Verizon Northwest Inc.

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

Verizon Northwest Inc.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Dollars in Millions) (Unaudited)	Three Months Ended March 31, 2009	2008
Operating Revenues		
(including $54 and $51 from affiliates)	**$ 231**	$ 244
Operating Expenses		
(including $52 and $40 to affiliates)		
Cost of services and sales (exclusive of items shown below)	**65**	70
Selling, general and administrative expense	**54**	55
Depreciation expense	**52**	48
Total Operating Expenses	**171**	173
Operating Income	**60**	71
Interest expense		
(including $(2) and $(3) to affiliates)	**(4)**	(8)
Income Before Provision for Income Taxes	**56**	63
Provision for income taxes	**(17)**	(23)
Net Income	**$ 39**	$ 40

See Notes to Condensed Consolidated Financial Statements

Verizon Northwest Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in Millions) (Unaudited)	At March 31, 2009	At December 31, 2008
Assets		
Current assets		
Short-term investments	**$ 1**	$ 6
Accounts receivable:		
Trade and other, net of allowances for uncollectibles of $8 and $8	**100**	110
Affiliates	**22**	7
Material and supplies	**5**	7
Prepaid expenses	**6**	8
Deferred income taxes	**5**	2
Deferred charges and other	**20**	22
Total current assets	**159**	162
Plant, property and equipment	**5,078**	5,041
Less accumulated depreciation	**3,329**	3,300
	1,749	1,741
Prepaid pension asset	**286**	284
Other assets	**14**	15
Total assets	**$ 2,208**	$ 2,202
Liabilities and Shareowner's Investment		
Current liabilities		
Debt maturing within one year:		
Notes payable to affiliates	**$ 487**	$ 489
Accounts payable and accrued liabilities:		
Affiliates	**52**	56
Other	**95**	74
Other current liabilities	**68**	69
Total current liabilities	**702**	688
Long-term debt	**175**	175
Employee benefit obligations	**186**	182
Deferred credits and other liabilities		
Deferred income taxes	**269**	250
Other	**22**	34
	291	284
Shareowner's investment		
Common stock (one share, without par value)	**448**	448
Contributed capital	**107**	107
Reinvested earnings	**299**	318
Total shareowner's investment	**854**	873
Total liabilities and shareowner's investment	**$ 2,208**	$ 2,202

See Notes to Condensed Consolidated Financial Statements

Verizon Northwest Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in Millions) (Unaudited)	Three Months Ended March 31, 2009	2008
Net Cash Provided by Operating Activities	**$ 114**	$ 105
Cash Flows from Investing Activities		
Capital expenditures (including capitalized software)	**(59)**	(78)
Net change in short-term investments	**5**	4
Net cash used in investing activities	**(54)**	(74)
Cash Flows from Financing Activities		
Change in notes payable to affiliate	**(3)**	(16)
Dividends paid	**(58)**	(19)
Net change in outstanding checks drawn on controlled disbursement accounts	**1**	4
Net cash used in financing activities	**(60)**	(31)
Net change in cash	**---**	---
Cash, beginning of period	**---**	---
Cash, end of period	**$ ---**	$ ---

See Notes to Condensed Consolidated Financial Statements

Verizon Northwest Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. Basis of Presentation and Recent Accounting Pronouncements

Verizon Northwest Inc. (Verizon Northwest or the Company) is a wholly owned subsidiary of GTE Corporation (GTE), which is a wholly owned subsidiary of Verizon Communications Inc. (Verizon). The unaudited condensed consolidated financial statements include the accounts of Verizon Northwest Inc. and its wholly owned subsidiary, Verizon West Coast Inc. The accompanying unaudited condensed consolidated 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. 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.

2. Shareowner's Investment

(Dollars in Millions)	Common Stock	Contributed Capital	Reinvested Earnings
Balance at December 31, 2008	$ 448	$ 107	$ 318
Net income	---	---	39
Dividends paid	---	---	(58)
Balance at March 31, 2009	$ 448	$ 107	$ 299

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

3. 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.

4. Subsequent Events

Telephone Access Lines Spin-off

On May 13, 2009, Verizon announced a definitive agreement with Frontier Communications Corporation (Frontier) providing for Verizon to establish a separate entity, known as New Communications Holdings Inc. (Spinco), for its local exchange and

related business assets in 14 states. 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 Northwest will become a wholly-owned subsidiary of Spinco, and Verizon Northwest will become a wholly owned subsidiary of Frontier at the closing of the Frontier Merger.

All outstanding long-term debt of Verizon Northwest will continue to remain the obligation of Verizon Northwest and be payable by Verizon Northwest in accordance with its terms both prior to and following the Frontier Merger. All inter-company debt between Verizon Northwest 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 that the Frontier Merger will close in mid-2010. It is anticipated that if the Frontier Merger occurs after June 1, 2010, all outstanding long-term debt of Verizon Northwest will have been repaid.

Return of Capital

On May 1, 2009, we declared a dividend in the amount of $58 million to our parent, GTE.