect to 17,014 shares and sole dispositive power with respect to the 169,527,321 shares and shared dispositive power with respect to 17,014 shares.

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, 2014. 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 Stock-based Holdings" column in the table below to show the total economic interest that the executive officers and Directors have in Verizon common stock.

Name	Stock [1]	Total Stock-based Holdings [2]
Named Executive Officers		
Lowell McAdam*	322,191	1,298,685
Daniel Mead	46,164	434,492
Francis Shammo	73,686	410,817
John Stratton	53,197	378,090
Randal Milch	76,131	345,210
Directors.		
Shellye Archambeau	—	3,254
Richard Carrión	4,451	91,626
Melanie Healey	—	11,007
M. Frances Keeth	—	38,399
Robert Lane	—	48,982
Sandra Moose	—	80,085
Joseph Neubauer	24,859	145,348
Donald Nicolaisen	—	45,615
Clarence Otis, Jr.	3,000	47,994
Hugh Price	2,559	70,218
Rodney Slater	—	20,131
Kathryn Tesija	—	6,646
Gregory Wasson	—	5,851
All of the above and other executive officers as a group [3]	811,605	4,734,567

* Mr. McAdam also serves as a Director.

1 In addition to direct and indirect holdings, the "Stock" column includes shares that may be acquired within 60 days pursuant to the conversion of RSUs granted in 2011 as follows: 109,531 shares for Mr. McAdam; 23,823 shares for Mr. Mead, 44,360 shares for Mr. Shammo, 33,779 shares for Mr. Stratton, and 39,119 shares for Mr. Milch. The "Stock" column also includes shares that may be acquired within 60 days pursuant to the conversion of certain stock units under deferred compensation plans as follows: 12,771 shares for Mr. Milch, 3,191 shares for Mr. Carrión, and 2,501 shares for Mr. Price. Prior to conversion, the shares underlying the RSUs and deferred compensation units may not be voted or transferred. No shares are pledged as security.

2 The "Total Stock-based Holdings" column includes, in addition to shares listed in the "Stock" column, stock-based units under deferred compensation plans and stock-based long-term incentive awards, which may not be voted or transferred.

Section 16(a) Beneficial Ownership Reporting Compliance

SEC rules require that we disclose any late filings of stock transaction reports by our executive officers and Directors. Based solely on a review of the reports that we filed on behalf of these individuals or that were otherwise provided to us, our executive officers and Directors met all Section 16(a) filing requirements during calendar year 2013.

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CORPORATE GOVERNANCE GUIDELINES

The Board has adopted these Guidelines and the Committee Charters to provide a framework for the functioning of the Board. The Board will periodically review these materials and practices in light of ongoing developments and the Corporation's needs to determine whether any changes are required

Role of the Board

The business of the Corporation is conducted by management, under the direction of the Board of Directors. The Board, and each committee of the Board, has complete access to management. In addition, the Board and each committee have access to independent advisors as each deems necessary or appropriate.

Strategic Planning and Management Development. At least once a year, the Board conducts a strategic planning session with management. The Board reviews succession planning and management development at least annually. The process includes consideration of organizational needs, competitive challenges, the potential of key managers, planning for future development and emergency situations.

Executive Sessions. The independent Directors of the Board meet at least twice each year in executive session. The non-employee Directors of the Board meet at least three times each year in executive session. Any Director has the right to call a meeting or executive session of the independent Directors or of the non-employee Directors.

In at least one executive session, the Board assesses the process and effectiveness of the Board (including opportunities for continuing education and orientation of new Directors) and considers any other matters that the Directors request. In an executive session of independent Directors, the Board receives the Human Resources Committee's report on the CEO's performance and compensation.

Presiding Director. At or prior to the Annual Meeting of Shareholders, the independent members of the Board of Directors shall elect an independent Director to serve as Presiding Director until the next Annual Meeting, or until his or her successor is elected and qualified. The Presiding Director shall act as liaison with the Chairman, in consultation with the other Directors. In addition, all Directors shall have direct and complete access to the Chairman at any time as they deem necessary or appropriate. The Presiding Director shall chair all executive sessions of the Board and all other meetings of the Board at which the Chairman is not present. The Presiding Director may, in his or her discretion, call a meeting of the Board or an executive session of the Board, and shall call an executive session at the request of any other Director.

