



March 31, 2003

Ms. Kathryn M. Bailey
Telecommunications Director
New Hampshire Public Utilities Commission
8 Old Suncook Road
Concord, NH 03301-7319

Re: NHPUC Annual Report for Year Ended 2002

Dear Ms. Bailey:

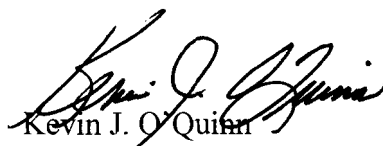
Enclosed please find the 2002 Annual Report of Verizon New England Inc. These schedules reflect results for the Year ending December 31, 2002. All amounts are on a MR combined basis and are accounted for as prescribed under the Uniform System of Accounts.

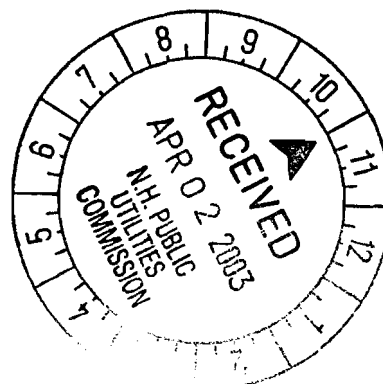
This Annual report is also being submitted electronically as an Excel file, *VZ_nhpuc-ar.xls*, to Ms. Jody Carmody and Ms. Mary Hart as requested.

Copies of the ARMIS 43-02 reports for Verizon-New England and Verizon-New Hampshire as well as the ARMIS 43-08 report will be delivered to the Commission soon after the reports have been officially filed with the FCC on April 1, 2003.

If you have any questions please feel free to contact me at (617) 743-1186.

Sincerely,

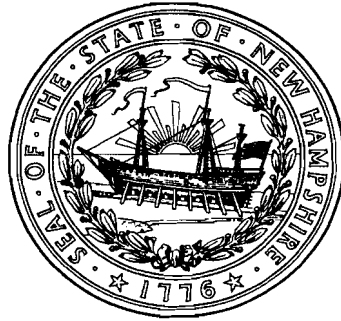

Kevin J. O'Quinn
Director- Regulatory Accounting



enclosure

STATE OF NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Concord, New Hampshire



Telecommunications Companies
Incumbent Local Exchange Carrier

ANNUAL REPORT
OF

Verizon New England Inc.

(If name was changed during the year, enter the previous name and date of change below)

FOR THE YEAR ENDED DECEMBER 31, **2002**
year

FEDERAL TAX ID# _____

Officer or other person to whom correspondence should be
addressed regarding this report:

Name	Kevin J. O'Quinn
Title	Director-Regulatory Accounting
Address	125 High Street Room 1542
	Boston, MA 02110
Phone Number	617-743-1186
mail Address	Kevin.J.OQuinn@verizon.com

PUC Rule 407.10-This annual report is due at the
Commission offices no later than March 31 of
each year.

RSA374:17 Neglect or refusal to file will result in
a forfeiture of \$100 per day for each day in
default.

TABLE OF CONTENTS

Schedule No.	TITLE OF SCHEDULE	PAGE
A	General Corporate Information Schedules	
A-1.	General Information	1
A-2.	List of Officers	2
	List of Directors	2
A-4.	Shareholders & Voting Powers	3
A-5.	List of Exchanges Served Directly	4
A-6.	Payment to Individuals	4
A-7.	Management Fees and Expenses	5
A-8.	Important Changes During Year	7
B	Balance Sheet Schedules	
B-10.	Balance Sheet	8-9
B-11.	Income Statement	11
B-12A.	Analysis of Telecommunications Plant Accounts	12-13
B-12B.	Analysis of Telecommunications Plant-in-Service Retired	15
B-12C.	Analysis of Entries in Property Held for Future Telecommunications Use	16-17
B-12D.	Capital Leases	18-19
B-13A.	Analysis of Telecommunications Plant Acquired	20-21
B-13B.	Analysis of Telecommunications Plant Purchased From or Sold To Affiliates	22
B-14A.	Analysis of Entries in Accumulated Depreciation	24-27
B-14B.	Bases of Charges for Depreciation	28
B-15.	Analysis of Entries in Accumulated Amortization	29
B-16.	Statement of Changes in Financial Position	30-31
B-17.	Receivables and Investments Affiliated and Non-Affiliated Companies	32-33
B-18.	Other Prepayments	34
B-19.	Other Current Assets	35
B-20.	Sinking Funds	36
B-21.	Other Noncurrent Assets	37
B-22.	Deferred Charges	38
B-23.	Unamortized Debt Issuance Expense	39
B-24.	Long-Term Debt	40
B-25.	Notes Payable	41
B-26.	Accounts Payable	42
B-29.	Other Long Term Liabilities	43
B-30A.	Other Deferred Credits	44
B-30B.	Net Deferred Operating Income Taxes	45
B-30C.	Net Deferred Non-Operating Income Taxes	46-47
B-31.	Retained Earnings	49
B-32.	Dividends Declared	50
B-33.	Capital Stock	51
I	Income Statement Schedules	
I-34.	Operating Revenues	52
I-35.	Operating Expenses	53
I-35A.	Increase in Operating Expenses	54
I-35B.	Customer Operations Expenses and Corporate Operating Expenses	55
I-36A.	Other Operating Taxes	56
I-36B.	Prepaid Taxes and Tax Accruals	57
I-36C.	Nonoperating Taxes	58
I-36D.	Extraordinary Items	59
I-37.	Nonoperating Income and Expenses	60
I-38.	Other Operating Income and Expenses	60
I-39.	Special Expenses Attributable to Formal Regulatory Cases	61
I-40.	Advertising	62
I-41.	General Services and Licenses	63
I-42.	Membership Fees and Dues	64
I-43.	Donations or Payments for Services Rendered by Persons Other than Employees	65
S	Statistical Schedules	
S-1.	Switches and Access Lines In Service	66
S-2.	Outside Plant Statistics - Distribution/Feeder	67
S-3.	Outside Plant Statistics - Interoffice	68
S-4.	Pension Cost	69
	Signature Page/Oath	71

New Hampshire Public Utilities Commission / Annual Report Schedules
Analysis of Schedules filed by Verizon New Hampshire

Sch. #	Schedule Title Description	VZ-NH file w/PUC	VZ-NH Substitution Schedule and Reference to website links
A-1	General Information		
A-2	List of Officers	Yes	VZ Proxy Statement and VZ-NE 10K
A-3	List of Directors	Yes	VZ Proxy Statement and VZ-NE 10K
A-4	Shareholders and Voting Powers	Yes	
A-5	List of Exchanges Served Directly	Yes	See Sheet labeled "Exchanges"
A-6	Payments to Individuals	Yes	See Sheet labeled "Payments"
A-7	Management Fees and Expenses	Yes	
A-8	Important Changes during Year	Yes	
B-10	Balance Sheet	Yes	VZ-NE ARMIS 43-02 Table B-1
B-11	Income Statement	Yes	
B-12A	Analysis of Telecommunications Plant Accounts	Yes	
B-12B	Analysis of Telecommunications Plant-in-Service Retired	Yes	
B-12C	Analysis of Entries in Property Held for Future Telecommunications Use	Yes	
B-12D	Capital Leases	Yes	
B-13A	Analysis of Telecommunications Plant Acquired	Yes	
B-13B	Analysis of Telecommunications Plant Purchased from or Sold to Affiliates	Yes	
B-14A	Analysis of Entries in Accumulated Depreciation	Yes	
B-14B	Bases of Charges for Depreciation	Yes	
B-15	Analysis of Entries in Accumulated Amortization	Yes	
B-16	Statement of Cash Flow	No	VZ-NE ARMIS 43-02 Table B-2
B-17	Receivables and Investments Affiliated and Non-Affiliated Companies	No	VZ-NE ARMIS 43-02 Table B-3
B-18	Other Payments	No	VZ-NE ARMIS 43-02 Table B-1
B-19	Other Current Assets	No	VZ-NE ARMIS 43-02 Table B-1
B-20	Sinking Funds	No	VZ-NE ARMIS 43-02 Table B-1
B-21	Other Non-current Assets	No	VZ-NE ARMIS 43-02 Table B-1
B-22	Deferred Charges	No	VZ-NE ARMIS 43-02 Table B-1
B-23	Unamortized Debt Issuance Expense	No	See Sheet labeled "Debt"
B-24	Long Term Debt	No	See Sheet labeled "Debt"
B-25	Notes Payable	No	See Sheet labeled "Debt"
B-26	Accounts Payable	No	VZ-NE ARMIS 43-02 Table B-10
B-29	Other Long Term Liabilities	No	VZ-NE ARMIS 43-02 Table B-1
B-30A	Other Deferred Credits	Yes	
B-30B	Net Deferred Operating Income Taxes	Yes	

B-30C	Net Deferred Non-Operating Income Taxes		
B-31	Retained Earnings		VZ-NE ARMIS 43-02 Table B-1
B-32	Dividends Declared	No	VZ-NE ARMIS 43-02 Table B-1
B-33	Capital Stock	No	VZ-NE ARMIS 43-02 Table B-1
I-34	Operating Revenues	Yes	
I-35	Operating Expenses	Yes	
I-35A	Increase in Operating Expenses	Yes	
I-35B	Customer Operations Expenses and Corporate Operating Expenses	Yes	
I-36A	Other Operating Taxes	Yes	
I-36B	Prepaid Taxes and Tax Accruals	Yes	
I-36C	Nonoperating Taxes	Yes	
I-36D	Extraordinary Items	Yes	
I-37	Non-operating Income and Expenses	Yes	
I-38	Other Operating Income and Expenses	Yes	
I-39	Special Expenses Attributable to Formal Regulatory Cases	Yes	
I-40	Advertising	Yes	
I-41	General Services and Licenses	Yes	
I-42	Membership Fees and Dues	Yes	
I-43	Donations of Payments for Services Rendered by Persons Other than Employees	No	VZ-NE ARMIS 43-02 Table I
S-1	Switches and Access Lines in Service	No	VZ-NE ARMIS 43-08 Table II & Table III
S-2	Outside Plant Statistics – Distribution and Feeder	No	VZ-NE ARMIS 43-08 Table 1.A
S-3	Outside Plant Statistics – Interoffice	No	VZ-NE ARMIS 43-08 Table 1.B
S-4	Pension Cost	Yes	
	Oath & Signature Page	Yes	

Additional Schedules Provided by Verizon – NH

Statement #1	Telephone Service Provided to Employees without Charge for Company Business Purposes; Telephone Service Provided without Charge for Employees with 30 or More Years Credited Services; Telephone Service Provided at ½ the Established Rates to Employees of 6 Months Service; Estimated Annual Revenue.
Statement #1a	Number of Employees Provided with Telephone Service at Reduced Rates in 2002 and Estimated Annual Intrastate Revenue Related to Employees Provided with Telephone Service at Reduced Rates in 2002.
Statement #2	Telephone Service Provided to Company Directors without Charge
Statement #3	Obsolete Rates – December 31, 2002
Statement #4	Total Conversation Minutes (Retail) and Number of Verizon Lines.

