Verizon Northwest Inc.

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

Verizon Northwest Inc.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(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 $55, $51, $109 and $102 from affiliates)	**$ 234**	$ 239	**$ 465**	$ 483
Operating Expenses				
(including $58, $45, $110 and $85 to affiliates)				
Cost of services and sales (exclusive of items shown below)	**71**	64	**136**	134
Selling, general and administrative expense	**77**	53	**131**	108
Depreciation expense	**53**	49	**105**	97
Total Operating Expenses	**201**	166	**372**	339
Operating Income	**33**	73	**93**	144
Other income and (expense), net	**---**	1	**---**	1
Interest expense				
(including $(1), $(2), $(3) and $(5) from affiliates)	**(4)**	(8)	**(8)**	(16)
Income Before Provision for Income Taxes	**29**	66	**85**	129
Provision for income taxes	**(10)**	(22)	**(27)**	(45)
Net Income	**$ 19**	$ 44	**$ 58**	$ 84

See Notes to Condensed Consolidated Financial Statements

Verizon Northwest Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS

(dollars in millions) (unaudited)	**At June 30, 2009**	**At December 31, 2008**
Assets		
Current assets		
Short-term investments	**$ ---**	$ 6
Note receivable from affiliate	**3**	---
Accounts receivable:		
Trade and other, net of allowances for uncollectibles of $7 and $8	**101**	110
Affiliates	**21**	7
Material and supplies	**5**	7
Prepaid expenses	**3**	8
Deferred income taxes	**4**	2
Deferred charges and other	**20**	22
Total current assets	**157**	162
Plant, property and equipment	**5,116**	5,041
Less accumulated depreciation	**3,369**	3,300
	1,747	1,741
Prepaid pension asset	**261**	284
Other assets	**19**	15
Total assets	**$ 2,184**	$ 2,202
Liabilities and Shareowner's Investment		
Current liabilities		
Debt maturing within one year:		
Notes payable to affiliates	**$ 543**	$ 489
Other	**175**	---
Accounts payable and accrued liabilities:		
Affiliates	**38**	56
Other	**77**	74
Other current liabilities	**56**	69
Total current liabilities	**889**	688
Long-term debt	**---**	175
Employee benefit obligations	**185**	182
Deferred credits and other liabilities		
Deferred income taxes	**263**	250
Other	**32**	34
	295	284
Shareowner's investment		
Common stock (one share, without par value)	**448**	448
Contributed capital	**107**	107
Reinvested earnings	**260**	318
Total shareowner's investment	**815**	873
Total liabilities and shareowner's investment	**$ 2,184**	$ 2,202

See Notes to Condensed Consolidated Financial Statements

Verizon Northwest Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in millions) (unaudited)	Six Months Ended June 30, 2009	2008
Net Cash Provided by Operating Activities	**$ 171**	$ 186
Cash Flows from Investing Activities		
Capital expenditures (including capitalized software)	**(111)**	(166)
Net change in short-term investments	**6**	14
Change in notes receivable from affiliates	**(3)**	---
Net cash used in investing activities	**(108)**	(152)
Cash Flows from Financing Activities		
Change in notes payable to affiliates	**53**	(2)
Dividends paid	**(116)**	(31)
Net change in outstanding checks drawn on controlled disbursement accounts	**---**	(1)
Net cash used in financing activities	**(63)**	(34)
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 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. 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. 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 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 intercompany 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 the Frontier Merger will close during the second quarter of 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.

3. Shareowner's Investment

(dollars in millions)	Common Stock	Contributed Capital	Reinvested Earnings
Balance at December 31, 2008	$ 448	$ 107	$ 318
Net income	---	---	58
Dividends paid	---	---	(116)
Balance at June 30, 2009	$ 448	$ 107	$ 260

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

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 $723 million and $664 million at June 30, 2009 and December 31, 2008, respectively, as compared to the carrying value of approximately $718 million and $664 million at June 30, 2009 and December 31, 2008, respectively.

5. Pension and Benefit Charges

During the second quarter of 2009, we recorded pension settlement losses of $26 million 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 August 3, 2009, we declared a dividend in the amount of $58 million to our parent, GTE.