Verizon Delaware LLC

Condensed Financial Statements
Three and Six Months Ended June 30, 2010 and 2009

Verizon Delaware LLC

CONDENSED STATEMENTS OF OPERATIONS

(dollars in thousands) (unaudited)	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Operating Revenues				
(including $22,642, $20,941, $43,882 and $42,208 from affiliates)	**$ 86,115**	$ 87,891	**$ 169,660**	$ 173,948
Operating Expenses				
(including $25,440, $35,387, $50,884, and $60,557 to affiliates)				
Cost of services and sales (exclusive of items shown below)	**48,147**	40,229	**86,178**	71,975
Selling, general and administrative expense	**23,916**	20,958	**43,087**	41,096
Depreciation and amortization expense	**17,606**	18,564	**35,015**	36,798
Total Operating Expenses	**89,669**	79,751	**164,280**	149,869
Operating Income (Loss)	**(3,554)**	8,140	**5,380**	24,079
Other income and (expense), net				
(including $---, $---, $5 and $--- from affiliates)	**---**	(1)	**5**	(9)
Interest expense				
(including $(381), $(480), $(722) and $(1,175) to affiliates)	**(1,299)**	(1,301)	**(2,514)**	(2,814)
Income (Loss) Before Income Taxes	**(4,853)**	6,838	**2,871**	21,256
(Provision) benefit for income taxes	**1,813**	(2,622)	**(2,942)**	(7,925)
Net Income (Loss)	**$ (3,040)**	$ 4,216	**$ (71)**	$ 13,331

See Notes to Condensed Financial Statements

Verizon Delaware LLC

CONDENSED BALANCE SHEETS

(dollars in thousands) (unaudited)	At June 30, 2010	At December 31, 2009
Assets		
Current assets		
Short-term investments	**$ ---**	$ 2
Accounts receivable:		
Trade and other, net of allowances for uncollectible of $1,571 and $704	**18,399**	30,399
Affiliates	**7,809**	11,333
Prepaid expenses	**21,899**	7,117
Deferred income taxes	**2,486**	2,764
Deferred charges and other	**5,833**	6,918
Total current assets	**56,426**	58,533
Plant, property and equipment	**1,606,987**	1,590,427
Less accumulated depreciation	**1,005,940**	979,766
	601,047	610,661
Intangible assets, net	**984**	1,075
Prepaid pension asset	**35,302**	38,067
Other assets	**5,756**	5,950
Total assets	**$ 699,515**	$ 714,286
Liabilities and Member's Investment		
Current liabilities		
Debt maturing within one year:		
Notes payable to affiliate	**$ 77,403**	$ 198,895
Other	**106**	70
Accounts payable and accrued liabilities:		
Affiliates	**27,962**	36,070
Other	**2,688**	4,866
Other current liabilities	**16,597**	16,791
Total current liabilities	**124,756**	256,692
Long-term debt		
Notes payable to affiliate	**85,000**	---
Other	**49,840**	49,897
	134,840	49,897
Employee benefit obligations	**118,935**	108,582
Deferred credits and other liabilities:		
Deferred income taxes	**88,840**	69,799
Unamortized investment tax credits	**948**	948
Other	**14,147**	11,248
	103,935	81,995
Member's investment		
Member share ($25 par value per share)	**118,442**	118,442
Authorized shares: 5,262,280		
Outstanding shares: 4,737,686		
Contributed capital	**18,190**	18,190
Reinvested earnings	**80,417**	80,488
Total member's investment	**217,049**	217,120
Total liabilities and member's investment	**$ 699,515**	$ 714,286

See Notes to Condensed Financial Statements

Verizon Delaware LLC

CONDENSED STATEMENTS OF CASH FLOWS

(dollars in thousands) (unaudited)	Six Months Ended June 30, 2010	2009
Net Cash Provided by Operating Activities	**$ 59,247**	$ 84,977
Cash Flows from Investing Activities		
Capital expenditures (including capitalized software)	**(22,625)**	(37,421)
Net change in short-term investments	**3**	1,128
Other, net	**(40)**	26
Net cash used in investing activities	**(22,662)**	(36,267)
Cash Flows from Financing Activities		
Proceeds from long-term notes payable to affiliate	**85,000**	---
Principal repayments of borrowings and capital lease obligations	**(28)**	---
Net change in short-term notes payable to affiliate	**(121,492)**	(26,986)
Dividends paid	**---**	(22,000)
Net change in outstanding checks drawn on controlled disbursement accounts	**(65)**	276
Net cash used in financing activities	**(36,585)**	(48,710)
Net change in cash	**---**	---
Cash, beginning of period	**---**	---
Cash, end of period	**$ ---**	$ ---

See Notes to Condensed Financial Statements

NOTES TO CONDENSED FINANCIAL STATEMENTS (Unaudited)

1. Basis of Presentation and Recent Accounting Standard Updates

Verizon Delaware LLC (Verizon Delaware or the Company) is a wholly owned subsidiary of Verizon Communications Inc. (Verizon). The accompanying unaudited condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim periods. These condensed financial statements reflect all adjustments that are necessary for a fair presentation of results of operations and financial position for the interim periods shown including normal recurring accruals and other items. We have evaluated subsequent events through August 27, 2010, the date these financial statements were issued. The results for the interim periods are not necessarily indicative of results for the full year. The balance sheet at December 31, 2009 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. For a more complete discussion of significant accounting policies and certain other information, you should refer to our December 31, 2009 audited financial statements.

