Verizon New Jersey Inc.

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

Verizon New Jersey 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 $82, $122, $200 and $251 from affiliates)	**$ 768**	$ 809	**$ 1,573**	$ 1,613
Operating Expenses				
(including $391, $279, $708 and $542 to affiliates)				
Cost of services and sales (exclusive of items shown below)	**345**	293	**668**	600
Selling, general and administrative expense	**246**	245	**491**	480
Depreciation and amortization expense	**160**	156	**316**	311
Total Operating Expenses	**751**	694	**1,475**	1,391
Operating Income	**17**	115	**98**	222
Other income and (expense), net				
(including $2, $3 , $5 and $7 from affiliates)	**2**	5	**5**	10
Interest expense				
(including $(21), $(14), $(39) and $(27) from affiliates)	**(43)**	(35)	**(83)**	(69)
Income (Loss) Before Income Taxes	**(24)**	85	**20**	163
Income tax benefit (provision)	**11**	(32)	**(1)**	(61)
Net Income (Loss)	**$ (13)**	$ 53	**$ 19**	$ 102

See Notes to Condensed Consolidated Financial Statements

Verizon New Jersey Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS

(dollars in millions) (unaudited)	At June 30, 2009	At December 31, 2008
Assets		
Current assets		
Short-term investments	**$ 1**	$ 19
Note receivable from affiliate	**804**	793
Accounts receivable:		
Trade and other, net of allowances for uncollectibles of $41 and $60	**435**	411
Affiliates	**177**	67
Material and supplies	**48**	50
Prepaid expenses	**21**	20
Deferred income taxes	**40**	42
Deferred charges and other	**59**	57
Total current assets	**1,585**	1,459
Plant, property and equipment	**14,801**	14,426
Less accumulated depreciation	**9,939**	9,694
	4,862	4,732
Intangible assets, net	**5**	4
Prepaid pension asset	**584**	580
Deferred income taxes	**17**	26
Other assets	**69**	73
Total assets	**$ 7,122**	$ 6,874
Liabilities and Shareowner's Investment		
Current liabilities		
Debt maturing within one year:		
Notes payable to affiliates	**$ 1,467**	$ 1,243
Other	**1**	1
Accounts payable and accrued liabilities:		
Affiliates	**314**	208
Other	**214**	224
Other current liabilities	**184**	193
Total current liabilities	**2,180**	1,869
Long-term debt	**1,449**	1,449
Employee benefit obligations	**1,243**	1,230
Deferred credits and other liabilities		
Deferred income taxes	**463**	399
Unamortized investment tax credits	**12**	12
Other	**142**	151
	617	562
Shareowner's investment		
Common stock (one share, without par value)	**1,357**	1,357
Reinvested earnings	**276**	407
Total shareowner's investment	**1,633**	1,764
Total liabilities and shareowner's investment	**$ 7,122**	$ 6,874

See Notes to Condensed Consolidated Financial Statements

Verizon New Jersey Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in millions) (unaudited)	Six Months Ended June 30, 2009	2008
Net Cash Provided by Operating Activities	**$ 361**	$ 459
Cash Flows from Investing Activities		
Capital expenditures (including capitalized software)	**(440)**	(431)
Net change in short-term investments	**18**	56
Change in notes receivable from affiliates	**(11)**	(278)
Other, net	**(1)**	1
Net cash used in investing activities	**(434)**	(652)
Cash Flows from Financing Activities		
Net change in short-term note payable to affiliate	**224**	193
Dividends paid	**(150)**	---
Net change in outstanding checks drawn on controlled disbursement accounts	**(1)**	---
Net cash provided by financing activities	**73**	193
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 Jersey Inc. (Verizon New Jersey or the Company) is a wholly owned subsidiary of Verizon Communications Inc. (Verizon). The unaudited condensed consolidated financial statements include the accounts of Verizon New Jersey Inc. and its wholly owned subsidiary Verizon Online New Jersey LLC. 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 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.

2. Shareowner's Investment

(dollars in millions)	**Common Stock**	**Reinvested Earnings**
Balance at December 31, 2008	$ 1,357	$ 407
Net income	---	19
Dividends paid	---	(150)
Balance at June 30, 2009	$ 1,357	$ 276

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

3. Fair Value of 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 $2,968 million and $2,702 million at June 30, 2009 and December 31, 2008, respectively, as compared to the carrying value of approximately $2,911 million and $2,686 million at June 30, 2009 and December 31, 2008, 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 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. Subsequent Event

On August 3, 2009, we declared and paid a dividend in the amount of $75 million to our parent, Verizon.