

VERIZON COMMUNICATIONS INC

Form 11-K

June 29, 2009

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

**FORM 11-K**

x **ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008**

**OR**

.. **TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**COMMISSION FILE NUMBER 1-8606**

**VERIZON SAVINGS PLAN FOR MANAGEMENT  
EMPLOYEES**

**VERIZON COMMUNICATIONS INC.**

**140 WEST STREET**



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**VERIZON SAVINGS PLAN FOR MANAGEMENT EMPLOYEES**

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Verizon Employee Benefits Committee:

We have audited the accompanying Statements of Net Assets Available for Benefits of the Verizon Savings Plan for Management Employees (the Plan ) as of December 31, 2008 and 2007, and the related Statement of Changes in Net Assets Available for Benefits for the year ended December 31, 2008. These financial statements are the responsibility of the Plan s administrator. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2008 and 2007, and the changes in its net assets available for benefits for the year ended December 31, 2008, in conformity with U.S. generally accepted accounting principles.

/s/ Mitchell & Titus LLP

New York, New York

June 29, 2009

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## Statement of Net Assets Available for Benefits

As of December 31, 2008

(in thousands of dollars)

	<b>Other Investments</b>	<b>ESOP Shares Fund Allocated</b>	<b>ESOP Shares Fund Unallocated</b>	<b>Total</b>
<b>Assets:</b>				
Investments in Master Trusts (at fair value)	\$ 6,071,752	\$ 600,370	\$ 155,222	\$ 6,827,344
<b>Liabilities:</b>				
Notes payable			147,051	147,051
Net assets available for benefits (at fair value)	\$ 6,071,752	\$ 600,370	\$ 8,171	\$ 6,680,293
Adjustment from fair value to contract value for fully benefit responsive investment contracts	10,914			10,914
Net assets available for benefits	\$ 6,082,666	\$ 600,370	\$ 8,171	\$ 6,691,207

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

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## Statement of Net Assets Available for Benefits

As of December 31, 2007

(in thousands of dollars)

	<b>Other Investments</b>	<b>ESOP Shares Fund Allocated</b>	<b>ESOP Shares Fund Unallocated</b>	<b>Total</b>
<b>Assets:</b>				
Investments in Master Trusts (at fair value)	\$ 8,219,227	\$ 821,873	\$ 172,274	\$ 9,213,374
<b>Liabilities:</b>				
Notes payable			172,885	172,885
Net assets available for benefits (at fair value)	\$ 8,219,227	\$ 821,873	\$ (611)	\$ 9,040,489
Adjustment from fair value to contract value for fully benefit responsive investment contracts	14,647			14,647
Net assets available for benefits	\$ 8,204,580	\$ 821,873	\$ (611)	\$ 9,025,842

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

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## Statement of Changes in Net Assets Available for Benefits

For the Year Ended December 31, 2008

(in thousands of dollars)

	Other Investments	ESOP Shares Fund Allocated	ESOP Shares Fund Unallocated	Total
<b>Additions:</b>				
Contributions:				
Employee	\$ 329,710	\$	\$	\$ 329,710
Employer	193,969		36,018	229,987
<b>Total contributions</b>	<b>523,679</b>		<b>36,018</b>	<b>559,697</b>
Transfers from/to other plans, net	41,325	(303)		41,022
Transfers among funds	19,950	(1,587)	(18,363)	
<b>Total additions</b>	<b>584,954</b>	<b>(1,890)</b>	<b>17,655</b>	<b>600,719</b>
<b>Deductions:</b>				
Net investment loss from investments in Master Trusts	1,797,489	145,843	(8,998)	1,934,334
Benefits paid to participants	892,980	73,674		966,654
Interest expense			17,871	17,871
Administrative expenses	16,399	96		16,495
<b>Total deductions</b>	<b>2,706,868</b>	<b>219,613</b>	<b>8,873</b>	<b>2,935,354</b>
<b>Net change</b>	<b>(2,121,914)</b>	<b>(221,503)</b>	<b>8,782</b>	<b>(2,334,635)</b>
Net assets available for benefits:				
Beginning of year	8,204,580	821,873	(611)	9,025,842
End of year	\$ 6,082,666	\$ 600,370	\$ 8,171	\$ 6,691,207

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

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**VERIZON SAVINGS PLAN FOR MANAGEMENT EMPLOYEES**

Notes to Financial Statements

December 31, 2008

**NOTE 1 DESCRIPTION OF THE PLAN**

The following description of the Verizon Savings Plan for Management Employees (the Plan) provides only general information. Participants should refer to the Summary Plan Description for a more complete description of the Plan's provisions.