Copies of ARMIS Reports filed with the FCC

VZ-NE & VZ-NH ARMIS 43-02	
VZ-NH ARMIS 43-08	

GENERAL INFORMATION

A-1. IDENTITY OF RESPONDENT

1. Give the exact name under which the utility does business: Verizon New England Inc.

2. Full name of any other utility acquired during the year and date of acquisition:

3. Location of principal office: 185 Franklin Street, Boston, MA 02110

4. State whether the utility is a corporation, joint stock association, trust or partnership, or an individual: Corporation

5. If a corporation or association, give date of incorporation, State under whose laws incorporated, and whether incorporated under special law: October 19, 1883

6. If incorporated under special act, given chapter and session date:

7. Give date when company was originally organized and date of any reorganization:

8. Name and addresses of principal offices of any corporations, trusts or associations owning, controlling or operating respondent:

9. Name and addresses of principal offices of any corporations, trusts or associations owned, controlled or operated by the respondent:

10. Date when respondent first began to operate as a utility: October 19, 1883

11. If the respondent is engaged in any business not related to utility operation, provide all details*:

12. If the status of the respondent has changed during the year in respect to any of the statements made above, provide all details, including dates:

13. If the utility is a foreign corporation which operated in New Hampshire prior to June 1, 1911, give date in which permission was granted to operate under NH. Rev. Stat. Ann 374:25, Exceptions and NH. Rev. Stat. Ann. 374:26 Permission.

*If engaged in operations of utilities of more than one type, give dates for each.

A-2. OTHER PUBLISHED ANNUAL REPORTS

REPORT TO STOCKHOLDERS/MEMBERS. A copy of the annual report to stockholders or members [] was [] will be sent to NH PUC on or about
 Annual reports to stockholders or members are not published.

RUS REPORT. A copy of the published annual report to the Rural Utilities Service [] was [] will be sent to NH PUC on or about
 The respondent does not report to the Rural Utilities Service

LEC REPORT. A copy of the respondent's Annual Report for Local Exchange Carriers to NH PUC is attached.

A-2. LIST OF OFFICERS

*Includes compensation received from all sources except directors fees.

Line No.	Title of Officer	Name	Residence	Compensation*
1	Chrman of Bd, Pres.& CEO	Ivan G. Seidenberg		\$ -
2	Secretary	Marianne Drost		\$ -
3	Chief Financial Officer	Edwin F. Hall		\$ -
4	Vice President & Treasurer	William F. Heitmann		\$ -
5	Region President-Operations	W. Robert Mudge		\$ -
* Note: For details on compensation, please refer to Verizon's Proxy Statement and New England Telephone's Form 10K @ SEC Filings - Verizon				

A-3. LIST OF DIRECTORS

	Name	Residence	Length of Term	Term Expires	No. of Meetings Attended Year	Annual Fees*
16	James R. Barker	Stamford, CT				
17	Edward H. Budd	Glastonbury, CT				
18	Richard L. Carrion	Hato Rey, Puerto Rico				
19	Robert F. Daniell	Hartford, CT				
20	Helene L. Kaplan	New York, NY				
21	Charles R. Lee	New York, NY				
22	Sandra O. Moose	Boston, MA				
23	Joseph Neubauer	Philadelphia, PA				
24	Thomas H. O'Brien	Pittsburgh, PA				
25	Russell E. Palmer	Philadelphia, PA				
26	Hugh B. Price	New York, NY				
27	Ivan G. Seidenberg	New York, NY				
28	Walter V. Shipley	New York, NY				
29	John W. Snow	Richmond, VA				
30	John R. Stafford	Madison, NJ				
31	Robert D. Storey	Cleveland, OH				
30	State Directors' fee per meeting:*					

A-4. SHAREHOLDERS AND VOTING POWERS

Line No.	<p>1 State total of voting power of all security holders at close of year: Votes:</p> <p>2 State total number of shareholders of record at close of year according to classes of stock</p> <p>3</p> <p>4</p> <p>5 State the total number of votes cast at the latest general meeting:</p> <p>6 Give date and place of such meeting</p> <p>Give the following information concerning the ten security holders having the highest voting powers in the corporation, the officers, directors and each holder of one percent or more of the voting capital stock. (Section 7, Chapter 182. Laws of 1933)</p>				
	Name	Address	No. of Votes	Number of Shares Owned	
				Common	Preferred
7	NYNEX Corporation	335 Madison Avenue New York, NY 10017		1	
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
		Totals	-	1	-0-

A-5. LIST OF EXCHANGES SERVED DIRECTLY

List individually each exchange name, exchange NXX, towns served directly, indicating those in which franchise is for limited area by an asterisk (*) after the town/area's name.

Line No.	Exchange Name	Exchange NXX	Towns Served	Number of Customers	Line No.	Exchange Name	Exchange NXX	Towns Served	Number of Customers
1					16				
2	Please refer to the sheet in this file labeled "Exchanges"				17				
3					18				
4					19				
5					20				
6					21				
7					22				
8					23				
9					24				
10					25				
11					26				
12					27				
13					28				
14					29				
15					30				
Sub-Totals Forward:				-	Totals:				-

A-6. PAYMENTS TO INDIVIDUALS

List here names of all individuals, partnerships, or corporations, to whom payments totaling \$10,000 or more for services rendered were made or accrued during the year, and the amount paid or accrued to each. Where payments or accruals to the individual members of a partnership or firm together total \$10,000 or more, list each individual and the amount paid or due each.

Line No.	Name	Address	Amount
1			
2	Please refer to the sheet in this file labeled "Payments"		
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
Total			\$ -

A-7. MANAGEMENT FEES AND EXPENSES

List all individuals, associations, partnerships, corporations or concerns with whom the company has any contract or agreement covering management or supervision of its affairs such as accounting, financing, engineering, construction, purchasing, operation, etc., and show the total amount paid to each for the year. Designate by asterisk (*) those organizations which are "Affiliates" as defined in Chapter 182, Section 1, Laws of 1993.

Line No.	Name	Date of Contract	Date of Expiration	Character of Service	Amount Paid or Accrued for Each Class	Distribution of Accrual or Payments			
						To Fixed Capital	To Operating Exp.	To Other Accts.	
1							\$ -		
2									
3	Refer to Schedule I-41 for VZ-NH Costs for Services provided by Affiliates and the Sheet labeled "Payments" for payments to individuals over \$10,000.								
4									
5									
6									
7									
8									
9									
10									
11									
12									
13									
14									
15									
16									
17									
18									
19									
20									
21									
22									
23									
24									
25									
26									
27									
28									
29									
30									
31									
32	Have copies of all such contracts or agreements been filed with the Commission?								
					Totals	\$ -	\$ -	\$ -	\$ -

RESERVED

A-8. IMPORTANT CHANGES DURING THE YEAR

Give concise answers to each of the following, numbering them in accordance with the inquiries. Each inquiry should be answered. If "none" or "not applicable" states the fact, that response should be made. If information which answers an inquiry is given elsewhere in the report, reference to the schedule in which it appears will be sufficient.

1. List extensions of the systems (other than additions supplementing existing facilities of the respondent whether by purchase, construction, donation or otherwise. Give the location, new territory covered, and dates of beginning operation, and in case of purchase give also the name and address of the company from which purchased, date of acquisition, and the total consideration given, monetary and otherwise.
None

2. If during the year, a substantial portion or all of the property of the respondent was sold, merged, or abandoned, provide all details, including the location and territory covered. In case of sale or merger, give the effective date, name and address of the successor company, and the consideration given, monetary and otherwise.
None

3. Purchase or sale of an operating unit or system: Give a brief description of the property, and of the transactions relating thereto, and reference to Commission authorization, if any, that was required. Give the date of the journal entries, required by the Uniform System of Accounts that were submitted to the Commission.
None

4. Estimated increase or decrease in annual revenues due to important rate changes: State effective date and approximate amount of increase or decrease for each revenue classification and the customers affected.

**UNE Filing; effective date 6/15/02; annual impact \$(1.5M)
EAS tariff filing; effective November 2002; annual impact \$674K**

5. Obligation incurred or assumed by respondent as guarantor for the performance by another of any agreement or obligation, excluding ordinary commercial paper maturing on demand or not later than one year after date of issue: State on behalf of whom the obligation was assumed and amount of the obligation. Give reference to Commission authorization if any was required.

Please refer to Verizon-NH's semi-annual debt filing filed with the PUC on February 13, 2003.

6. Changes in articles of incorporation or amendments to charter: Explain the nature and purpose of such changes or amendments.
None

7. Attach a map defining the territory covered by the respondent's operations. A new map is required when changes in territory have occurred and in each year ending in 0 or 5 (e.g., 1990 or 1995). In all other years reference to the report in which the map last appears will be sufficient.

Please refer to Verizon-NH's map filed with the PUC in January 2003.

8. State the annual effect of each important change in wage scales. Include also the effective date and the portion applicable to operations.
The Associate contract is in effect from 8/4/02-8/2/03. The last contracted wage table increase equates to an estimated annual increase of \$3.5M. Management wage increases are tied to individual performance and are not guaranteed. Management increases are effective the first pay period in April and for 2002, the increase was worth approximately \$500K.

9. State briefly the status of any materially important transactions of the respondent not disclosed elsewhere in this report in which an officer, director, security holder reported on page 6, voting trustee, associated company or known associate of any of these persons was a party or in which any such person had a material interest.

**Please refer to Verizon-NE's Annual 10K report @
SEC Filings - Verizon**

The limited information reported on this schedule is at a VZ-NH level. The rest of the accounts are reported at a VZ-NE level and can be found in Table B-1 of the VZ-NE Armis 43-02 report filed with the FCC.