The Presiding Director, in consultation with the Chairman, shall review and approve the schedule of meetings of the Board, the proposed agendas and the materials to be sent to the Board. Directors shall have the opportunity to provide suggestions for the meeting schedule, agenda items and materials to the Chairman or the Presiding Director.

Any shareholder or interested party may communicate directly with the Presiding Director:

Verizon Communications Inc.
Presiding Director
Board of Directors
140 West Street, 29 th Floor
New York, New York 10007

Committees. There are three (3) standing committees of the Board: Audit, Corporate Governance and Policy, and Human Resources. The members of the Audit, Corporate Governance and Policy and Human Resources committees will be independent as required by law or regulation. The Board may change the number of committees from time to time.

The responsibilities of each committee are set forth in its charter, which is approved by the Board and posted on the Corporation's website. Each committee Chair approves the agenda and materials for each meeting and reports its actions and discussions to the Board as soon as practicable. At least annually, each committee conducts an assessment of its charter and its processes and effectiveness.

Membership. The Corporate Governance and Policy Committee annually reviews and recommends the members and Chair of each committee for approval by the Board. The Committee periodically considers rotating Chairs and members of the committees.

Meetings. Directors are expected to attend all meetings of the Board and each committee on which they serve. Directors are provided with a copy of the proposed agenda sufficiently in advance of each scheduled meeting in order to have the opportunity to comment on or make changes to the agenda. Directors standing for election are expected to attend the Annual Meeting of Shareholders.

Board Composition and Director Qualifications

The Board will periodically assess the needs of the Corporation to determine the appropriate size of the Board. At all times, a substantial majority of the Board will be independent and not more than two Directors will be current or former employees of Verizon.

Qualifications. A 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 the Corporation,
- 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 assessing the appropriate composition of the Board, the Corporate Governance and Policy Committee also considers other factors that are relevant to the current needs of the Corporation, including those that promote diversity.

Identification and Consideration of Candidates. The Corporate Governance and Policy Committee considers candidates proposed by members of the Committee, other Directors, management and shareholders. The Committee considers candidates for re-election, provided that the candidate has consented to stand for re-election and tendered an irrevocable resignation to the Chairman of the Committee prior to nomination each year. All candidates are evaluated in the same manner. After the Committee has completed its evaluation, it presents its recommendation to the full Board for its consideration and approval. In presenting its recommendation, the Committee also reports on other candidates who were considered but not selected.

Verizon will conduct an orientation program for each new Director that includes, among other things, a review of the Corporation's business, financial condition, strategy, ethical obligations, key issues and other relevant topics.

Independence. A Director is considered independent if the Board finds that the Director is independent under the corporate governance listing standards of the New York Stock Exchange and the Nasdaq Stock Market. In addition, in evaluating independence, the Board will not consider a Director independent if:

1. Within the past three years, the Director or a Member of the Director's Immediate Family has:
   - Been an employee of Verizon or a Verizon subsidiary ("Verizon");

   - Received during any 12-month period more than $100,000 in direct compensation from Verizon (other than Director's compensation and other than pension or other deferred compensation for prior service with Verizon),
   - Been an executive officer of a company where at the same time a Verizon executive officer or executive in compensation Band 1 (each a "Verizon Senior Executive") served on the company's compensation committee,
2. The Director is retained under a personal or professional services contract by Verizon,
3. The Director is an employee, or a Member of the Director's Immediate Family is an executive officer, of a company that has made payments to, or received payments from, Verizon in an amount that, in any of the past three years, exceeded the greater of $1 million or one percent of that company's consolidated gross revenues,
4. The Director is an executive officer of a lender to Verizon and Verizon's outstanding indebtedness to the lender in any of the past three years exceeded one percent of the lender's outstanding loans at the end of the lender's fiscal year;
5. The Director is an executive officer of a non-profit entity that has received contributions from Verizon or its Foundation that, in any of the past three years, exceeded one percent of that entity's consolidated gross revenues (excluding matching gift contributions by Verizon's Foundation), or
6. The Director has any other relationship that the Board determines is inconsistent with applicable laws and regulations on directors' independence or that is likely to impair the Director's ability to act independently.