**Eligibility**

The Plan is a defined contribution plan subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). The Plan provides eligible employees, as defined by the Plan document, of Verizon Communications Inc., (Verizon) and certain of its subsidiaries (Participating Affiliates) with a convenient way to save for both medium and long-term needs.

Covered employees are eligible to make tax-deferred or after-tax contributions to the Plan and to receive matching employer contributions, upon completion of enrollment in the Plan, as soon as practicable following the date of hire.

An individual's active participation in the Plan shall terminate when the individual ceases to be an eligible employee; however, the individual shall remain a participant until the entire account balance under the Plan has been distributed or forfeited.

**Investment Options**

Participants shall direct their contributions to be invested in any of the current investment options.

The Fidelity Magellan Fund, Fidelity Dividend Growth Fund, Fidelity Diversified International Fund, Clipper Fund, and TCW Select Equities, were frozen to new contributions from payroll deductions on January 1, 2007. During 2007, a participant was permitted to transfer money out of any of the five funds listed above, but was not be able to move money into these funds. These investment options closed at the end of 2007, and any remaining balances were transferred to other investment options in the Plan.

Liquidation of the Idearc Stock Fund, as authorized by an amendment to the Master Trust Agreement, began in October 2007 and was completed in January 2008. Sale proceeds attributable to Verizon common stock acquired with employer matching contributions were allocated to the Verizon Company Stock Fund. Sale proceeds attributable to Verizon common stock acquired with employee contributions were allocated according to a participant's investment elections at the time of the transfer.

Liquidation of the FairPoint stock fund began on April 3, 2008 and was completed on April 28, 2008. Sale proceeds attributable to Verizon common stock acquired with employer matching contributions were allocated to the Verizon Company Stock Fund. Sale proceeds attributable to Verizon common stock acquired with employee contributions were allocated according to a participant's investment elections at the time of the transfer.

**Participant Accounts**

Each participant's account is credited with the participant's contributions, rollovers, matching contributions, and allocations of Plan income. Allocations of Plan income are based on participant account balances. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account balance.

**Payment of Benefits**

Benefits are recorded when paid. Benefits are payable in a lump sum cash payment unless a participant elects, in writing, one of the three optional forms of benefit payment which include the following: (1) a lump sum in Verizon shares for investments in the Verizon Company Stock



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Fund with the balance in cash, (2) annual, semiannual, quarterly, or monthly installments in cash of approximately equal amounts to be paid out for a period of 2 to 20 years, as selected by the participant, or (3) for those participants eligible to receive their distribution in installments as described in (2) above, a pro rata portion of each installment payment in Verizon shares for investments in the Verizon Company Stock Fund, with the balance of each installment in cash.

### Participant Loans

The Plan includes an employee loan provision authorizing participants to borrow an amount of up to 50% from their vested account balances in the Plan subject to certain limitations. Loans are generally repaid by payroll deductions. The term of repayment for loans generally will not be less than six months nor more than five years (15 years for a loan to purchase a principal residence).

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**VERIZON SAVINGS PLAN FOR MANAGEMENT EMPLOYEES**

Notes to Financial Statements

December 31, 2008

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

For loans up to five years, each new loan will bear interest at a rate based upon the prime rate as published in the *Wall Street Journal* on the last business day of the calendar quarter preceding the calendar quarter in which the loan is made.

**Master Trusts**

At December 31, 2008 and 2007, the Plan participated in the Verizon Master Savings Trust (the Master Trust), and owned a percentage of the assets in the Master Trust. These percentages are based on a pro rata share of the Master Trust assets. The Plan owned approximately 37% and 48% of the net assets in the Master Trust at December 31, 2008 and 2007, respectively.