ARMIS Data Retrieval System

B-10. BALANCE SHEET					
Assets and Other Debits					
Verizon-New Hampshire \$(000)					
Line No.	Accounts (a)	See Sch.	Current Year End Balance	Previous Year End Balance	Increase or Decrease (d)
CURRENT ASSETS					
1	1130 Cash				\$ -
2	1130.1 REA Cash				\$ -
3	1130.2 Cash Savings				\$ -
4	1140 Special Cash Deposits				\$ -
5	1150 Working Cash Advances				\$ -
6	1160 Temporary Investments	17	\$ -		\$ -
7	1180 Telecommunications Accounts Receivable	17	\$ -		\$ -
8	1181 Accounts Receivable Allowance-Telecom	17	\$ -		\$ -
9	1190.1 Accounts Receivable from Affiliated Co.	17	\$ -		\$ -
10	1190.2 Other Accounts Receivable	17	\$ -		\$ -
11	1191 Accounts Receivable Allow.-Affiliates	17	\$ -		\$ -
12	1200.1 Notes Receivable from Affiliated Companies	17	\$ -		\$ -
13	1200.2 Other Notes Receivable	17	\$ -		\$ -
14	1201 Notes Receivable Allow.-Affiliates	17	\$ -		\$ -
15	1210 Interest and Dividends Receivable	17	\$ -		\$ -
16	1220 Material and Supplies				\$ -
17	1290 Prepaid Rents				\$ -
18	1300 Prepaid Taxes	36B	\$ (1)	\$ -	\$ (1)
19	1310 Prepaid Insurance				\$ -
20	1320 Prepaid Directory Expenses				\$ -
21	1330 Other Prepayments	18	\$ -		\$ -
22	1350 Other Current Assets	19	\$ -		\$ -
23	1360 Current Deferred Income Taxes-Dr.				\$ -
24	Total Current Assets				
NONCURRENT ASSETS					
25	1401 Investments in Affiliated Companies	17	\$ -		\$ -
26	1402 Investments in Non-Affiliated Companies	17	\$ -		\$ -
27	1406 Nonregulated Investments				\$ -
28	1407 Unamortized Debt Issuance Expense	23	\$ -		\$ -
29	1408 Sinking Funds	20	\$ -		\$ -
30	1410 Other Noncurrent Assets	21	\$ -		\$ -
31	1438 Deferred Maintenance & Retirement	22	\$ -		\$ -
32	1439 Deferred Charges	22	\$ -		\$ -
33	Total Noncurrent Assets		\$ -	\$ -	\$ -
REGULATED PLANT					
34	2001 Telecommunications Plant in Service	12A	\$ 2,091,403	\$ 2,045,418	\$ 45,985
35	2002 Property Held for Future Telecom. Use	12A	\$ -	\$ -	\$ -
36	2003 Telecom. Plant Under Const.-Short Term	12A	\$ 13,321	\$ 19,796	\$ (6,475)
37	2004 Telecom. Plant Under Const.-Long Term	12A	\$ -	\$ -	\$ -
38	2005 Telecommunications Plant Adjustment	12A	\$ -	\$ -	\$ -
39	2006 Nonoperating Plant	12A	\$ 2,053	\$ 5,486	\$ (3,433)
40	2007 Goodwill	12A	\$ -	\$ -	\$ -
41	Total Regulated Telecommunications Plant		\$ 2,106,777	\$ 2,070,700	\$ 36,077
42	3100-3200 Less: Accumulated Depreciation	14A	\$ 1,258,949	\$ 1,166,084	\$ 92,865
43	3300 Less: Accumulated Depreciation-Non op		\$ 22	\$ 22	\$ -
44	3410-3600 Less: Accumulated Amortization	15	\$ 17,962	\$ 19,157	\$ (1,195)
45	Net Telecommunications Plant		\$ 829,844	\$ 885,437	\$ (55,593)
46	Telecommunications Plant Adjustment				\$ -
47	TOTAL ASSETS AND OTHER DEBITS				

B-10. BALANCE SHEET					
Liabilities and Stockholders' Equity					
Verizon New Hampshire \$(000)					
Line No.	Accounts (a)	See Sch.	Current Year End Balance	Previous Year End Balance	Increase or (Decrease) (d)
CURRENT LIABILITIES					
1	4010	26	\$ -		\$ -
2	4020	25	\$ -		\$ -
3	4030				\$ -
4	4040				\$ -
5	4050		\$ -		\$ -
6	4060	12D	\$ -		\$ -
7	4070	36B	\$ 64,954	\$ 59,636	\$ 5,318
8	4080	36B	\$ 10,773	\$ 11,710	\$ (937)
9	4100	30B	\$ (4,146)	\$ (756)	\$ (3,391)
10	4110	30C	\$ (226)	\$ (226)	\$ -
11	4120	26	\$ -		\$ -
12	4130	26	\$ -		\$ -
13	Total Current Liabilities				
LONG TERM DEBT					
14	4210	24	\$ -		\$ -
15	4220				\$ -
16	4230				\$ -
17	4240				\$ -
18	4250	12D	\$ -	\$ -	\$ -
19	4260	24			\$ -
20	4270	24			\$ -
21	Total Long Term Debt		\$ -	\$ -	\$ -
OTHER LIABILITIES AND DEFERRED CREDITS					
22	4310	29	\$ -		\$ -
23	4320				\$ -
24	4330				\$ -
	4340	30B	\$ 83,187	\$ 67,819	\$ 15,367
	4350	30C	\$ (3,583)	\$ (780)	\$ (2,803)
27	4360	30A	\$ -		\$ -
28	Total Other Liabilities and Deferred Credits				
STOCKHOLDERS' EQUITY					
29	4510.1	33	\$ -		\$ -
30	4510.2	33	\$ -		\$ -
31	4520	33	\$ -		\$ -
32	4530.1				\$ -
33	4530.2				\$ -
34	4540				\$ -
35	4550	31	\$ -		\$ -
36	Total Stockholders' Equity		\$ -	\$ -	\$ -
37	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY			\$ -	\$ -

RESERVED

B-11. INCOME STATEMENT				
Verizon-New Hampshire \$(000)				
L No.	Item (a)	See Sch.	Amount for the Current Year (b)	Increase over Preceding Year (c)
INCOME				
TELEPHONE OPERATING INCOME				
1	Operating Revenues	34	\$ 463,680	\$ (43,939)
2	Operating Expenses	35	\$ 404,103	\$ 12,363
3	Net Telephone Operating Revenues		\$ 59,577	\$ (56,302)
OTHER OPERATING INCOME AND EXPENSES				
4	7100 Other Operating Income and Expense	38	\$ 10	\$ (3,463)
5	Telephone Operating Revenue Before Taxes		\$ 59,587	\$ (59,765)
OPERATING TAXES				
6	7210 Operating Investment Tax Credits-Net		\$ (930)	\$ 1,055
7	7220 Operating Federal Income Taxes		\$ 4,793	\$ (25,600)
8	7230 Operating State and Local Income Taxes		\$ 1,546	\$ (4,408)
9	7240 Other Operating Taxes	36A	\$ 3,152	\$ (865)
10	7250 Provision for Deferred Operating Income Taxes-Net	30B	\$ 8,695	\$ 7,392
11	Total Operating Taxes		\$ 17,256	\$ (22,426)
12	Net Operating Income		\$ 42,331	\$ (37,339)
NON-OPERATING INCOME AND EXPENSES				
13	7300 Non-Operating Income and Expenses	37	\$ 3,524	\$ 21,988
14				
NON-OPERATING TAXES				
15	7400 Non-Operating Taxes	36C	\$ (307)	\$ (651)
16				
17	Net Non-Operating Income		\$ 3,830	\$ 22,639
18	Income Available for Fixed Charges		\$ 46,162	\$ (14,700)
INTEREST AND RELATED ITEMS				
19	7510 Interest on Funded Debt	24	\$ 18,409	\$ 2,429
20	7520 Interest Expense-Capital Leases	12D	\$ -	\$ -
21	7530 Amortization of Debt Issuance Expense	23	\$ 339	\$ 242
22	7540 Other Interest Deductions		\$ 1,123	\$ (4,521)
23	Total Interest and Related Items		\$ 19,871	\$ (1,850)
24	Income Before Extraordinary Items		\$ 26,291	\$ (12,850)
EXTRAORDINARY ITEMS				
25	7600 Extraordinary Items	36D	\$ (2,585)	\$ (2,610)
26				
JURISDICTIONAL DIFFERENCES AND NON-REGULATED INCOME ITEMS				
27	7910 Income Effects of jurisdictional differences		\$ (228)	\$ 2,724
28	7990 Non-Regulated Net Income		\$ -	\$ -
29	Total Jurisdictional Differences and Extraordinary Items		\$ (2,813)	\$ 114
30	Net Income	16	\$ 23,478	\$ (12,736)

NOTES TO INCOME STATEMENT

- Refunds to subscribers, in the event of an adverse decision in pending rate proceedings, would reduce the amount of "Operating revenues" for the current year by approximately : \$
- Investment credits realized were given immediate total flow through treatment in the amount of : \$
- The rate(s) used during the year in capitalizing interest during construction and basis upon which the rate(s) was determined.

B-12A. ANALYSIS OF TELECOMMUNICATIONS PLANT ACCOUNTS
Verizon-New Hampshire \$(000)

1. Report in Column (c) all amounts relating to purchases of plant accounted for in accordance with Paragraphs (1) and (2) of Puc 409.03 (b) of the Uniform System of Accounts for Telecommunications Companies.
2. Each transfer or adjustment between accounts listed in this schedule, or between accounts listed in this schedule and other accounts, shall be included in column (g) and explained in a note, except the following which shall be included in columns (c) thru (f), as appropriate: (1) transfers and adjustments amounting to less than \$5,000; (2) adjustments and corrections of additions and retirements for the current or the preceding year; (3) transfers involving account 2003 and 2004, the plant accounts, the account 2002 made in connection with the closing of records of construction work orders or authorizations, and (4) routine entries relating to the acquisition, sale, retirement, or change in the use of plant, such as transfers among accounts 2111 to 2690, inclusive, 1439, 2002 and 2005.
3. Credits to accounts listed in this schedule relating to property retired and charged to account 2006 "Non-Operating Plant" shall be included in column (f).
4. List each of the depreciable plant accounts and all subclasses of plant in column (a) for which a depreciable rate has been determined and as a subtotal for each primary account.