For purposes of these Guidelines except as otherwise noted, a Member of a Director's Immediate Family includes his or her spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law and anyone (other than domestic employees) who shares the Director's home.

An executive officer of a company on whose board a Verizon Senior Executive serves is not eligible for nomination as a new Director of the Corporation.

Related Person Transaction Policy

Definitions. For purposes of this Policy,

"*Related Person*" means:

1. any person who has served as a Director or a Verizon executive officer ("Officer") at any time during the Corporation's last fiscal year;
2. any person whose nomination to become a Director has been presented in a proxy statement relating to the election of Directors since the beginning of the Corporation's last fiscal year;
3. any person who was at any time during the Corporation's last fiscal year an "Immediate Family Member" of any of the persons listed above. Immediate Family Member means spouse, child, stepchild, parent, stepparent, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of the Director, Officer or nominee, and any person (other than a tenant or employee) sharing the household of such Director, Officer or nominee, or
4. any person or any Immediate Family Member of such person who is known to the Corporation to be the beneficial owner of more than 5 percent of the Corporation's stock at the time of the Transaction (as defined below).

"*Related Person's Firm*" means any firm, corporation or other entity in which a Related Person is an executive officer or general partner or in which all Related Persons together have a 10 percent or more ownership interest.

"*Transaction*" means any transaction, arrangement or relationship with Verizon since the beginning of the Corporation's last fiscal year in an amount greater than $120,000 that involves or will involve a Related Person or a Related Person's Firm. It does not include:

(a) compensation to a Director or Officer which is or will be disclosed in the Corporation's proxy statement,

(b) compensation to an Officer who is not an Immediate Family Member of a Director or of another Officer and which has been approved by the Human Resources Committee or the Board,

(c) a transaction in which the rates or charges involved are determined by competitive bids, or which involves common, contract carrier or public utility services at rates or charges fixed in conformity with law or governmental authority,

(d) a transaction that involves services as a bank depositary of funds, transfer agent, registrar, indenture trustee, or similar services, or

(e) a transaction in which the Related Person's interest arises solely from the ownership of Verizon stock and all shareholders receive the same benefit on a pro rata basis.

"*Related Person Transaction*" means a Transaction in which a Related Person is determined to have, had, or will have a direct or indirect material interest.

Policy Statement. The Board of Directors recognizes that Related Person Transactions can present potential conflicts of interest (or the perception thereof) and therefore has adopted this policy which shall be followed in connection with all Related Person Transactions involving the Company.

Process. Annually, each Director and Officer shall submit to Verizon the name and employment affiliation of his or her Immediate Family Members and the name of any Related Person's Firm with which any of them are affiliated. Directors and Officers shall notify Verizon promptly of any changes to this information. Each Director and Officer shall also identify any Transaction that they, their Immediate Family Members or their Related Person Firms are or will be involved in. On an ongoing basis, Directors and Officers shall promptly advise the Committee of any changes to such Immediate Family Members, Transactions or Related Person Firms.

Management shall submit Transactions and appropriate supplemental information to the Corporate Governance and Policy Committee for its review.

The Corporate Governance and Policy Committee shall review Transactions in order to determine whether a Transaction is a Related Person Transaction. The Committee shall take such action with respect to the Related Person Transaction as it deems necessary and appropriate under the circumstances, including approval, disapproval, ratification, cancellation, or a recommendation to management. Only disinterested members of the Committee shall participate in those determinations. In the event it is not practical to convene a meeting of the Corporate Governance and Policy Committee, the Chair of that Committee shall have the right to make such determination and shall promptly report his or her determination in writing to the other members of the Committee.