Fidelity Management Trust Company (the Trustee) has been designated as the trustee of the Master Trust and is responsible for the investment, reinvestment, control, and disbursement of the funds and portfolios of the Plan, including the payment of principal and interest on the Employee Stock Ownership Plans (ESOP) notes payable. Expenses of administering the Plan, including fees and expenses of the Trustee, may be charged to the Plan. Investment fees are charged against the earnings of the funds and portfolios.

At December 31, 2008, the Plan also owned a percentage of the assets in the Bell Atlantic Master Trust, for which The Bank of New York Mellon is the Trustee. The plan assets in the Bell Atlantic Master Trust are pooled between defined benefit plans and defined contribution plans. The total fair value of the assets allocated to defined contribution plans in the Bell Atlantic Master Trust at December 31, 2008 and 2007 was \$674 million and \$446 million, respectively. The Plan owned approximately 48% and 67% of the assets allocated to defined contribution accounts at December 31, 2008 and 2007, respectively.

Interest and dividends along with the net appreciation (depreciation) in fair value of investments are allocated to the Plan on a daily basis based upon the Plan's participation in the various investment funds and portfolios that comprise the Master Trust and the Bell Atlantic Master Trust as a percentage of the total participation in such funds and portfolios.

**Plan Modification**

Verizon, acting through its Board of Directors or its most senior Human Resources officer, reserves the right to modify, alter, or amend the Plan at any time. Verizon, acting through its Board of Directors, reserves the right to terminate the Plan at any time.

**Risks and Uncertainties**

The Plan provides investment options for participants who can invest in combinations of stocks, bonds, fixed income securities, and other investment securities. Investment securities are exposed to various risks, such as interest rate, market, equity price, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits.

**NOTE 2 ACCOUNTING POLICIES**

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The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States, which require management to make estimates that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. We have reclassified certain prior year amounts to conform to the current year presentation. We have evaluated subsequent events through June 29, 2009, the date these financials were filed with the Securities and Exchange Commission.

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**VERIZON SAVINGS PLAN FOR MANAGEMENT EMPLOYEES**

Notes to Financial Statements

December 31, 2008

**NOTE 2 ACCOUNTING POLICIES** *(continued)*

The statement of changes in net assets available for benefits reflects the net investment income (loss) of the Plan's investments, which consists of the realized gains or losses and the unrealized appreciation (depreciation) in fair value of those investments, as well as interest and dividends earned.

Purchases and sales of investments are reflected as of the trade date. Realized gains and losses on sales of investments are determined on the basis of average cost. Dividend income is recorded on the ex-dividend date. Interest earned on investments is recorded on the accrual basis.

As noted in the Financial Accounting Standards Board (FASB) Staff Position AAG INV-1 and SOP 94-4-1, *Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans* (the FSP), investment contracts are required to be reported at fair value. However, contract value is the relevant measurement of that portion of net assets attributable to fully benefit-responsive investment contracts, as that is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. As required by the FSP, the Statement of Net Assets Available for Benefits presents net assets at fair value, with an adjustment to contract value for the investment contracts. In addition, net assets available for benefits and the changes in net assets available for benefits per the financial statements will be different from those in the Plan's Form 5500 due to the adjustment from fair value to contract value for fully benefit-responsive investment contracts, as reflected in the financial statements (see Note 9).

In September 2006, the FASB issued Statement of Financial Accounting Standard (SFAS) No. 157, *Fair Value Measurement*. (SFAS No. 157) defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Under SFAS No. 157 fair value 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. SFAS No. 157 also prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than quoted in active markets for identical assets and liabilities

Level 3 No observable inputs in the market

On October 8, 2008 the FASB issued FSP 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active* (FSP 157-3), which clarifies the application of SFAS No. 157 in a market that is not active. FSP 157-3 was effective upon issuance. The impact of adopting SFAS No. 157 on January 1, 2008 and the related FSP 157-3 did not have a material impact on the Plan's financial statements.

