

## Wireless Network Neutrality

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Wireless communications are critical to Verizon. In 2014 the Company completed its acquisition of Vodafone's interest in Verizon Wireless for approximately \$130 billion. Verizon's 4G LTE wireless network now reaches 97 percent of the U.S. population.

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

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

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

Verizon's stated position regarding network neutrality has been inconsistent and contradictory. Company representatives have expressed clear support for "paid prioritization" of Internet content, according to published reports. Verizon wants a "two-sided market" involving payment for Internet service by subscribers and by the companies who want to reach them, Verizon lawyer Helgi Walker told a federal appeals court in September 2013. Yet in October 2014, Verizon's corporate web site stated that Verizon "has no plans to undertake the hypothetical 'paid prioritization' business model." As investors, we are confused by this ambiguity and troubled by the potential negative impact that paid prioritization could have on innovative technology start-ups, which drive so much economic growth.

More than 3.7 million comments regarding network neutrality were filed with the Federal Communications Commission (FCC) in 2014, with the vast majority expressing support for net neutrality and concerns about paid prioritization. In November of 2014, President Obama urged the FCC to ban paid prioritization and reclassify broadband Internet under Title II of the Telecommunications Act.

As investors, we are concerned about potential regulatory and legislative risk related to Verizon's network management practices and the issue of network neutrality. There may also be reputational and commercial risk in not providing customers with evidence of open Internet policies that apply to wireless communications and preclude business models based on paid prioritization.

**Resolved:** Shareholders request that the Board of Directors report by October 2015 (at reasonable cost and omitting proprietary and confidential information) how Verizon is responding to regulatory, competitive, legislative and public pressure to ensure that its network management policies and practices support network neutrality and an Open Internet.

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