The Committee shall report its action with respect to any Related Person Transaction to the Board of Directors.

Change in Status or Retirement

If a Director retires or changes his or her employment status or principal responsibility, the Director will tender a resignation to Verizon. The Corporate Governance and Policy Committee will recommend to the Board whether the resignation should be accepted.

Service on Other Boards

A Director who serves as an executive officer of a public company should not serve on more than three public company boards, including that of his or her own company, and other Directors should not serve on more than six public company boards. In order not to disrupt existing affiliations with other boards, a Director may maintain current positions, even if the number of those positions exceed these limits, unless the Board determines that permitting the position to continue will impair the Director's ability to serve on the Verizon Board. Directors are expected to advise the Corporate Governance and Policy Committee of any changes in their membership on other boards.

Retirement

A Director will retire from the Board the day before the Annual Meeting of Shareholders next following his or her 72nd birthday.

Compensation

The Human Resources Committee periodically reviews and determines Director compensation and benefits. The Committee determines compensation based on a review of comparable companies, alignment with the interests of shareholders and the advice of independent advisors.

Stock Ownership

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 the Director under any deferral plan are included in determining the number of shares held.

Business Conduct and Ethics

Directors are expected to act in compliance with these Guidelines, applicable laws and regulations, and the spirit of the Verizon Code of Business Conduct for employees. Employee Directors are also governed by Verizon's Code of Business Conduct.

Conflicts of Interest. A Director should avoid situations that result or appear to result in a conflict of interest with Verizon A Director may be considered to have a conflict of interest if the Director's interest interferes or appears to interfere in any material way with the interests of Verizon, including if

- The Director, any Member of the Director's Immediate Family, or any company with which any of them is associated as an officer, director, five percent or more owner, partner, employee or consultant (i) is a five percent or more owner of, or (ii) has any management interest in, any company that is in the same business as Verizon ("potential competitive interest"), or
- The Director offers gifts or other benefits to or solicits or receives gifts or other benefits from another entity as a result of his or her position with Verizon, or
- The Director has any other relationship that the Corporate Governance and Policy Committee believes is likely to result in a conflict of interest with Verizon.

A non-employee Director is expected to advise Verizon prior to acquiring or continuing any interest or entering into any transaction or relationship that may present a potential competitive interest The Corporate Governance and Policy Committee, in consultation with the CEO and Chairman, will review and advise the Board as soon as practicable whether a conflict would be presented

Corporate Opportunities. A Director should not take advantage of an opportunity to engage in a business activity that properly belongs to Verizon, including any activity that is discovered as a result of the use of Verizon information or property or in connection with his or her service as a Director A Director should not use Verizon information, property or his or her position with Verizon for personal gain

Securities Transactions . A Director should not trade, or enable any other person to trade, in Verizon's securities or the securities of another company while aware of material non-public information

Confidentiality. Directors should maintain the confidentiality of information about Verizon and other entities which Verizon entrusts to them, except where the disclosure is authorized or required by law

Fair Dealing . Directors should act fairly in any dealings with the Corporation's stakeholders, including customers, suppliers, competitors, employees and shareholders.

Waiver . No waiver of any provision of the business conduct and ethics requirements for a Director, or of any provision of the Verizon Code of Business Conduct for a Verizon Senior Executive, may be granted without the approval of the Board of Directors The Board is strongly predisposed against any such waivers. However, in order to approve any such waiver, the Board must affirmatively find that the waiver does not violate any applicable law or regulation and that the waiver is in the best interests of the Corporation. In the event the Board approves a waiver, it will ensure that the waiver and the Board's rationale for granting the waiver are promptly disclosed, consistent with applicable legal and stock exchange requirements

Verizon Senior Executives Serving on Outside Boards

A Verizon Senior Executive must obtain approval from the Corporate Governance and Policy Committee in advance of accepting any new membership on the Board of a public company. Verizon Senior Executives may not serve on the Board of more than two public companies other than Verizon.

A Verizon Senior Executive will not accept a new directorship with a company if the CEO or other executive officer of that company is serving as a Director of Verizon.