Line No.	Account (a)	Balance At Beginning Of The Year (b)	CHARGES DURING THE YEAR		CREDITS DURING THE YEAR			Balance At End Of The Year (h)
			Plant Acquired From Predecessors (See Inst. 1) (c)	Other Plant Added (d)	Plant Sold With Traffic (e)	Transfers and Other Plant Retired (f)	Adjustments (Charges and Credits) (g)	
TELECOMMUNICATIONS PLANT IN SERVICE								
1	2002 Property Held for Future Telecom Use							\$ -
2	2003 Telecommunications Plant Under Construction - Short Term	\$ 19,796					\$ 6,475	\$ 13,321
3	2004 Telecommunications Plant Under Construction - Long Term							\$ -
4	2005 Telecommunications Plant Adjustment							\$ -
5	2006 Non-Operating Plant	\$ 5,486					\$ 3,433	\$ 2,053
6	2007 Goodwill							\$ -
7	Subtotal	\$ 25,282	\$ -	\$ -	\$ -	\$ -	\$ 9,908	\$ 15,374
LAND AND SUPPORT ASSETS								
8	2111 Land	\$ 3,579		\$ 616		\$ -	\$ -	\$ 4,195
9	2112 Motor Vehicles	\$ 10,322		\$ 1,188		\$ 135	\$ (2,533)	\$ 13,908
10	2113 Aircraft			\$ -		\$ -	\$ -	\$ -
11	2114 Special Purpose Vehicles			\$ -		\$ -	\$ -	\$ -
12	2115 Garage Work Equipment			\$ -		\$ -	\$ -	\$ -
13	2116 Tools & Other Work Equipment	\$ 16,541		\$ 1,361		\$ 1,767	\$ 17	\$ 16,118
14	2121 Buildings	\$ 93,719		\$ 7,290		\$ 1,211	\$ (172)	\$ 99,970
15	2122 Furniture	\$ 1,585		\$ -		\$ 2	\$ -	\$ 1,583
16	2123 Office Equipment	\$ 7,448		\$ 5		\$ 1,665	\$ 2,128	\$ 3,660
17	2124 General Purpose Computers	\$ 10,156		\$ 1,414		\$ 3,623	\$ (1,599)	\$ 9,546
18	Subtotal	\$ 143,350	\$ -	\$ 11,874	\$ -	\$ 8,403	\$ (2,159)	\$ 148,980

B-12A. ANALYSIS OF TELECOMMUNICATIONS PLANT ACCOUNTS (continued)
Verizon-New Hampshire \$(000)

Line No.	Account (a)	Balance At Beginning Of The Year (b)	CHARGES DURING THE YEAR		CREDITS DURING THE YEAR			Balance At End Of The Year (h)
			Plant Acquired From Predecessors (See Inst. 1) (c)	Other Plant Added (d)	Plant Sold With Traffic (e)	Transfers and Other Plant Retired (f)	Adjustments (Charges and Credits) (g)	
CENTRAL OFFICE SWITCHING								
19	2211 Analog Electronic Switching	\$ (4)					\$ (4)	\$ -
20	2212 Digital Electronic Switching	\$ 416,818		\$ 13,464		\$ 7,836	\$ 496	\$ 421,950
21	2215 Electro-Mechanical Switching	\$ -						\$ -
22	2220 Operator System	\$ 1,104		\$ -		\$ -	\$ -	\$ 1,104
23	2230 Central Office Transmission	\$ 482,525		\$ 27,964		\$ 13,289	\$ (853)	\$ 498,053
24	Subtotal	\$ 900,443	\$ -	\$ 41,428	\$ -	\$ 21,125	\$ (361)	\$ 921,107
INFORMATION ORIGATION-TERMINATION								
25	2311 Station Apparatus							\$ -
26	2321 Customer Premises Wiring							\$ -
27	2341 Large Private Branch Exchanges							\$ -
28	2351 Public Telephone Terminal Equipment	\$ 8,334		\$ 1			\$ (29)	\$ 8,364
29	2362 Other Terminal Equipment	\$ 20,368		\$ 1,270		\$ 3,478	\$ 903	\$ 17,257
30	Subtotal	\$ 28,702	\$ -	\$ 1,271	\$ -	\$ 3,478	\$ 874	\$ 25,621
CABLE AND WIRE FACILITIES								
31	2411 Poles	\$ 144,958		\$ 7,513		\$ 1,026	\$ (77)	\$ 151,522
32	2421 Aerial Cable	\$ 497,640		\$ 15,325		\$ 2,679	\$ (370)	\$ 510,656
33	2422 Underground Cable	\$ 128,633		\$ 4,915		\$ 886	\$ 3	\$ 132,659
34	2423 Buried Cable	\$ 52,362		\$ 508		\$ 251	\$ -	\$ 52,619
35	2424 Submarine Cable	\$ 1,127		\$ 992		\$ -	\$ 986	\$ 1,133
36	2426 Intrabuilding Network Cable	\$ 1,115		\$ -		\$ -	\$ -	\$ 1,115
37	2431 Aerial Wire	\$ (12)		\$ -		\$ -	\$ (12)	\$ -
38	2441 Conduit System	\$ 106,136		\$ 2,089		\$ 206	\$ 29	\$ 107,990
39	Subtotal	\$ 931,959	\$ -	\$ 31,342	\$ -	\$ 5,048	\$ 559	\$ 957,694
AMORTIZABLE ASSETS								
40	2681 Capital Leases	\$ -						\$ -
41	2682 Leasehold Improvements	\$ 6,902		\$ 458		\$ 3,004	\$ (181)	\$ 4,537
42	2690 Intangibles	\$ 34,061		\$ 2,654		\$ 4,813	\$ (1,562)	\$ 33,464
43	Subtotal	\$ 40,963	\$ -	\$ 3,112	\$ -	\$ 7,817	\$ (1,743)	\$ 38,001
44	2001 (A/C 2110 thru 2690) (Summary A/C)	\$ 2,045,417	\$ -	\$ 89,027	\$ -	\$ 45,871	\$ (2,830)	\$ 2,091,403
45	Total	\$ 2,070,699	\$ -	\$ 89,027	\$ -	\$ 45,871	\$ 7,078	\$ 2,106,777

RESERVED

B-12B. ANALYSIS OF TELECOMMUNICATIONS PLANT-IN-SERVICE RETIRED
Verizon-New Hampshire \$(000)

1. Respondents shall report in column (b) amounts charged or credited to the accounts identified in column (a) that are related to plant sold with traffic and in column (c) amounts charged or credited to the accounts identified in column (a) that are related to other plant retired.
2. Charges to Account 3100, Accumulated Depreciation, reported in column (c) shall be reported gross salvage and cost of removal entries (see Schedule 14A).
3. In the space provided at the bottom of the schedule, respondents shall provide a full explanation of other accounts charged or credited.

Line No.	Account Charged (or Credited) (a)	AMOUNTS RELATING TO	
		Plant Sold With Traffic (b)	Other Plant Retired (c)
1	3100 Accumulated Depreciation		\$ 38,054
2	3200 Accumulated Depreciation - Held for Future Telecom. Use		
3	3300 Accumulated Depreciation - Non-Operating		
4	3410 Accumulated Amortization - Capitalized Leases		
5	3420 Accumulated Amortization - Leasehold Improvements		\$ 3,004
6	3500 Accumulated Amortization - Intangible		\$ 4,813
7	3600 Accumulated Amortization - Other		
8	2006 Non-Operating Plant		
9	7150 Gains and Losses from the Disposition of Land and Artwork		
10	7160 Other Operating Gains and Losses		
11	Cash or Other Asset Account (Net Selling Price of Depreciable Plant Sold With Traffic)		
12	Cash or Other Asset Account (Net Selling Price of Nondepreciable Plant Sold)		
13	Other Accounts Specified		
14			
	Totals	\$ -	\$ 45,871

FULL EXPLANATION OF AMOUNTS REPORTED ABOVE ON LINE 13:

B-12C. ANALYSIS OF ENTRIES IN PROPERTY HELD FOR FUTURE TELECOMMUNICATIONS USE (Account 2002)

1. Respondents shall report in column (a) each item amounting individually to \$5,000 or more and report all others in the aggregate. Amounts reported on this schedule shall be rounded to the nearest thousand dollars
2. In column (b) respondents shall enter the date the property was recorded in Account 2002, Property Held for the Future Telecommunications Use.
3. In column (c) respondents shall enter the dollars related to the property identified in column (a) at the beginning of the calendar year covered by the report.

Line No.	Location and Description of Property (a)	Date Included in Account 2002 (b)	Book cost of Property Beginning of Year (c)
1	Nothing to report		\$ -
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
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41			
42			

B-12C. ANALYSIS OF ENTRIES IN PROPERTY HELD FOR FUTURE TELECOMMUNICATIONS USE (Account 2002) (continued)

- 4. In column (d) and (e) respondents shall enter additions and retirements, respectively.
- 5. In column (f) respondents shall enter transfers and adjustments and corrections during the calendar year and fully explain each amount recorded in column (f) which exceeds \$1,000.
- 6. In column (g) respondents shall enter the dollars related to the property identified in column (a) remaining Account 2002 at the close of the calendar year.

Line No.	Additions During the Year (d)	Retirements During the Year (e)	Transfers and Adjustments Charges and (Credits) (f)	Book cost of Property at End of Year (g)
1	\$ -	\$ -	\$ -	\$ -
2				\$ -
3				\$ -
4				\$ -
5				\$ -
6				\$ -
7				\$ -
8				\$ -
9				\$ -
10				\$ -
11				\$ -
12				\$ -
13				\$ -
14				\$ -
15				\$ -
16				\$ -
17				\$ -
18				\$ -
19				\$ -
20				\$ -
21				\$ -
22				\$ -
23				\$ -
24				\$ -
25				\$ -
26				\$ -
27				\$ -
28				\$ -
29				\$ -
30				\$ -
31				\$ -
32				\$ -
33				\$ -
34				\$ -
35				\$ -
36				\$ -
37				\$ -
38				\$ -
39				\$ -
40				\$ -
41				\$ -
42				\$ -

B-12D. CAPITAL LEASES

1. In column (a) on page 1, the respondent shall list in account number order each category of plant (Class A account level) for which capital leases are recorded.
2. In succeeding columns, respondents shall disclose in column (b) the present value of the lease commitment at the inception of the lease, in column (c) the accumulated amortization at the close of the period covered by the report, and column (d) the net book value balance at the close of the period (column b minus column c).

Line No.	Type of Property (a)	Capitalized Amount (b)	Accumulated Amortization in Account 3410 (c)	Balance (d)
1	Nothing to report		\$ -	\$ -
2				\$ -
3				\$ -
4				\$ -
5				\$ -
6				\$ -
7				\$ -
8				\$ -
9				\$ -
10				\$ -
11				\$ -
12				\$ -
13				\$ -
14				\$ -
15				\$ -
16				\$ -
17				\$ -
18				\$ -
19				\$ -
20				\$ -
21				\$ -
22				\$ -
23				\$ -
24				\$ -
25				\$ -
26				\$ -
27				\$ -
28				\$ -
29				\$ -
30		Total	\$ -	\$ -

B-12D. CAPITAL LEASES (continued)

3. In column (e) on page 2, the respondents shall list in account number each category of plant for which capital leases are recorded. Line numbers on page 2 shall correspond with line numbers on page 1.
4. In column (f) and (g) respondents shall disclose the amount of the lease obligation to be paid during the coming year to the lessor and the remaining long-term lease obligation at the close of the year covered by the report.
5. In column (h), (i) and (j), respondents shall report the annual lease cost components called for in the column headings and paid during the year covered by the report.

