Verizon New England Inc.

Condensed Consolidated Financial Statements
Three and Six Months Ended June 30, 2009 and 2008

Verizon New England Inc.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(dollars in millions) (unaudited)	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Operating Revenues				
(including $147, $145, $302 and $329 from affiliates)	**$ 607**	$ 636	**$ 1,224**	$ 1,557
Operating Expenses				
(including $236, $192, $462 and $424 to affiliates)				
Cost of services and sales (exclusive of items shown below)	**302**	329	**628**	787
Selling, general and administrative expense	**148**	146	**317**	368
Depreciation and amortization expense	**146**	150	**292**	354
Total Operating Expenses	**596**	625	**1,237**	1,509
Operating Income (Loss)	**11**	11	**(13)**	48
Other income and (expense), net				
(including $3, $8, $7 and $14 from affiliates)	**5**	10	**11**	17
Interest expense				
(including $(3), $(3), $(6) and $(14) from affiliates)	**(23)**	(27)	**(50)**	(61)
Income (Loss) Before Income Taxes	**(7)**	(6)	**(52)**	4
Income tax benefit	**6**	10	**32**	6
Net Income (Loss)	**$ (1)**	$ 4	**$ (20)**	$ 10

See Notes to Condensed Consolidated Financial Statements

Verizon New England Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS

(dollars in millions) (unaudited)	At June 30, 2009	At December 31, 2008
Assets		
Current assets		
Short-term investments	**$ 1**	$ 22
Note receivable from affiliate	**–**	44
Accounts receivable:		
Trade and other, net of allowances for uncollectibles of $71 and $79	**396**	425
Affiliates	**112**	318
Materials and supplies	**45**	40
Prepaid expenses	**3**	3
Deferred income taxes	**73**	81
Deferred charges and other	**112**	121
Total current assets	**742**	1,054
Plant, property and equipment	**13,778**	13,579
Less accumulated depreciation	**9,342**	9,143
	4,436	4,436
Intangible assets, net	**14**	11
Prepaid pension asset	**173**	161
Other assets	**208**	230
Total assets	**$ 5,573**	$ 5,892
Liabilities and Shareowner's Investment		
Current liabilities		
Debt maturing within one year:		
Note payable to affiliate	**$ 150**	$ 220
Non-affiliate	**1**	201
Accounts payable and accrued liabilities:		
Affiliates	**437**	484
Other	**208**	258
Other current liabilities	**146**	212
Total current liabilities	**942**	1,375
Long-term debt		
Note payable to affiliate	**220**	125
Other	**1,692**	1,704
Employee benefit obligations	**1,902**	1,888
Deferred credits and other liabilities		
Deferred income taxes	**113**	55
Unamortized investment tax credits	**8**	9
Other	**143**	163
	264	227
Shareowner's investment		
Common stock (one share, without par value)	**1**	1
Contributed capital	**424**	424
Reinvested earnings	**128**	148
Total shareowner's investment	**553**	573
Total liabilities and shareowner's investment	**$ 5,573**	$ 5,892

See Notes to Condensed Consolidated Financial Statements

Verizon New England Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in millions) (unaudited)	Six Months Ended June 30, 2009	2008
Net Cash Provided by Operating Activities	**$ 398**	$ 343
Cash Flows from Investing Activities		
Capital expenditures (including capitalized software)	**(287)**	(351)
Net change in short-term investments	**24**	62
Change in notes receivable from affiliates	**44**	(48)
Other, net	**(2)**	(5)
Net cash used in investing activities	**(221)**	(342)
Cash Flows from Financing Activities		
Proceeds from long-term note payable to affiliate	**220**	125
Principal repayments of borrowings and capital lease obligations	**(201)**	(825)
Change in note payable to affiliate	**(195)**	1,518
Capital contribution from parent	**---**	344
Return of capital to parent	**---**	(1,160)
Net change in outstanding checks drawn on controlled disbursement accounts	**(1)**	(3)
Net cash used in financing activities	**(177)**	(1)
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. We have evaluated subsequent events through August 28, 2009, the date these condensed consolidated 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, 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.

The adoption of the following accounting pronouncements during the first six months of 2009 did not result in a significant impact to our condensed consolidated financial statements:

On June 15, 2009, we adopted the accounting pronouncement regarding the general standards of accounting for, and disclosure of, events that occur after the balance sheet date but before the financial statements are issued. This pronouncement was effective prospectively for interim and annual reporting periods ending after June 15, 2009.

On June 15, 2009, we adopted the accounting pronouncement that amends the requirements for disclosures about fair value of financial instruments, regarding the fair value of financial instruments for annual, as well as interim, reporting periods. This pronouncement was effective prospectively for all interim and annual reporting periods ending after June 15, 2009.

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 first six months of 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	---	---	(20)
Balance at March 31, 2009	$ 1	$ 424	$ 128

Net income and comprehensive income were the same for the three and six months ended June 30, 2009 and 2008, respectively.

4. Debt

On April 15, 2009, the $200 million 5.875% note matured and was repaid.

Notes Payable to Affiliates

During the first half of 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

Assets measured at fair value on a recurring basis as of June 30, 2009 primarily include derivative contracts totaling $43 million that are comprised of interest rate swaps and are valued using models based on readily observable market parameters for all substantial terms of our derivative contracts and thus are classified within Level 2.

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 $2,102 million and $2,158 million at June 30, 2009 and December 31, 2008, respectively, as compared to the carrying value of approximately $2,018 million and $2,193 million at June 30, 2009 and December 31, 2008, respectively.

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.