Shareholder Communications with Directors

If a shareholder wishes to communicate directly with the Board, a Committee of the Board or with an individual Director, he or she should send the communication to

Verizon Communications Inc
The Board[of Directors [or Committee name or Director's name, as appropriate]
140 West Street, 29 th Floor
New York, New York 10007

Verizon will forward all shareholder correspondence about Verizon to the Board, Committee or individual Director(s).

Policy on Adoption of Shareholder Rights Plans

The Corporation does not currently have a shareholder rights plan, or "poison pill," and the Board currently has no plans to adopt such a plan However, if the Board is presented with a set of facts and circumstances which leads it to conclude that adopting a rights plan would be in the best interest of shareholders, it will seek prior shareholder approval unless the independent Directors, exercising their fiduciary duties, determine that such submission would not be in the best interests of shareholders under the circumstances. If any rights plan is adopted without prior shareholder approval, it will be presented to shareholders within one year or expire within one year without being renewed or replaced Any plan adopted by the Board will also contain a "sunset" provision, providing that shareholders will have the opportunity to ratify or reject the plan every three years following the date of initial shareholder approval

Shareholder Advisory Vote

Effective with the Corporation's 2009 Annual Meeting of Shareholders, a management proposal related to executive compensation in the form approved by the Board of Directors will be submitted annually to shareholders for a non-binding vote.

Appendix B

Related Dow Peer Information

The following chart lists the companies included in the Related Dow Peers for 2013 compensation purposes, and their market capitalization as of December 31, 2013, as reported by Bloomberg, and net income attributable to the company, revenue and total employees, as of each company's most recent fiscal year-end as reported in SEC filings.

Company	Market Capitalization ($ Millions)	Net Income Attributable to the Company ($ Millions)	Revenue ($ Millions)	Total Employees
3M	93,300			
Alcoa	11,385			
American Express	97,196			
AT&T	185,645			
Bank of America	166,072			
Boeing	102,566			
Caterpillar	57,787			
CenturyLink	18,826			
Chevron	240,224			
Cisco Systems	119,925			
Coca-Cola	182,422			
Comcast	134,921			
Du Pont (E I)	60,169			
Exxon Mobil	442,094			
General Electric	283,590			
Hewlett-Packard	53,408			
Home Depot	115,953			
IBM	203,674			
Intel	129,022			
Johnson & Johnson	258,416			
JPMorgan Chase	219,837			
McDonald's	96,548			
Merck	146,243			
Microsoft	312,298			
Pfizer	198,515			
Procter & Gamble	221,291			
Sprint Nextel	42,271			
Time Warner Cable	38,196			
Travelers	32,963			
UnitedHealth	75,809			
United Technologies	104,421			
Wal-Mart	254,623			
Walt Disney	134,256			
Verizon	140,626			
Verizon's Ranking	15			
Verizon's Percentile Ranking	58%			

Appendix C

Verizon Communications Inc Reconciliation of Non-GAAP Measures

Adjusted Net Income Reconciliation

Year Ended December 31,	(dollars in billions) 2013
Reported Net Income Attributable to Verizon	$ 11.5
Severance, Pension and Benefit Credits	(3 9)
Gain on Spectrum License Transaction 1	-
Wireless Transaction Costs	0 6
Adjusted Net Income Attributable to Verizon	$ 8 2

1 The after-tax Gain on Spectrum License Transaction amounted to $47 8 million.

Adjusted EPS Reconciliation

Year Ended December 31,	2013
Reported EPS	$4 00
Severance, Pension and Benefit Credits	(1.35)
Gain on Spectrum License Transaction	(0 02)
Wireless Transaction Costs	0 20
Adjusted EPS	$ 2 84

Note EPS may not add due to rounding

Free Cash Flow Reconciliation

Year Ended December 31,	(dollars in billions) 2013
Net Cash Provided by Operating Activities	$ 38 8
Less. Capital Expenditures (including capitalized software)	16 6
Free Cash Flow	$ 22 2