Line No.	Type of Property (e)	Lease Obligation		Annual Lease Cost Components		
		Current Account 4060 (f)	Long-Term Account 4250 (g)	Amortization Account 6563 (h)	Interest Account 7520 (i)	Other (j)
1	Nothing to report					
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
21						
22						
23						
24						
25						
26						
27						
28						
29						
30		Total	\$ -	\$ -	\$ -	\$ -

B-13A. ANALYSIS OF TELECOMMUNICATIONS PLANT ACQUIRED (Account 1439)

1. Report separately each acquisition with respect to which an amount was included in account 1439 at any time during the year, except that minor acquisitions, each with a purchase price of less than \$10,000 accounted for (a) on the basis of cost of acquisition, or (b) on the basis of original cost where there were no entries in account 2005, "Telecommunications Plant Adjustment" may be reported in the aggregate on a separate line for each group.
2. List first the data relating to those acquisitions included in account 1439 at the beginning of the year (except minor acquisitions) and the list data for the acquisition during the year.

Line No.	Name of Vendor (a)	Balance at Beginning of the Year (b)	DEBITS DURING THE YEAR			
			Purchase Price (c)	Reserve Requirement (d)	Acquisitions Expenses (e)	Other (g)
1	Nothing to report					
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
21		Total	\$ -	\$ -	\$ -	\$ -

B-13A. ANALYSIS OF TELECOMMUNICATIONS PLANT ACQUIRED (Account 1439) (continued)

- 3. Show in notes the character of amounts reported in column (i).
- 4. Clearances of residual credit amounts from account 1439 to account 2005 shall be reported in column (h) enclosed in parentheses.

Line No.	Name of Vendor (a)	CREDITS DURING THE YEAR				Balance at End Of the Year (k)
		Amounts Cleared to		Other Clearances		
		Account 2001 (g)	Account 2005 (h)	Acct. No. (i)	Amount (j)	
1						\$ -
2						\$ -
3						\$ -
4						\$ -
5						\$ -
6						\$ -
7						\$ -
8						\$ -
9						\$ -
10						\$ -
11						\$ -
12						\$ -
13						\$ -
14						\$ -
15						\$ -
16						\$ -
17						\$ -
18						\$ -
19						\$ -
20						\$ -
21	Total	\$ -	\$ -	\$ -	\$ -	\$ -

B-13B. ANALYSIS OF TELECOMMUNICATIONS PLANT PURCHASED FROM OR SOLD TO AFFILIATES

1. Report separately by affiliate and account number, sales and/or purchases with respect to which an amount was included in Account 2001 at any time during the year. The net book value included in column (f) shall equal gross investment less applicable accumulated depreciation and other appropriate items (column (e)).
2. A "P" in column (a) represents a purchase. An "S" in column (a) represents a sale.

Line No.	Type of Trans. (a)	Name of Affiliate (b)	Original Cost (c)	Accumulated Depreciation (d)	Other (e)	Net Book Value (f)	Fair Market Value (g)	Purchase Price (g)	Sale Price (h)
1		Nothing to report	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2									
3									
4									
5									
6									
7									
8									
9									
10									
11									
12									
13									
14									
15									
16									
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22									
23									
24									
25									
26									
27									
28									
29									

RESERVED

B-14A. ANALYSIS OF ENTRIES IN ACCUMULATED DEPRECIATION (Accounts 3100-3200)
Verizon-New Hampshire \$(000)

1. Respondents shall enter in column (b) the accumulated depreciation balance at the beginning of the calendar year for each line item in column (a).
2. Respondents shall enter in column (c) the credits to accumulated depreciation as a result of charges to Account 6561, Depreciation Expense, and in column (d) other credits to accumulated depreciation. Other credits shall be noted and explained in a separate sheet accompanying the schedule. In column (e) respondents will enter the total of credits reported in columns (c) and (d).

Line No.	Plant Account (a)	Balance At Beginning Of The Year (b)	Credits During the Year		Total (e)
			Charged to Accounts 6561* (c)	Other Credits (specified) (d)	
Support Assets					
1	2112 Motor Vehicles	\$ (411)	\$ 476	\$ 8	\$ 484
2	2113 Aircraft	\$ -			\$ -
3	2114 Special Purpose Vehicles				\$ -
4	2116 Tools & Other Work Equipment	\$ 9,622	\$ 1,153		\$ 1,153
5	2121 Buildings	\$ 29,440	\$ 2,687		\$ 2,687
6	2122 Furniture	\$ 570	\$ 111		\$ 111
7	2123 Office Equipment	\$ 2,313	\$ 349		\$ 349
8	Company Communications Equipment	\$ 760	\$ 285	\$ 3,003	\$ 3,288
9	2124 General Purpose Computers	\$ 7,676		\$ 5,714	\$ 5,714
10	Total Support Assets	\$ 49,970	\$ 5,061	\$ 8,725	\$ 13,786
Central Office Switching					
11	2211 Analog Electronic Switching	\$ (47)			\$ -
12	2212 Digital Electronic Switching	\$ 223,452	\$ 32,867	\$ 300	\$ 33,167
13	2215 Electro-Mechanical Switching	\$ -			\$ -
14	2220 Operator System	\$ 795	\$ 239		\$ 239
15	Total Central Office Switching	\$ 224,200	\$ 33,106	\$ 300	\$ 33,406
Central Office Transmission					
16	2230 Central Office Transmission	\$ 279,746	\$ 42,809		\$ 42,809
17	Total Central Office Transmission	\$ 279,746	\$ 42,809	\$ -	\$ 42,809
Information Origination/Termination					
18	2311 Station Apparatus	\$ -			\$ -
19	2321 Customer Premises Wiring	\$ -			\$ -
20	2341 Large Private Branch Exchanges	\$ -			\$ -
21	2351 Public Telephone Terminal Equipment	\$ 7,061	\$ 636		\$ 636
22	2362 Other Terminal Equipment	\$ 12,199	\$ 1,404		\$ 1,404
23	Total Information Origination/Termination	\$ 19,260	\$ 2,040	\$ -	\$ 2,040
Cable and Wire Facilities					
24	2411 Poles	\$ 79,585	\$ 8,597		\$ 8,597
25	2421 Aerial Cable	\$ 367,645	\$ 32,432		\$ 32,432
26	2422 Underground Cable	\$ 74,552	\$ 6,783		\$ 6,783
27	2423 Buried Cable	\$ 38,730	\$ 2,993		\$ 2,993
28	2424 Submarine Cable	\$ 965	\$ 70		\$ 70
29	2426 Intrabuilding Network Cable	\$ 881	\$ 77		\$ 77
30	2431 Aerial Wire	\$ -			\$ -
31	2441 Conduit System	\$ 30,550	\$ 2,355		\$ 2,355
32	Total Cable and Wire Facilities	\$ 592,908	\$ 53,307	\$ -	\$ 53,307
33	Other Account (specify):				\$ -
34	Total	\$ 1,166,084	\$ 136,323	\$ 9,025	\$ 145,348

* Includes salvage

** Includes cost of removal

B-14A. ANALYSIS OF ENTRIES IN ACCUMULATED DEPRECIATION (Accounts 3100-3200) (continued)
Verizon-New Hampshire \$(000)

Respondents shall report in column (f) and (h) charges (debits) to accumulated depreciation for plant sold with traffic and other plant retired, respectively. In column (h) respondents shall report other charges (debits) to accumulated depreciation. Other charges (debits) shall be noted and explained in a separate sheet accompanying the schedule. In column (i) respondents will enter the total of charges (debits) reported in columns (f), (g), and (h). In column (j) respondents shall report the balance at the close of the calendar year for each item in column (a).

Line No.	For Plant Sold with Traffic (see col. (p)) (f)	Charges During the Year		Total (i)	Balance at End Of The Year (j)
		For Other Plant Retired** (see col. (V)) (g)	Other Charges (specify) (h)		
1	\$ -	\$ 135	\$ (12)	\$ 123	\$ (50)
2	\$ -	\$ -	\$ -	\$ -	\$ -
3	\$ -	\$ -	\$ -	\$ -	\$ -
4	\$ -	\$ 1,767	\$ -	\$ 1,767	\$ 9,008
5	\$ -	\$ 1,450	\$ 38	\$ 1,488	\$ 30,639
6	\$ -	\$ 2	\$ 3	\$ 5	\$ 676
7	\$ -	\$ 211	\$ 3	\$ 214	\$ 2,448
8	\$ -	\$ 1,454	\$ 2,970	\$ 4,424	\$ (376)
9	\$ -	\$ 3,625	\$ 6,070	\$ 9,695	\$ 3,695
10	\$ -	\$ 8,644	\$ 9,072	\$ 17,716	\$ 46,040
11	\$ -	\$ -	\$ (47)	\$ (47)	\$ -
12	\$ -	\$ 8,142	\$ (1,170)	\$ 6,972	\$ 249,647
13	\$ -	\$ -	\$ -	\$ (1)	\$ 1
14	\$ -	\$ (19)	\$ -	\$ -	\$ 1,034
15	\$ -	\$ 8,123	\$ (1,217)	\$ 6,924	\$ 250,682
16	\$ -	\$ 14,633	\$ (1,870)	\$ 12,763	\$ 309,792
17	\$ -	\$ 14,633	\$ (1,870)	\$ 12,763	\$ 309,792
18	\$ -	\$ -	\$ -	\$ -	\$ -
19	\$ -	\$ -	\$ -	\$ -	\$ -
20	\$ -	\$ -	\$ -	\$ -	\$ -
21	\$ -	\$ -	\$ (28)	\$ (28)	\$ 7,725
22	\$ -	\$ 3,607	\$ (15)	\$ 3,592	\$ 10,011
23	\$ -	\$ 3,607	\$ (43)	\$ 3,564	\$ 17,736
24	\$ -	\$ 3,971	\$ 7	\$ 3,978	\$ 84,204
25	\$ -	\$ 4,976	\$ 47	\$ 5,023	\$ 395,054
26	\$ -	\$ 1,645	\$ 49	\$ 1,694	\$ 79,641
27	\$ -	\$ 344	\$ 4	\$ 348	\$ 41,375
28	\$ -	\$ -	\$ -	\$ -	\$ 1,035
29	\$ -	\$ -	\$ -	\$ -	\$ 958
30	\$ -	\$ -	\$ -	\$ -	\$ -
31	\$ -	\$ 471	\$ 2	\$ 473	\$ 32,432
32	\$ -	\$ 11,407	\$ 109	\$ 11,516	\$ 634,699
33	\$ -	\$ -	\$ -	\$ -	\$ -
34	\$ -	\$ 46,414	\$ 6,051	\$ 52,483	\$ 1,258,949

B-14A. ANALYSIS OF ENTRIES IN ACCUMULATED DEPRECIATION (Accounts 3100-3200) (continued)
Verizon-New Hampshire \$(000)

4. Respondents shall enter in column (m) through (p) the data requested in the column headings for plant sold with traffic which was reported in column (f).
5. Respondents shall enter in column (q) through (v), the data requested for other plant retired, which was requested in column (g).
6. Each column shall be subtotaled in the spaces provided.

