Verizon New England Inc.

Condensed Consolidated Financial Statements
Three Months Ended March 31, 2009 and 2008

Verizon New England Inc.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in Millions) (Unaudited)	Three Months Ended March 31, 2009	2008
Operating Revenues		
(including $155 and $184 from affiliates)	**$ 617**	$ 921
Operating Expenses		
(including $226 and $232 to affiliates)		
Cost of services and sales (exclusive of items shown below)	**326**	458
Selling, general and administrative expense	**169**	222
Depreciation and amortization expense	**146**	204
Total Operating Expenses	**641**	884
Operating Income (Loss)	**(24)**	37
Other income and (expense), net (including $4 and $6 from affiliates)	**6**	7
Interest expense (including $(3) and $(11) to affiliates)	**(27)**	(34)
Income Before Provision for Income Taxes	**(45)**	10
Income tax benefit (provision)	**26**	(4)
Net Income (Loss)	**$ (19)**	$ 6

See Notes to Condensed Consolidated Financial Statements

Verizon New England Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in Millions) (Unaudited)	**At March 31, 2009**	**At December 31, 2008**
Assets		
Current assets		
Short-term investments	**$ 10**	$ 22
Note receivable from affiliate	**153**	44
Accounts receivable:		
Trade and other, net of allowances for uncollectibles of $76 and $79	**400**	425
Affiliates	**284**	318
Materials and supplies	**41**	40
Prepaid expenses	**3**	3
Deferred income taxes	**77**	81
Deferred charges and other	**115**	121
Total current assets	**1,083**	1,054
Plant, property and equipment	**13,653**	13,579
Less accumulated depreciation	**9,224**	9,143
	4,429	4,436
Intangible assets, net	**11**	11
Prepaid pension asset	**167**	161
Other assets	**224**	230
Total assets	**$ 5,914**	$ 5,892
Liabilities and Shareowner's Investment		
Current liabilities		
Debt maturing within one year:		
Note payable to affiliate	**$ ---**	$ 220
Debt maturing within one year – non-affiliate	**201**	201
Accounts payable and accrued liabilities:		
Affiliates	**620**	484
Other	**178**	258
Other current liabilities	**177**	212
Total current liabilities	**1,176**	1,375
Long-term debt		
Note payable to affiliate	**345**	125
Other	**1,701**	1,704
Employee benefit obligations	**1,895**	1,888
Deferred credits and other liabilities		
Deferred income taxes	**95**	55
Unamortized investment tax credits	**8**	9
Other	**140**	163
	243	227
Shareowner's investment		
Common stock (one share, without par value)	**1**	1
Contributed capital	**424**	424
Reinvested earnings	**129**	148
Total shareowner's investment	**554**	573
Total liabilities and shareowner's investment	**$ 5,914**	$ 5,892

See Notes to Condensed Consolidated Financial Statements

Verizon New England Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in Millions) (Unaudited)	Three Months Ended March 31, 2009	2008
Net Cash Provided by Operating Activities	**$ 231**	$ 239
Cash Flows from Investing Activities		
Capital expenditures (including capitalized software)	**(133)**	(185)
Net change in short-term investments	**15**	19
Change in notes receivable from affiliates	**(109)**	(1,124)
Other, net	**(2)**	---
Net cash used in investing activities	**(229)**	(1,290)
Cash Flows from Financing Activities		
Proceeds from long-term note payable to affiliate	**220**	125
Principal repayments of borrowings and capital lease obligations	**---**	(825)
Change in note payable to affiliate	**(220)**	1,407
Capital contribution from parent	**---**	344
Net change in outstanding checks drawn on controlled disbursement accounts	**(2)**	---
Net cash provided by (used in) financing activities	**(2)**	1,051
Net change in cash	**---**	---
Cash, beginning of period	**---**	---
Cash, end of period	**$ ---**	$ ---

See Notes to Condensed Consolidated Financial Statements

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. Basis of Presentation and Recent Accounting Pronouncements

Verizon New England Inc. (Verizon New England or the Company) and its wholly owned subsidiary, Northern New England Telephone Operations, LLC, are wholly owned subsidiaries of NYNEX Corporation (NYNEX), which is a wholly owned subsidiary of Verizon Communications Inc. (Verizon). The unaudited condensed consolidated financial statements include the accounts of Verizon New England Inc. and its subsidiary. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim periods. These condensed consolidated 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. All significant intercompany accounts and transactions have been eliminated. The results for the interim periods are not necessarily indicative of results for the full year. The balance sheet at December 31, 2008 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, 2008 audited financial statements.

In April 2009, the Financial Accounting Standards Board (FASB) issued Staff Position (FSP) FAS No. 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments* (FSP FAS 107-1 and APB 28-1), which amends Statement of Financial Accounting Standards (SFAS) No. 107, *Disclosures about Fair Value of Financial Instruments*, to require disclosures about the fair value of financial instruments for interim reporting periods, as well as annual reporting periods. FSP FAS 107-1 and APB 28-1 are effective for all interim and annual reporting periods ending after June 15, 2009 and shall be applied prospectively. We do not expect that the adoption of FSP FAS 107-1 and APB 28-1 will have a significant impact on our condensed financial statements.

We have reclassified certain amounts from prior periods to conform to our current presentation.

2. Telephone Access Lines Spin-off

On March 31, 2008, Verizon completed the spin-off of the shares of Northern New England Spinco Inc. (Spinco) to Verizon shareowners and the merger of Spinco with FairPoint. The consolidated statements of income for the periods presented include the results of operations of the local exchange and related business assets in Maine, New Hampshire and Vermont through the date of completion of the spin-off.

During the three months ended March 31, 2008, Verizon recorded pretax charges of $103 million, of which $81 million is attributable to Verizon after-tax, for costs incurred related to the separation of the wireline facilities and operations in Maine, New Hampshire and Vermont from Verizon at the closing of the transaction, as well as for professional advisory and legal fees in connection with this transaction.

3. Shareowner's Investment

(Dollars in Millions)	Common Stock	Contributed Capital	Reinvested Earnings
Balance at December 31, 2008	$ 1	$ 424	$ 148
Net loss	---	---	(19)
Balance at March 31, 2009	$ 1	$ 424	$ 129

Net income and comprehensive income were the same for the three months ended March 31, 2009 and 2008, respectively.

4. Debt

On January 30, 2009, we issued a $220 million note to an affiliated company, Verizon Investments Inc. The note matures on January 30, 2014 and carries a floating interest rate priced at 3 month LIBOR plus 325 basis points, reset and paid quarterly.

5. Fair Value Measurements

The following table presents the balances of assets and liabilities measured at fair value on a recurring basis as of March 31, 2009:

(Dollars in Millions)	Level 1 [1]	Level 2 [2]	Level 3 [3]	Total
Assets:				
Short-term investments	$ –	$ 10	$ –	$ 10
Other assets	–	52	–	52

[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

6. 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.