Verizon North Inc.

Condensed Financial Statements
Three and Nine Months Ended September 30, 2009 and 2008

Verizon North Inc.

CONDENSED STATEMENTS OF INCOME

(dollars in millions) (unaudited)	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2009
Operating Revenues				
(including $251, $288, $781 and $865 from affiliates)	**$ 696**	$ 778	**$ 2,141**	$ 2,365
Operating Expenses				
(including $126, $101, $365, and $308 to affiliates)				
Cost of services and sales (exclusive of items shown below)	**153**	172	**461**	516
Selling, general and administrative expense	**206**	164	**548**	415
Depreciation and amortization expense	**244**	257	**736**	779
Total Operating Expenses	**603**	593	**1,745**	1,710
Operating Income	**93**	185	**396**	655
Other income and (expense), net				
(including $---, $1, $2 and $1 to affiliates)	**–**	1	**2**	3
Interest expense				
(including $(3), $(10), $(18) and $(26) to affiliates)	**(11)**	(27)	**(40)**	(73)
Income Before Provision for Income Taxes	**82**	159	**358**	585
Provision for income taxes	**(29)**	(60)	**(126)**	(213)
Net Income	**$ 53**	$ 99	**$ 232**	$ 372

See Notes to Condensed Financial Statements

Verizon North Inc.

CONDENSED BALANCE SHEETS

(dollars in millions) (unaudited)	At September 30, 2009	At December 31, 2008
Assets		
Current assets		
Short-term investments	**$ ---**	$ 20
Accounts receivable:		
Trade and other, net of allowances for uncollectibles of $26 and $28	**229**	237
Affiliates	**284**	176
Materials and supplies	**12**	12
Prepaid expenses	**61**	8
Deferred income taxes	**38**	38
Deferred charges and other	**40**	48
Total current assets	**664**	539
Plant, property and equipment	**11,281**	11,259
Less accumulated depreciation	**8,577**	8,373
	2,704	2,886
Intangible assets, net	**1,290**	1,686
Prepaid pension asset	**2,291**	2,456
Other assets	**35**	30
Total assets	**$ 6,984**	$ 7,597
Liabilities and Shareowner's Investment		
Current liabilities		
Debt maturing within one year:		
Notes payable to affiliates	**$ 2,363**	$ 1,979
Other	**199**	---
Accounts payable and accrued liabilities:		
Affiliates	**341**	260
Other	**126**	223
Other current liabilities	**111**	188
Total current liabilities	**3,140**	2,650
Long-term debt	**200**	397
Employee benefit obligations	**1,033**	1,021
Deferred credits and other liabilities		
Deferred income taxes	**1,416**	1,564
Other	**147**	104
	1,563	1,668
Shareowner's investment		
Common stock (one share, without par value)	**978**	978
Contributed capital	**116**	838
Accumulated deficit	**(46)**	45
Total shareowner's investment	**1,048**	1,861
Total liabilities and shareowner's investment	**$ 6,984**	$ 7,597

See Notes to Condensed Financial Statements

Verizon North Inc.

CONDENSED STATEMENTS OF CASH FLOWS

(dollars in millions) (unaudited)	Nine Months Ended September 30, 2009	2008
Net Cash Provided by Operating Activities	**$ 795**	$ 893
Cash Flows from Investing Activities		
Capital expenditures (including capitalized software)	**(151)**	(217)
Purchase of non-network software from affiliates	**---**	(177)
Net change in short-term investments	**20**	80
Other, net	**---**	1
Net cash used in investing activities	**(131)**	(313)
Cash Flows from Financing Activities		
Principal repayment of borrowings and capital lease obligations	**---**	(2)
Net change in notes payable to affiliates	**383**	673
Dividends paid	**(323)**	(1,255)
Net change in outstanding checks drawn on controlled disbursement accounts	**(2)**	4
Return of capital to parent	**(722)**	---
Net cash used in financing activities	**(664)**	(580)
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

Verizon North Inc. (Verizon North or the Company) is a wholly owned subsidiary of GTE Corporation (GTE), which 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 November 30, 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 standards and updates during the first nine months of 2009 did not result in a significant impact to our financial statements:

On June 15, 2009, we adopted the accounting standard 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 standard was effective prospectively for interim and annual reporting periods ending after June 15, 2009.

On June 15, 2009, we adopted the accounting standard 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 standard was effective prospectively for all interim and annual reporting periods ending after June 15, 2009.

On August 28, 2009 we adopted the accounting standard update regarding the measurement of liabilities at fair value. This standard update provides techniques to use in measuring fair value of a liability in circumstances in which a quoted price in an active market for the identical liability is not available. This standard update is effective prospectively for all interim and annual reporting periods upon issuance.

2. Telephone Access Lines Spin-off

On May 13, 2009, Verizon announced a definitive agreement with Frontier Communications Corporation (Frontier) that will result in Verizon establishing a separate entity, known as New Communications Holdings Inc. (Spinco), for its local exchange and related business assets in 13 states and parts of California. At the closing of this transaction, Verizon will distribute all of the outstanding shares of Spinco to Verizon's stockholders, and then Spinco will immediately merge with and into Frontier (the Frontier Merger).

Prior to the closing of the Frontier Merger, Verizon North will transfer its assets to other Verizon subsidiaries except for those assets associated with its local wireline operating territories in Illinois, Indiana, Michigan, Ohio and Wisconsin. Verizon North will then become a wholly owned subsidiary of Spinco, and Verizon North will become a wholly owned subsidiary of Frontier at the closing of the Frontier Merger. The local exchange and business assets that will be retained by Verizon North at the closing of the Frontier Merger will be included in Verizon North's continuing operations and comprise approximately 84% of Verizon North's access lines, 65% of total assets and 66% of total revenues as of and for the year ended December 31, 2008.

All outstanding long-term debt of Verizon North will continue to remain the obligation of Verizon North and be payable by Verizon North in accordance with its terms both prior to and following the Frontier Merger. All intercompany debt between Verizon North and Verizon or any of its subsidiaries will be eliminated prior to the closing of the Frontier Merger.

The Frontier Merger is subject to the satisfaction of certain conditions, including receipt of state and federal telecommunications regulatory approvals. We anticipate the Frontier Merger will close during the second quarter of 2010.

3. Shareowner's Investment

(dollars in millions)	Common Stock	Contributed Capital	Accumulated Deficit
Balance at December 31, 2008	$ 978	$ 838	$ 45
Net income	---	---	232
Dividends paid	---	---	(323)
Return of capital	---	(722)	---
Balance at September 30, 2009	$ 978	$ 116	$ (46)

Net income and comprehensive income were the same for the three and nine months ended September 30, 2009 and 2008.

4. 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 $2,774 million and $2,359 million at September 30, 2009 and December 31, 2008, respectively, as compared to the carrying value of approximately $2,762 million and $2,376 million at September 30, 2009 and December 31, 2008, respectively. The increase in the carrying value of our long-term and short-term debt, excluding capital leases, was primarily due to an increase in notes payable to affiliates.

5. Pension and Benefit Charges

During the three and nine months ended September 30, 2009, we recorded pension settlement losses of $115 million and $245 million respectively, related to employees that received lump-sum distributions primarily resulting from our previous separation plans in which prescribed payment thresholds have been reached.

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 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.

7. Subsequent Event

On November 2, 2009, we declared and paid a dividend in the amount of $102 million, which represents a return of capital to our parent, GTE.