**Other Recent Accounting Pronouncements**

In May 2009, the FASB issued SFAS No. 165, *Subsequent Events* (SFAS No. 165). SFAS No. 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before the financial statements are issued or are available to be issued. SFAS No. 165 is effective for interim and annual reporting periods ending after June 15, 2009 and shall be applied prospectively. The adoption of SFAS No. 165 will not have a significant impact on the Plan's financial statements.





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contributions.

Effective January 1, 2007, employer-matching contributions are made half in Verizon common stock and half in cash, and the cash will be invested in the same options as the participant's current contributions.

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**VERIZON SAVINGS PLAN FOR MANAGEMENT EMPLOYEES**

Notes to Financial Statements

December 31, 2008

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

The Verizon common stock is held by the Plan in a unitized fund, which means participants do not actually own shares of Verizon common stock but rather own an interest in the unitized fund.

In Note 3, the *Diversification Adjustment* reflects the employer-matching contributions that a participant may elect to transfer into any investment option available under the Plan, subject to the provisions of the Plan document.

For the 2008 Plan year, total company-matching contributions consisted of 4.3 million shares of Verizon common stock with a fair value at the date of contribution of \$150 million and \$117 million in cash. A discretionary match was made in the amount of \$40 million, half in Verizon common stock and half in cash.

**NOTE 5 RELATED-PARTY TRANSACTIONS**

Verizon Investment Management Corp. ( *VIMCO* ), an indirect, wholly owned subsidiary of Verizon, is the investment advisor for certain investment funds and therefore qualifies as a party-in-interest. *VIMCO* received no compensation from the Plan other than reimbursement of certain expenses directly attributable to its investment advisory and investment management services rendered to the Plan.

**NOTE 6 INCOME TAX STATUS**

The Plan has received a determination letter from the Internal Revenue Service dated February 13, 2003, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the *Code* ) and therefore, the related trust is exempt from taxation. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The Plan has been amended since receiving the determination letter. However, the Plan Administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan is qualified and the related trust is tax exempt.

**NOTE 7 EMPLOYEE STOCK OWNERSHIP PLAN**

An ESOP was established within the Plan. The ESOP purchased Verizon common stock using the proceeds of a loan from Verizon. Verizon and the Participating Affiliates also make annual cash contributions to the ESOP which, when combined with dividends on the Verizon common stock held by the ESOP, are sufficient to repay the principal and interest on the loan. As the ESOP makes loan payments, a percentage of the Verizon common stock held by the ESOP is allocated to the participants' accounts in the form of employer matching contributions.



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Notes to Financial Statements

December 31, 2008

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

ESOP debt service payments for 2008 totaled \$26 million, which was funded with \$7 million of dividends accumulated on the Verizon common stock held by the ESOP and \$19 million of cash contributions.

At December 31, 2008, 3.3 million shares of Verizon common stock in the ESOP Shares Fund were held as collateral for the ESOP loan. The borrowings of the ESOP are as follows (in thousands):

	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>2008</b>	<b>2007</b>
NYNEX ESOP	9.78%	1990-2014	\$ 147,052	\$ 172,886

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

<b>Maturity Date</b>	<b>Amount</b>
2009	\$ 26,748
2010	27,714
2011	27,964
2012	28,320
2013	28,790
2014	7,516
<b>Total</b>	<b>\$ 147,052</b>

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

**NOTE 8 INVESTMENTS IN MASTER TRUSTS**

Investments in securities traded on national and foreign securities exchanges are valued at the last reported sale prices for such securities on the last business day of the year or, if no sales were reported on that date, at the last reported bid prices. Over-the-counter securities and government obligations are valued at the bid prices or the average of the bid and ask prices for such securities and obligations on the last business day of the year from published sources where available or, if not available, from other sources considered reliable (generally broker quotes). Temporary cash investments are stated at their redemption value, which approximates fair value.

Market value estimates for real estate holdings are based upon property appraisal reports prepared by independent real estate appraisers (members of the Appraisal Institute or an equivalent organization) within a reasonable amount of time following acquisition of the real estate and no less frequently than annually thereafter.