Line No.	Plant Account (l)	DATA RELATING TO PLANT SOLD WITH TRAFFIC (see column (f))			
		Book Cost (m)	Selling Price (n)	Commissions and Other Expenses (o)	Charge to Reserve (p)
	Support Assets				
1	2112 Motor Vehicles				\$ -
2	2113 Aircraft				\$ -
3	2114 Special Purpose Vehicles				\$ -
4	2116 Tools & Other Work Equipment				\$ -
5	2121 Buildings				\$ -
6	2122 Furniture				\$ -
7	2123 Office Equipment				\$ -
8	Company Communications Equipment				\$ -
9	2124 General Purpose Computers				\$ -
10	Total Support Assets	\$ -	\$ -	\$ -	\$ -
	Central Office Switching				
11	2211 Analog Electronic Switching				\$ -
12	2212 Digital Electronic Switching				\$ -
13	2215 Electro-Mechanical Switching				\$ -
14	2220 Operator System				\$ -
15	Total Central Office Switching	\$ -	\$ -	\$ -	\$ -
	Central Office Transmission				
16	2230 Central Office Transmission				\$ -
17	Total Central Office Transmission	\$ -	\$ -	\$ -	\$ -
	Information Origination/Termination				
18	2311 Station Apparatus				\$ -
19	2321 Customer Premises Wiring				\$ -
20	2341 Large Private Branch Exchanges				\$ -
21	2351 Public Telephone Terminal Equipment				\$ -
22	2362 Other Terminal Equipment				\$ -
23	Total Information Origination/Termination	\$ -	\$ -	\$ -	\$ -
	Cable and Wire Facilities				
24	2411 Poles				\$ -
25	2421 Aerial Cable				\$ -
26	2422 Underground Cable				\$ -
27	2423 Buried Cable				\$ -
28	2424 Submarine Cable				\$ -
29	2426 Intra-building Network Cable				\$ -
30	2431 Aerial Wire				\$ -
31	2441 Conduit System				\$ -
32	Total Cable and Wire Facilities	\$ -	\$ -	\$ -	\$ -
33	Other Account (specify):				\$ -
34	Total	\$ -	\$ -	\$ -	\$ -

B-14A. ANALYSIS OF ENTRIES IN ACCUMULATED DEPRECIATION (Accounts 3100-3200) (continued)
Verizon-New Hampshire \$(000)

Line No.	DATA RELATING TO OTHER PLANT RETIRED (see Col. (g))					
	Charge (or Credit) to Surplus (q)	Book Cost (r)	Cost of Removal (s)	Salvage and Insurance (t)	Miscellaneous Adjustments (u)	Net Charge to Reserve (v)
1		\$ 135		\$ 114		\$ 21
2						\$ -
3						\$ -
4		\$ 1,767				\$ 1,767
5		\$ 1,211	\$ 239			\$ 1,450
6		\$ 2				\$ 2
7		\$ 211				\$ 211
8		\$ 1,454				\$ 1,454
9		\$ 3,623	\$ 2			\$ 3,625
10	\$ -	\$ 8,403	\$ 241	\$ 114	\$ -	\$ 8,530
11						\$ -
12		\$ 7,836	\$ 306	\$ 837		\$ 7,305
13						\$ -
14				\$ 19		\$ (19)
15	\$ -	\$ 7,836	\$ 306	\$ 856	\$ -	\$ 7,286
16						
17		\$ 13,289	\$ 1,344	\$ 2,394		\$ 12,239
18	\$ -	\$ 13,289	\$ 1,344	\$ 2,394	\$ -	\$ 12,239
19						\$ -
20						\$ -
21						\$ -
22		\$ 3,478	\$ 129	\$ 39		\$ 3,568
23	\$ -	\$ 3,478	\$ 129	\$ 39	\$ -	\$ 3,568
24		\$ 1,026	\$ 2,945			\$ 3,971
25		\$ 2,679	\$ 2,297	\$ 124		\$ 4,852
26		\$ 886	\$ 759			\$ 1,645
27		\$ 251	\$ 93			\$ 344
28						\$ -
29						\$ -
30						\$ -
31		\$ 206	\$ 265			\$ 471
32	\$ -	\$ 5,048	\$ 6,359	\$ 124	\$ -	\$ 11,283
33						\$ -
34	\$ -	\$ 38,054	\$ 8,379	\$ 3,527	\$ -	\$ 42,906

**B-14B. BASES OF CHARGES FOR DEPRECIATION
Verizon-New Hampshire**

1. Report under each of the plant accounts in column (a) all subclasses of plant for which a depreciation rate is determined and a subtotal for each primary account.
2. The net salvage factors in column (d) shall be shown as a percentage of original cost.
3. A "W" in column (b) indicates a whole life rate in column (f), an average service life in column (c) and average net salvage in column (d); and "R" indicates a remaining life rate in column (f), an average remaining life in column (c), a future net salvage in column (d).
4. For each plant account, report in column (f) the prescribed depreciation rate or those used by the utility in accordance with PART Puc 409 Uniform System of Accounts for Telecommunications Companies.
5. The depreciation rate in column (f) for primary plant accounts for which subclasses or vintages are used, the life in column (c), net salvage percentage in column (d) and the accumulated depreciation percentage in column (e) are to be composite so that the resulting calculated composite rate produces the same charge to operating expenses as the sum of the individual rates applied to the individual classes of plant.

Line No.	Primary Acct. No.	Name or Description of Subclass (a)	Whole or Remaining Life (b)	Life (Years) (c)	*Net Salvage (%) (d)	Depreciation		Ratio of Depreciation Charges to Avg. Monthly Book Cost (%) (g)
						*Reserve (%) (e)	**Rate (%) (f)	
1	2112	MOTOR VEHICLES	R	0.6	11.0%	-0.5%	2.7%	3.0%
2	2115	GARAGE WORK EQUIPMENT	R	8.2	0.0%	54.5%	7.0%	7.1%
3	2116	OTHER WORK EQUIPMENT	R	24.0	5.0%	32.7%	2.8%	2.8%
4	2121	BUILDINGS	R	8.4	0.0%	42.6%	9.6%	7.0%
5	2122	FURNITURE	R	6.0	0.0%	87.6%	13.5%	13.0%
6	2123	OFFICE EQUIPMENT	R	3.2	0.0%	-8.1%	14.3%	10.0%
7	2124	GENERAL PURPOSE COMPUTERS	R	2.9	0.0%	36.4%	21.8%	0.0%
8	2212	CENTRAL OFFICE EQUIPMENT - SWITCH	R	8.2	0.0%	59.2%	7.6%	7.6%
9	2232	CIRCUIT EQUIPMENT	R	4.0	0.0%	93.6%	21.6%	21.6%
10	2411	POLES	R	3.6	-5.0%	23.3%	7.5%	7.9%
11	2421	AERIAL CABLE	R	5.6	0.0%	62.5%	8.6%	8.6%
12	2422	UNDERGROUND CABLE	R	3.3	-5.0%	106.3%	7.9%	0.0%
13	2423	BURIED CABLE	R	3.8	0.0%	92.7%	12.1%	7.6%
14	2431	AERIAL WIRE	R	4.6	-5.0%	48.0%	8.1%	7.2%
15	2441	CONDUIT SYSTEM	R	19.1	-55.0%	58.1%	5.8%	5.8%
16			R	10.4	-24.0%	83.1%	6.4%	6.4%
17			R	16.3	-24.0%	49.0%	6.5%	6.5%
18			R	14.0	-17.0%	65.8%	4.7%	4.7%
19			R	14.0	-17.0%	50.9%	6.5%	6.5%
20			R	9.9	-10.0%	79.1%	5.7%	5.7%
21			R	15.8	-10.0%	53.1%	5.2%	5.3%
22			R	10.8	-10.0%	92.1%	4.4%	6.2%
23			R	18.7	-5.0%	58.6%	4.7%	10.9%
24			R	11.9	-28.0%	90.6%	7.0%	7.0%
25			R	16.0	-27.0%	64.9%	6.4%	6.4%
26			R	40.0	-10.0%	30.6%	2.2%	2.2%
27								
28								
29		*Composite rate for all depreciable accounts						XXXXXXXX
30		**Composite rate for all plant accounts included in Account 2001						XXXXXXXX
31								
32		Ratio to all Depreciable accounts						
33		Ratio to all plant accounts included in Account 2001						

**B-15. ANALYSIS OF ENTRIES IN ACCUMULATED AMORTIZATION (Accounts 3410, 3420, 3500, 3600)
Verizon-New Hampshire \$(000)**

1. For each account identified in the column headings for column (b) through (e), respondents shall enter credits to accumulated amortization for charges to the account identified in column (a). If charges are made to an account not specified in column (a), respondents shall insert the account number and title in the space provided in column (a) and the amounts in the appropriate column.
2. At the bottom of the schedule respondents shall describe how the annual amortization charges were determined for amounts reported in columns (d) and (e).

Line No.	Particulars (a)	Amounts Applicable to Account 3410 (b)	Amounts Applicable to Account 3420 (c)	Amounts Applicable to Account 3500 (d)	Amounts Applicable to Account 3600 (e)
1	Balance at beginning of the year		\$ 6,791	\$ 12,366	
	ADDITIONS DURING THE YEAR				
	Charged or (credited) to account:				
2	7160 Other Operating Gains and Losses				
3	7300 Non-operating Income				
4	6563.1 Amortization Expense				
	- Capitalized leases				
5	6563.2 Amortization Expense		\$ 531		
	- Leasehold Improvements				
6	6564 Amortization Expense			\$ 1,337	
	- Intangible				
7	6565 Amortization Expense - Other				
	Other Accounts (specify):				
8	7360-Nonoperating Income				
9					
10					
11	Total additions during the Year	\$ -	\$ 531	\$ 1,337	\$ -
	CLEARANCES DURING THE YEAR				
	Clearance for account:				
12	2005 Telecom. Plant Adjustment				
13	2681 Capital Leases				
14	2682 Leasehold Improvements		\$ 3,063		
15					
	Other Accounts (specify):		\$ -		
16					
17					
18					
19	Total clearances during the year	\$ -	\$ 3,063	\$ -	\$ -
20	Balance at end of year	\$ -	\$ 4,259	\$ 13,703	\$ -

BASIS OF ANNUAL AMORTIZATION CHARGES

This information can be found in Table B-2 of the VZ-NE Armis 43-02 report filed with the FCC.

