

FINAL TRANSCRIPT

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VZ - Verizon at CTIA Enterprise & Applications Conference

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CORPORATE PARTICIPANTS

Lowell McAdam

Verizon Communications Inc. - President, COO

PRESENTATION

Unidentified Company Representative

And I have been privileged to work with our next speaker over the past several years, and as President and CEO of Verizon Wireless, Lowell McAdam has been an invaluable member of our CTIA Board of Directors and was our Chairman in 2008.

He was recently promoted to President and COO of Verizon Communications and officially assumed his new responsibilities just last Friday. That job is the most recent in a long and impressive list of executive positions in the telecommunications industry.

He was the President and CEO of PrimeCo Personal Communications and ran the international operations for AirTouch. Lowell also spent 10 years with Pacific Bell spending a lot of time in various capacities here in the Bay Area.

So this is a bit of a homecoming for Lowell. I am sure we are going to miss him and his contributions to CTIA, but I know he won't forget his wireless roots and I am confident that Verizon is in extraordinarily good hands.

Before Lowell's remarks he would like you to see a video that illustrates an interesting perspective on the future of mobile communications. Let's take a look.

(VIDEO PLAYING)

Unidentified Company Representative

Well, ladies and gentlemen, it is my great pleasure to introduce Verizon President and COO, Mr. Lowell McAdam.

Lowell McAdam - Verizon Communications Inc. - President, COO

Thank you Steve. Good morning everyone and, Steve, congratulations for a great show, looks like we have got another outstanding event here in San Francisco. I enjoyed sitting in the back watching and listening to Mr. Chen and Dr. Johnson talk about the vertical slices of mobile commerce, and energy management and what wireless could do.

Now the video that you just saw sort of takes a horizontal cut, a day in the life. Now I saw John do a little survey. I couldn't see the hands come up, but how many of you have seen a video like that over your career that says the future is just ahead of us? Yes, okay, yes, me too.

So I haven't lost my mind. I think that we actually might be on the cusp of this. Now when you look at devices that have one gigabit processors in them, when you look at the applications, they had 200,000, 300,000, depending on the operating system.

When you look at the millions of folks that are focused on developing those applications and when you see what cloud computing has in front of us, teamed with the wireless network I think that this is going to be in the next couple of years. Now whether it's five years away, we can argue about that, but I think what we are going to see is truly transformational in the way people do their jobs and live their lives.

Now Steve asked me to come up and talk about these sophisticated networks. I think he said brainy networks when he first asked me this question. And so that is what I would like to talk about today, the networks that are going to enable the smart



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offices, the smart parking meters, the smart treadmills, the smart healthcare, the things that you have heard about and saw in the video.

Now this sophisticated network will literally enable billions of these kind of smart connections. The only question is how many billions because this network, coupled with millions of different applications will connect people, places and things that previously were not connected, or in ways that are much richer, more multidimensional than they were connected ever before.

Now clearly all of us at Verizon Wireless are pretty excited to be launching this LTE network. Very, very shortly, before I talk about that I want to reflect back a little bit. If you think back three years ago, we knew what we wanted when we were one of the very first in the world to commit to LTE. Now three years later that decision to go early and to go first is proving over and over again to be the right move.

Now first we have been able to invest in new technology rather than sustaining some of the old technologies. We were motivated to go out and secure the perfect spectrum for LTE, our nationwide 700 MHz footprint. We will capture scale advantages immediately by moving to this dominant global standard very quickly.

Now our early commitment to LTE sent a strong signal to other players in the ecosystem and those are the software developers, the chip manufacturers, the consumer electronics industry that we were serious about LTE. So now many of them are ready. We are building it and they are showing up in droves.

Perhaps the best validation of our decision is the amazing performance that we have seen exceeding the lab theoretical expectations for this device of 70 megabits. In our field trials over the last several months we are seeing throughput in a fully loaded network in the neighborhood of eight to 12 megabits and with a latency of 30 milliseconds.

Now from our experience three years into this I can tell you there is a lot more to LTE than the conventional wisdom might lead you to believe. In many cases it really just tells part of the story.

So, first, there is a tendency to think that LTE is just about speed, but that misses half of the equation. While speed goes up dramatically by a factor at ten over our 3G networks, equally important is that latency drops by more than half. Now it is those two things together that make LTE so transformative over anything that we can do today.

Now I know there are a few gamers out there in the audience, and I think they are probably salivating at the potential. With player to player instantaneous response time, a whole new genre of games and mass gaming are going to migrate off of the PC and the dedicated game console onto the wireless devices.

But it is not just about games. Think about what other near real time response will mean to mobile commerce that John talked about, to remote doctor consults in a medical emergency, to remote surveillance, to remote dispatch, to primes -- to crime scenes and to help in natural disasters.

I think the second misconception is that all 4G is the same. Networks have always been about how you build them, how you manage them, from backhaul to redundancy, to devices that all lead to significant reliability. And there is really no difference with 4G.

There is also the factor of physics. Our seamless coast-to-coast footprint, all in the 700 MHz frequency offers faster time to market for device manufacturers and better performance than multi-frequency networks will in the same timeframe.

Moreover, as you move through the spectrum scale, 700 MHz, the in building penetration is the best in the market. And that has important implications for the machine connectivity you heard Dr. Johnson talk about. And the signal penetration you have in that environment can make machine-to-machine really thrive and deliver that smart home and that smart office.