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Forward currency and index futures are accounted for as contractual commitments on a trade date basis and are carried at fair value derived from their respective price prevailing on the last business day of the year. Foreign exchange rates and index futures prices are readily available from published sources.

At December 31, 2008 and 2007, the Master Trust contained certain investments in futures and forward contracts that are considered derivative investments. However, the total fair value and the net investment income or loss is not material to the Plan.

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**VERIZON SAVINGS PLAN FOR MANAGEMENT EMPLOYEES**

Notes to Financial Statements

December 31, 2008

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

A portion of certain funds in the Master Trust is invested in synthetic wrap investment contracts ( wrap contract ) held with four insurance companies and banks. In a typical wrap contract, the wrap issuer agrees to pay the fund the difference between the contract value and the fair value of the covered assets once the fair value has been totally exhausted. Though relatively unlikely, this could happen if the fund experiences significant redemptions during a time when the fair value of the fund's covered assets is below its contract value and fair value is ultimately reduced to zero. The fair value of the wrap contracts was \$2.3 million and \$0 million at December 31, 2008 and 2007, respectively. Standard & Poor's rated the issuers of these contracts and the contracts underlying the securities from A- to AAA and AA to AAA at December 31, 2008 and 2007, respectively.

Contract value represents contributions made under the contracts, plus accrued interest, less withdrawals and administrative expenses. The contracts are included in the Master Trust assets at contract value, which, as reported by the insurance companies and banks, was approximately \$1.5 billion and \$1.1 billion at December 31, 2008 and 2007, respectively.

Certain events limit the ability of the Plan to transact at contract value with the issuer. These events include the following: (1) substantive modification of the Plan, including complete or partial plan termination or merger with another plan; (2) any change in law, regulation, or administrative ruling that could have a material adverse effect on the fund's cash flow; (3) the Plan's failure to qualify under section 401(k) of the Internal Revenue Code; and (4) bankruptcy of the Plan sponsor or other Plan sponsor events which cause a significant withdrawal from the Plan. The Plan Administrator does not believe the occurrence of any such event is probable at this time.

Wrap contracts accrue interest using a formula called the crediting rate . Wrap contracts use the crediting rate formula to convert market value changes in the covered assets into income distributions in order to minimize the difference between fair value and contract value over time. The crediting rate is reset quarterly and has a floor rate of zero.

The contracts had average yields of 4.72% at December 31, 2008 and 4.24% at December 31, 2007. The crediting interest rates for the wrap contracts were 4.00% at December 31, 2008 and 4.79% at December 31, 2007. No valuation reserve was recorded, or was deemed necessary, at December 31, 2008 and 2007 to adjust contract amounts.

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Notes to Financial Statements

December 31, 2008

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

The following schedules reflect the Master Trusts net investments by investment type as of December 31, 2008 and 2007, and investment income (loss) for the year ended December 31, 2008 (in thousands):

	Investments in Master Trusts December 31,		Net Investment Income (Loss)	
			In Master Trusts Year Ended December 31, 2008	
	2008	2007	Interest and Dividends	Appreciation (Depreciation) Net
Verizon common stock	\$ 5,294,232	\$ 6,743,865	\$ 222,528	\$ (1,486,183)
Investment contracts	2,279,794	1,999,573	1,026	44,621
Commingled funds	4,678,399	3,158,989	17,646	(2,418,090)
Mutual funds	2,237,639	4,439,176	103,302	(1,284,664)
Common stock	1,081,923	826,382	52,008	(274,812)
Participant loans	797,807	611,873	1,854	
Fixed income	1,221,258	789,881	30,605	(56,342)
Total	17,591,052	18,569,739		
Adjustment to contract value	37,032	(30,315)		
Total investments	\$ 17,628,084	\$ 18,539,424	\$ 428,969	\$ (5,475,470)

The Plan's interest in the carrying value of the Master Trust and the Bell Atlantic Master Trust and the related investment loss is reported in investments in Master Trusts in the Statements of Net Assets Available for Benefits and the Statement of Changes in Net Assets Available for Benefits, respectively.