We have reclassified prior year amounts to conform to the current year presentation.

Recent Accounting Standards

In September 2009, the accounting standard update regarding revenue recognition for multiple deliverable arrangements was issued. This update requires the use of the relative selling price method when allocating revenue in these types of arrangements. This method allows a vendor to use its best estimate of selling price if neither vendor specific objective evidence nor third party evidence of selling price exists when evaluating multiple deliverable arrangements. This standard update is effective January 1, 2011 and may be adopted prospectively for revenue arrangements entered into or materially modified after the date of adoption or retrospectively for all revenue arrangements for all periods presented. We are currently evaluating the impact that this standard update will have on our financial statements.

In September 2009, the accounting standard update regarding revenue recognition for arrangements that include software elements was issued. This update requires tangible products that contain software and non-software elements that work together to deliver the products' essential functionality to be evaluated under the accounting standard regarding multiple deliverable arrangements. This standard update is effective January 1, 2011 and may be adopted prospectively for revenue arrangements entered into or materially modified after the date of adoption or retrospectively for all revenue arrangements for all periods presented. We are currently evaluating the impact that this standard update will have on our financial statements.

2. Member's Investment

(dollars in thousands)	Member Share	Contributed Capital	Reinvested Earnings
Balance at December 31, 2009	$ 118,442	$ 18,190	$ 80,488
Net income (loss)	---	---	(71)
Balance at June 30, 2010	$ 118,442	$ 18,190	$ 80,417

Net income (loss) and comprehensive income (loss) were the same for the three and six months ended June 30, 2010 and 2009, respectively.

3. Debt

The fair value of our short-term and long-term debt, excluding capital leases, is determined based on market quotes for similar terms and maturities or future cash flows discounted at current rates. The fair value of our long-term and short-term debt, excluding capital leases, was approximately $218,793 thousand and $254,206 thousand at June 30, 2010 and December 31, 2009, respectively, as compared to the carrying value of approximately $211,969 thousand and $248,454 thousand at June 30, 2010 and December 31, 2009, respectively.

4. Commitments and Contingencies

Various legal actions and regulatory proceedings are pending to which we are a party and claims which, if asserted, may lead to other legal actions. We have established reserves for specific liabilities in connection with regulatory and legal matters, including environmental matters that we currently deem to be probable and estimable. We do not expect that the ultimate resolution of pending regulatory and legal matters in future periods will have a material effect on our financial condition, but it could have a material effect on our results of operations.

From time to time, state regulatory decisions require us to assure customers that we will provide a level of service performance that falls within prescribed parameters. There are penalties associated with failing to meet those service parameters and we, from time to time, pay such penalties. We do not expect these penalties to have a material effect on our financial condition, but they could have a material effect on our results of operations.

5. Other Items

Medicare Part D Subsidy

Under the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010, both of which became law in March 2010 (collectively the Health Care Act), beginning in 2013, Verizon and other companies that receive a subsidy under Medicare Part D to provide retiree prescription drug coverage will no longer receive a federal income tax deduction for the expenses incurred in connection with providing the subsidized coverage to the extent of the subsidy received. Because future anticipated retiree prescription drug plan liabilities and related subsidies are already reflected in our financial statements, this change requires us to reduce the value of the related tax benefits recognized in our financial statements in the period during which the Health Care Act was enacted. As a result, we recorded a one-time, non-cash income tax charge of $1,938 thousand in the first quarter of 2010 to reflect the impact of this change.

Severance, Pension and Benefit Charges

In April 2010, we reached an agreement with certain unions on temporary enhancements to the separation programs contained in their existing collective bargaining agreements. These temporary enhancements were intended to help address a previously declared surplus of employees and to help reduce the need for layoffs. Accordingly, during the three months ended June 30, 2010, we recorded severance, pension and benefits charges of $10,155 thousand associated with the union-represented employees who volunteered for the incentive offer. Included in the charges were pension and postretirement curtailment losses of $863 thousand as workforce reductions caused the elimination of a significant amount of future service requiring us to recognize a portion of prior service costs and actuarial losses. The charges also included $7,479 thousand of severance charges and $1,813 thousand of special termination benefits for planned workforce reductions.