ARMIS Data Retrieval System**B-16. STATEMENT OF CASH FLOWS**

1. Report below by source the amounts applicable to increase and decrease in cash and cash equivalents for the year.
2. For all compound amounts reported, a separate schedule is to be prepared with detail breakdown indicating applicable balance sheet accounts and amounts

Line No.	Description of Item (a)	Amount (b)	Amount (c)
	Increase/(Decrease) in Cash and Cash Equivalents		
	Cash flows from Operating Activities:		
1	Net Income		
	Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
2	Depreciation and Amortization		
3	Provision for Losses for Accounts Receivable		
4	Deferred Income Taxes - Net		
5	Unamortized ITC - Net		
6	Allowance for Funds Used During Construction		
7	Net Change in Operating Receivables		
8	Net Change in Materials, Supplies and Inventories		
9	Net Change in Operating Payables and Accrued Liabilities		
10	Net Change in Other Assets and Deferred Charges		
11	Net Change in Other Liabilities and Deferred Credits		
12	Other (explained)		
13	Total Adjustments		\$ -
14	Net Cash provided by (used in) Operating Activities	XXXXXXXXXX	\$ -

B-16. STATEMENT OF CASH FLOWS (Continued)

Line No.	Description of Item (a)	Amount (b)	Amount (c)
	Total from preceding page	XXXXXXXXXX	\$ -
	Cash Inflows (Outflows) from Investing Activities	XXXXXXXXXX	
15	Construction/Acquisition for Property, Plant and Equipment (Net of Allowance of funds, Used During Construction and Capital Lease Related Acquisitions)		
16	Proceeds from Disposals of Property, Plant and Equipment		
17	Investments in and Advances in Affiliates		
18	Proceeds from Repayment of Advances		
19	Other Investing Activities (explained)		
20	Net Cash Provided by (Used In) Investing Activities	XXXXXXXXXX XXXXXXXXXX XXXXXXXXXX	\$ -
	Cash flows from Financing Activities		
21	Net Increase/Decrease in Short-Term Debt with Original Maturities of Three Months or Less		
22	Advances from Affiliates		
23	Repayment of Advances from Affiliates		
24	Proceeds from Long-Term Debt		
25	Repayment of Long-Term Debt		
26	Payment of Capital Lease Obligations		
27	Proceeds from Issuing Common Stock/Equity Investment for Parent		
28	Repurchase of Treasury Shares		
29	Dividends Paid		
30	Other Financing Activities (explained)		
	Repurchase of Preferred Stock		
31	Net Cash Provided by Financing Activities		\$ -
32	Effect of Exchange Rate Changes on Cash	XXXXXXXXXX XXXXXXXXXX XXXXXXXXXX	
33	Net Increase/(Decrease) in Cash and Cash Equivalents	XXXXXXXXXX XXXXXXXXXX	\$ -
34	Cash and Cash Equivalents at Beginning of Period	XXXXXXXXXX XXXXXXXXXX	\$ -
35	Cash and Cash Equivalents at End of Period	XXXXXXXXXX	\$ -

Notes:

B-17. RECEIVABLES AND INVESTMENTS - AFFILIATED AND NONAFFILIATED COMPANIES

1. Respondents shall name the affiliated company in column (a) and for each account identified in columns (b) through (j), disclose the account balances attributable to affiliate at the close of the calendar year covered by the report.
2. Respondents shall report in the aggregate for each account identified in column (b) through (i) and column (k) receivables and investments in nonaffiliated companies. For the purpose of this schedule, nonaffiliated companies shall include any company in which the respondent has an ownership interest which does not meet the definition of an affiliated company set out in PART Puc 409. This schedule shall not include telecommunications accounts receivable from other customers.

Line No.	Name (a)	Account 1160 Investment (b)	Account 1180 Telecom. Receivable (c)	Account 1181 Accts. Receivable Allowance (d)	Account 1190.1 Account 1190.2 Receivable (e)	Account 1191 Accounts Allowance-Other (f)
1	Affiliated Companies					
2						
3						
4	This information can be found in Table B-3 of the VZ-NE Armis 43-02 report filed with the FCC.				ARMIS Data Retrieval System	
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19	Total Affiliate Balance	\$ -	\$ -	\$ -	\$ -	\$ -
20	Nonaffiliated Companies					
21	Investments:					
22						
23						
24						
25						
26						
27						
28	Telco Accounts Receivable					
29						
30	Other A/R - General					
31						
32						
33						
34						
35						
36						
37						
38	Accrual					
39	Accrual					
40	Total Nonaffiliated Balance	\$ -	\$ -	\$ -	\$ -	\$ -

B-17. RECEIVABLES AND INVESTMENTS - AFFILIATED AND NONAFFILIATED COMPANIES (cont.)

3. For each affiliate named in column (a) enter in column (l) the following codes which reflect the nature of the receivable or investment.

"A-1" Stock of active telephone companies; "A-2" Stocks for inactive telephone companies; "A-3" Stocks of other companies; "B" Long-term securities owned; "C" Investment advances; "D" Other. Each of the required classifications and totals for each code shall be shown on a separate line. (An inactive company is one which has been practically absorbed in a controlling company, and which neither operates property nor administers its financial affairs; if it maintains an organization, it does so only for the purpose of complying with legal requirements and maintaining title to property or franchises.)

Line No.	Account 1200.1 Account 1200.2 Notes (g)	Account 1201 Notes Receivable (h)	Account 1210 Int. & Div. (i)	Account 1401 Investments in Affiliated (j)	Account 1402 Investments in Nonaffiliated (k)	Class (l)
1						
2						D
3						D
4						D
5						D
6						D
7						
8						C
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19	\$ -	\$ -	\$ -	\$ -	\$ -	
20						
23						
24						
25						
26						
27						
28						
29						
30						
31						
32						
33						
34						
35						
36						
37						
39						
40	\$ -	\$ -	\$ -	\$ -	\$ -	

B-18. OTHER PREPAYMENTS (Account 1330)

1. Report below end of year balances for all prepayments included in account 1330, Other Prepayments.

Line No.	Description (b)	Year End Balance (c)
1		\$ -
2		
3	This information can be found in Table B-1 of the VZ-NE Armis 43-02 report filed with the FCC.	ARMIS Data Retrieval System
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		
29		
30		
31		
32		
33		
34		
35		
36		
37		
38		
39	Total	\$ -

B-19. OTHER CURRENT ASSETS (Account 1350)

1 Report below end of year balances for all other current assets included in account 1350, Other Current Assets.

Line No.	Description (b)	Year End Balance (c)		
1		\$ -		
2				
3	This information can be found in Table B-1 of the VZ-NE Armis 43-02 report filed with the FCC.	<u>ARMIS Data Retrieval System</u>		
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
21				
22				
23				
24				
25				
28				
29				
30				
31				
32				
33				
34				
35				
36				
37				
38				
39	Total	\$ -		

B-20. SINKING FUNDS (Account 1408)

1. Report below balances at end of year of each sinking fund maintained during the year.
2. Explain for each fund any deductions other than withdrawals for the purpose for which the fund was created.
3. If the trustee of any fund is an associated company, give name of such associated company.
4. If assets other than cash comprise any fund, furnish a list of the securities or other assets, giving interest or dividend rate of each, cost to respondent, number of shares or principal amount, and book cost at end of year.

Line No.	Account No. (a)	Name of Fund and Trustee if any (b)	Year End Balance (c)
1			\$ -
2			
3		This information can be found in Table B-1 of the VZ-NE Armis 43-02 report filed with the FCC.	<u>ARMIS Data Retrieval System</u>
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			
25			
26			
27			
28			
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39		Total	\$ -

B-21. OTHER NONCURRENT ASSETS (Account 1410)

¹ Report below balances at end of year for all noncurrent assets included in account 1410, Noncurrent Assets.

Line No.	Account No. (a)	Description (b)	Year End Balance (c)
1			\$ -
2			
3		This information can be found in Table B-1 of the VZ-NE Armis 43-02 report filed with the FCC.	<u>ARMIS Data Retrieval System</u>
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			
25			
28			
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39		Total	\$ -

B-22. DEFERRED CHARGES (Accounts 1438, 1439)

1. Respondents shall disclose in separate sections for Accounts 1438 and 1439, the amounts deferred for each item amounting individually to \$500 or more.
2. Any balancing amount applicable to each account shall be shown on the line Aggregate of All Other Items, which is the line immediately preceding the total line for each account.

Line No.	Description of Item (a)	Amount at end of the Year (b)
1	Account 1438	
2		
3		
4	This information can be found in Table B-1 of the VZ-NE Armis 43-02 report filed with the FCC.	<u>ARMIS Data Retrieval System</u>
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18	Aggregate of All Other Items	
19		
20	Total	\$ -
21	Account 1439	
22		
23		
24		
25		
26		
27		
28		
29		
30		
31		
32		
33		
34		
35		
36		
37		
38	Aggregate of All Other Items	
39		
40	Total	\$ -

B-23. UNAMORTIZED DEBT ISSUANCE EXPENSE (Account 1407)

1. Report under applicable subheading the particulars of Unamortized Issuance Expense.
2. Show premium amount by enclosure in parentheses.
3. In column (b) show the principal amount of bonds or other long term debt original issued.
4. In column (c) show the expense, associated with the issuance and sale of evidence of debt.
5. Explain any debits and credits other than amortization debited to Account 7530, Amortization of Debt Issuance Expense.

Line No.	Designation of Long Term Debt (a)	Principal Amount of Securities (b)	Total debt Issuance Expense (c)	AMORTIZATION PERIOD		Balance Beginning of Year (f)	Debits During Year (g)	Charged to Account 7530 (h)	Balance end of Year (i)
				From (d)	To (e)				
1									\$ -
2	Please refer to the sheet in this file labeled "Debt".								\$ -
3									\$ -
4									\$ -
5									\$ -
6									\$ -
7									\$ -
8									\$ -
9									\$ -
10									\$ -
11									\$ -
12									\$ -
13									\$ -
14									\$ -
15									\$ -
16									\$ -
17									\$ -
18	TOTALS	\$ -	\$ -			\$ -	\$ -	\$ -	\$ -

B-24. LONG-TERM DEBT (Accounts 4210, 4260 AND 4270)

1. Respondent shall disclose in account number order in column (a) a description of the long-term obligation, including those maturing in the coming year.
2. In column (b), (c), and (d), respectively, respondents shall enter the nominal date if issue, the date of maturity and the face amount outstanding.
3. In column (c), respondent shall enter the amount of unamortized premium or discount.
4. In column (f) and (g), respectively, the respondents shall enter the state rate and the yield rate.
5. In column (h) and (i), respectively, respondents shall enter the current and long-term portions reduced or increased by any unamortized discount or premium as of the close of the calendar year and subtotaled.

Line No.	Description of Obligation (a)	Nominal Date of Issue (b)	Date of Maturity (c)	Face Amount Outstanding (d)	Unamortized Premium or Discount (e)	Stated Rate (f)	Yield Rate (g)	Short-Term Portion (h)	Long-Term Portion (i)	Account 7510 Interest on Funded Debt
1				\$ -		0.00%	0.00%			
2										
3	Please refer to the sheet in this file labeled "Debt".									
4										
5										
6										
7										
8										
9										
10										
11										
12										
13										
14										
15										
16										
17										
18										
19										
20										
21										
22										
23										
24										
25										
26										
27										
28	Total			\$ -	\$ -			\$ -	\$ -	\$ -

B-25. NOTES PAYABLE (Account 4020)

1. In column (a) respondents shall list name of creditor, specify whether non affiliate or affiliate.
2. In column (b) describe type of indebtedness, notes, draft and other evidences of indebtedness.
3. In column (c), (d), (e) and (f) respectively, respondents shall enter the date of issue, date of maturity, amount at end of year and the interest rate per annum.