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Notes to Financial Statements

December 31, 2008

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

The following table represents the balances of the Master Trusts' assets and liabilities measured at fair value on a recurring basis by the SFAS No. 157 levels described in Note 2 at December 31, 2008 (in thousands):

	Level 1 (1)	Level 2 (2)	Level 3 (3)	Total Fair Value
<b>Investments</b>				
Investment contracts	\$	\$ 2,279,794	\$	\$ 2,279,794
Commingled funds	2,973,866	1,873,139	2,575	4,849,580
Verizon stock	5,294,232			5,294,232
Fixed income		1,499,476		1,499,476
Mutual funds	1,980,942	35,071		2,016,013
Common Stock	1,018,650	63,676		1,082,326
<b>Total Investments</b>	<b>11,267,690</b>	<b>5,751,156</b>	<b>2,575</b>	<b>17,021,421</b>
<b>Non investment assets:</b>				
Participant loans			797,807	797,807
<b>Total FAS 157 investments</b>	<b>\$ 11,267,690</b>	<b>\$ 5,751,156</b>	<b>\$ 800,382</b>	<b>\$ 17,819,228</b>

(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

Fair values of publicly traded common stock and mutual funds are determined by obtaining quoted prices in active markets. Fair values of investment contracts are based on the contractual terms of the underlying guaranteed investment contracts. Fair values of the commingled funds are based on the fair values of the underlying investments. Fair values of fixed income investments are based on the fair values of identical or comparable assets. Fair values of participant loans are based on carrying values.

The following table states the change in fair value of the Plan's level 3 assets for the year ended December 31, 2008 (in thousands):

	Fair Value January 1, 2008	Unrealized Gain	Purchases/ Issuances/ Net	Net Transfers Out	Fair Value December 31, 2008
Participant loans	\$ 737,450	\$	\$ 69,615	\$ 9,258	\$ 797,807
Commingled funds	712	263	1,600		2,575

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Total level 3	\$	738,162	\$	263	\$	71,215	\$	9,258	\$	800,382
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Notes to Financial Statements

December 31, 2008

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

The following table reconciles investments measured at fair value to investments in master trusts at December 31, 2008 (in thousands):

Investments per FAS 157	\$ 17,819,228
Add: Expense accruals	82,705
Add: Adjustment to contract value	37,032
Less: Fixed income liabilities	310,881
<b>Investments in master trusts</b>	<b>\$ 17,628,084</b>

**NOTE 9 RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500**

The following table reconciles net assets per the Statement of Net Assets Available for Benefits to the Plan's Form 5500 Asset and Liability Statement at December 31 (in thousands):

	<b>2008</b>	<b>2007</b>
Net assets available for benefits per the financial statements	\$ 6,691,207	\$ 9,025,842
Adjustment for deemed no post default payments	(1,678)	(1,514)
Adjustment for fully benefit-responsive investment contracts	(10,914)	14,647
<b>Net assets available for benefits per Form 5500</b>	<b>\$ 6,678,615</b>	<b>\$ 9,038,975</b>

The following table reconciles net change per the Statement of Changes in Net Assets to net income per the Plan's Form 5500 Income and Expense Statement for the year ended December 31, 2008 (in thousands):

	<b>2008</b>
Total deductions per the financial statements	\$ (2,334,635)
Adjustment for deemed no post default payments	(164)
Adjustment from contract value to fair value for fully benefit-responsive investment contracts	(25,561)
<b>Net income per Form 5500</b>	<b>\$ (2,360,360)</b>

**NOTE 10 SUBSEQUENT EVENTS**

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On May 13, 2009, Verizon announced plans to divest its local wireline operations serving residential and small business customers in predominantly rural areas in fourteen states. These operations will be acquired by Frontier Communications. Approximately 11,000 Verizon company employees are expected to continue employment with Frontier after the merger. The impact on the Plan has not yet been determined.



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**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Verizon Employee Benefits Committee has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

**VERIZON SAVINGS PLAN FOR MANAGEMENT EMPLOYEES**

By: /s/ Donna C. Chiffriller  
*Donna C. Chiffriller*  
(Member, Verizon Employee Benefits Committee)  
Date: June 29, 2009