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Finally, I want to dispel the notion that LTE is just about USB modems. You may have heard that there won't be devices, elegant devices for quite some time. All I will say is that is not the case. Come see us at CES in January and I can tell you that we will show half a dozen smartphones and tablets from the top OEMs around the world that will be available in LTE in the first half of next year.

Now this morning I hope to give you some breaking news here about our impending launch of LTE. Now there is always the chance that there is a blogger in the audience that has already found this out and it is out on the web, but today we are going to unveil our launch markets with 4G LTE by the end of this year.

Now if you look at the map that is going to come up here in just one second, that is our 3G coverage map today. And what you see flashing up on the screen are the 38 markets from coast-to-coast that will be our LTE launch markets. As you can see these are major markets from coast-to-coast, will reach more than one third of all Americans where they live and work and that is 110 million pops the day that we flip the switch on this network.

Those major markets that you can see include LA, Chicago, New York, Dallas, Boston, Atlanta and, yes, here in San Francisco and you can pick up your hometown hopefully up there in the process here. And we are covering major portions of these markets. On average, more than 70% of the pops in each market will be covered as we launch these markets.

Now, in conjunction with these markets, we will have coverage in 55 airports around the country, plus we bringing up LTE in another seven airports and additional cities and we will give you that detail.

Now very similar to what we did with 3G services, we are going to roll out 4G LTE over a three-year period from the time we start later this year until virtually the whole country is blanketed. Now this slide will show you we are on track for LTE to reach two thirds of the US population in the next 18 months and we will quickly expand to cover most of the rest of the population by 2013 to be equal to what we have in 3G today.

Now in our plan to build out LTE far, and wide and quickly, we are also committed to reaching additional population of largely rural Americans. Earlier this year we announced our plan to jumpstart LTE broadband in the rural United States, and to that end we have proposed sharing access to our premium 700 MHz spectrum to operations in places that we would not have gotten to very quickly in our initial build plan.

We have had very strong interest in that proposal. We have had more than 200 entities contact us which as you can imagine is keeping our corporate development folks quite busy.

I am very happy to share that we have reached agreement with five operators and we are beginning the roll out process. We have another dozen in formal discussions, and as you can tell the pipeline is pretty large from there.

I think the important piece of this is it really a win-win collaboration between a large carrier and the smaller rural operators. They can leverage our scale by purchasing infrastructure and devices. They can gain access to those 110 million pops and growing on our LTE network through roaming agreements.

So rural customers across the country will gain access to the state of the art broadband network which I believe will spur additional innovation and more jobs. And certainly we are all looking to create that.

So we are very excited that this concept of partnering is being well received by the rural operators because it can only accelerate the deployment of LTE across the US. That in turn is good for customers, good for our industry and good for America.

So I would like to stay with the theme of partnering for just a moment longer. Just as LTE is the technology platform for the future, I think collaboration and openness will be the operating platform for the future, if we are to reach the full promise of what 4G LTE brings.



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That is really a new paradigm, a new model for operating in the entire wireless industry. Now I know some of you in the audience are saying, come on, Lowell, you guys at Verizon have been the poster child for a walled garden, and I get that.

What I would say is in the first 25 years that guarded approach of closed systems served the industry pretty well as individual companies all along the value chain took root, and expanded and matured, and they really built our industry into the huge success story it is today. But in a 4G world I think we need to turn that guarded model really inside out because one of the apps developers at our recent conference said to me, you know, Lowell, all the cool innovation is going to come from places where we least expect it. And I said, well, that's good news because you least expect it to come from the wireless carrier, so maybe we will get a win in here once in awhile.

So, anyway, that is why in lockstep with transforming our network, we are going to transform our business model. Anyone who was at that developer's conference heard that we continue to open up our location, our messaging, our network APIs so that others can develop apps for us.

So we began retooling that business for collaboration about three years ago when we realized that our future success was going to be a shared success and that we could not keep up with the tidal wave of innovation that was headed at us. In fact, it was a few weeks before we announced our choice of LTE that we had announced our first open development program for third party devices. Then came our LTE innovation center in Waltham, Massachusetts, our 4G Venture Forum, our partnership with Google, and Skype, and China Mobile and SoftBank Japan and obviously the entire Verizon Wireless developer community.

Now I believe that we are just warming up as an industry and as a company. The partnerships and collaborations that we have built over these last three years are the building blocks of more partnerships that will deliver even more innovation for our customers.

So if you think about the morning when you expand the definition of a wireless device to the things that you heard John and Dr. Johnson talk about and you think about refrigerators, and washing machines, and visors, and tractors and anything else you want to imagine, and you add in developers around the globe that are creating millions of applications, and you are doing it on a network that is finally standard, global, the entire globe on one standard, that potential is not only extraordinary. The potential is really limitless and that is why I have a tendency to believe that that video may in fact be on us.

So as this 4G future comes to life, as our cycling entrepreneurs show, there will be something in it for every one of us. Clearly, the economy in general will work better, smarter and faster and I would ask all of you to come imagine with us. You can begin imagining the future right here on the exhibits and the events on the floor downstairs.

Now I have noted many times over my career that the wireless industry is the great American success story, stunningly successful in my mind. And I think we should all get ready for the sequel. It is time to turn on the afterburners and get ready for the next generation of growth in wireless. Thank you very much and have a great show. Steve?

Unidentified Company Representative

Well, thank you very much, Lowell.



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