Line No.	Name of Creditor (a)	Description of Transaction (b)	Date of Issue (c)	Date of Maturity (d)	Amount at End of the Year (e)	Interest Rate Per Annum (f)	Interest Expense Acct 7540
1					\$ -		
2							
3	Please refer to the sheet in this file labeled "Debt".						
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19	Aggregate of all other items					XXX	
20	Total				\$ -	XXX	\$ -

B-26. ACCOUNTS PAYABLE (Accounts 4010, 4120 and 4130)

In separate sections of column (a) for payables to affiliates and for other accounts payable, respondents shall identify in the respective sections the name of each affiliate creditor, and the name of each other creditor with the ten largest payables in excess of \$10,000.

Line No.	Description of Item (a)	Amount at end of the Year (b)
	Account 4010 Accounts Payable	
1		
2		
3		
4	This information can be found in Table B-10 of the VZ-NE Armis 43-02 report filed with the FCC.	<u>ARMIS Data Retrieval System</u>
5		
6		
7		
8		
9		
10	Aggregate of all other items	\$ -
	Account 4120 Other Accrued Liabilities	
11		
12		
13		
14		
15		
16		
17		
18		
19		
20	Aggregate of all other items	Total \$ -
	Account 4130 Other Current Liabilities	
21		
22		
23		
24		
25		
26		
27		
28		
29		
30	Aggregate of all other items	Total \$ -

B-29. OTHER LONG-TERM LIABILITIES (Account 4310)

- 1 Respondents shall disclose the data for each item in the account amounting individually to \$10,000 or more.
- 2 Respondents shall disclose remaining amounts in the aggregate.

Line No.	Description of Item (a)	Amount at End of the Year (b)
1		
2		
3		
4	This information can be found in Table B-1 of the VZ-NE Armis 43-02 report filed with the FCC.	<u>ARMIS Data Retrieval System</u>
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
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45	Aggregate of All Other Items	
46	Total	\$ -

B-30A. OTHER DEFERRED CREDITS (Accounts 4360)

1. Respondents shall disclose the data for each item in the account amounting individually to \$10,000 or more.
2. Respondents shall disclose remaining amounts in the aggregate.

Line No.	Description of Item (a)	Amount at End of the Year (b)
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3	This information can be found in Table B-1 of the VZ-NE Armis 43-02 report filed with the FCC.	ARMIS Data Retrieval System
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43		
44	Aggregate of Balances in Clearing Accounts not Itemized Above	
45	Aggregate of All Other Items	
46	Total	\$ -

B-30B. NET DEFERRED OPERATING INCOME TAXES (Accounts 4100 and 4340)
Verizon-New Hampshire \$(000)

1. In column (b) respondents shall provide the beginning balance for the year for each of the line items in column (a).
2. In columns (c) and (d) respondents shall provide the account numbers and amounts, respectively for current year deferrals.
3. In column (e) respondents shall provide the amounts for the current year amortizations.
4. In column (f) respondents shall provide the adjustments debits or (credit) made to the items in column (a) if the adjustment amounts to \$10,000 or more. Each adjustment shall also be explained at the bottom of this schedule.
5. In column (g) respondents shall provide the ending balance for the year.

Line No.	Particulars (a)	Balance at Beginning of Year (b)	Account (c)	Current Year Accrual (d)	Current Year Amortization (e)	Adjustments Debit or (Credit) (f)	Balance at End of Year (g)
	PROPERTY RELATED						
	NET CURRENT OPERATING INCOME TAXES (Account 4100)						
	Provision for Deferred Operating Income Taxes-Net						
1	Federal Income Taxes						\$ -
2	State and Local Income Taxes						\$ -
3	Total Net Current Operating Income Taxes (Account 4100)	\$ -	7250	\$ -	\$ -	\$ -	\$ -
	NET NON-CURRENT OPERATING INCOME TAXES (Account 4340)						
	Provision for Deferred Operating Income Taxes-Net						
4	Federal Income Taxes	\$ 88,663		\$ 6,569			\$ 95,232
5	State and Local Income Taxes	\$ 20,974		\$ 316			\$ 21,291
6	Total Net Non-Current Operating Income Taxes (Account 4340)	\$ 109,638	7250	\$ 6,885	\$ -	\$ -	\$ 116,523
7	TOTAL PROPERTY RELATED DEFERRED OPERATING INCOME TAXES	\$ 109,638		\$ 6,885	\$ -	\$ -	\$ 116,523
	NONPROPERTY RELATED						
	NET CURRENT OPERATING INCOME TAXES (Account 4100)						
	Provision for Deferred Operating Income Taxes-Net						
8	Federal Income Taxes	\$ (595)		\$ (2,808)			\$ (3,403)
9	State and Local Income Taxes	\$ (161)		\$ (583)			\$ (743)
10	Total Net Current Operating Income Taxes (Account 4100)	\$ (756)	7250	\$ (3,391)	\$ -	\$ -	\$ (4,146)
	NET NON-CURRENT OPERATING INCOME TAXES (Account 4340)						
	Provision for Deferred Operating Income Taxes-Net						
11	Federal Income Taxes	\$ (34,822)		\$ 6,728			\$ (28,093)
12	State and Local Income Taxes	\$ (6,997)		\$ 1,754			\$ (5,242)
13	Total Net Non-Current Operating Income Taxes (Account 4340)	\$ (41,818)	7250	\$ 8,482	\$ -	\$ -	\$ (33,336)
14	TOTAL NONPROPERTY RELATED DEFERRED OPERATING INCOME TAXES	\$ (42,574)		\$ 5,092	\$ -	\$ -	\$ (37,482)
15	TOTAL DEFERRED OPERATING INCOME TAXES	\$ 67,064		\$ 11,977	\$ -	\$ -	\$ 79,041

B-30C. NET DEFERRED NON-OPERATING INCOME TAXES (Accounts 4110 and 4350)
Verizon-New Hampshire \$(000)

1. In column (b) respondents shall provide the beginning balance for the year for each of the line items in column (a).
2. In columns (c) and (d) respondents shall provide the account numbers and amounts, respectively for current year deferrals.
3. In column (e) respondents shall provide the amounts for the current year amortizations.
4. In column (f) respondents shall provide the adjustments debits or (credit) made to the items in column (a) if the adjustment amounts to \$10,000 or more. Each adjustment shall also be explained at the bottom of this schedule.
5. In column (g) respondents shall provide the ending balance for the year.

Line No.	Particulars (a)	Balance at Beginning of Year (b)	Account (c)	Current Year Accrual (d)	Current Year Amortization (e)	Adjustments Debit or (Credit) (f)	Balance at End of Year (g)
	PROPERTY RELATED						
	NET CURRENT NON-OPERATING INCOME TAXES (Account 4110)	\$ -		\$ -	\$ -	\$ -	\$ -
	Provision for Deferred Non-Operating Income Taxes-Net						
1	Federal Income Taxes		7450				\$ -
2	State and Local Income Taxes		7450				\$ -
	Deferred Income Tax Effect of Extraordinary Items-Net						
3	Federal Income Taxes		7640				\$ -
4	State and Local Income Taxes		7640				\$ -
5	Total Net Current Non-Operating Income Taxes (Account 4110)	\$ -		\$ -	\$ -	\$ -	\$ -
	NET NONCURRENT NON-OPERATING INCOME TAXES (Account 4350)						
	Provision for Deferred Non-Operating Income Taxes-Net						
6	Federal Income Taxes		7450				\$ -
7	State and Local Income Taxes		7450				\$ -
	Deferred Income Tax Effect of Extraordinary Items-Net						
8	Federal Income Taxes		7640				\$ -
9	State and Local Income Taxes		7640				\$ -
10	Total Net Noncurrent Non-Operating Income Taxes (Account 4350)	\$ -		\$ -	\$ -	\$ -	\$ -
11	TOTAL PROPERTY RELATED DEFERRED NON-OPERATING INCOME TAXES	\$ -		\$ -	\$ -	\$ -	\$ -

B-30C. NET DEFERRED NON-OPERATING INCOME TAXES (Accounts 4110 and 4350) (continued)
Verizon-New Hampshire \$(000)

Line No.	Particulars (a)	Balance at Beginning of Year (b)	Account (c)	Current Year Accrual (d)	Current Year Amortization (e)	Adjustments Debit or (Credit) (f)	Balance at End of Year (g)
	NONPROPERTY RELATED						
	NET CURRENT NON-OPERATING INCOME TAXES (Account 4110)	\$ -		\$ -	\$ -	\$ -	\$ -
	Provision for Deferred Non-Operating Income Taxes-Net						
12	Federal Income Taxes	\$ 20	7450				\$ 20
13	State and Local Income Taxes	\$ (246)	7450				\$ (246)
	Deferred Income Tax Effect of Extraordinary Items-Net						
14	Federal Income Taxes		7640				\$ -
15	State and Local Income Taxes		7640				\$ -
16	Total Net Current Non-Operating Income Taxes (Account 4110)	\$ (226)		\$ -	\$ -	\$ -	\$ (226)
	NET NONCURRENT NON-OPERATING INCOME TAXES (Account 4350)						
	Provision for Deferred Non-Operating Income Taxes-Net						
17	Federal Income Taxes	\$ (506)	7450	\$ (2,803)			\$ (3,309)
18	State and Local Income Taxes	\$ (274)	7450				\$ (274)
	Deferred Income Tax Effect of Extraordinary Items-Net						
19	Federal Income Taxes		7640				\$ -
20	State and Local Income Taxes		7640				\$ -
21	Total Net Noncurrent Non-Operating Income Taxes (Account 4350)	\$ (780)		\$ (2,803)	\$ -	\$ -	\$ (3,583)
22	TOTAL NONPROPERTY RELATED DEFERRED NON-OPERATING INCOME TAXES	\$ (1,006)		\$ (2,803)	\$ -	\$ -	\$ (3,809)

RESERVED

B-31. RETAINED EARNINGS (Account 4550)

* List all reserves or appropriations of retained earnings and provide an explanation for any charges that have taken place in these reserves.

Line No.	(a)	Amount at End of Year (b)
1	Retained Earnings - Reserved - Balance January 1, 2002	
2	Current Year Changes	
3	Retained Earnings - Reserved - Balance December 31, 2002	\$ -
4		
5	Retained Earnings - Unreserved	
6	Balance January 1	
7	Net Income	
8	Other Increases (Itemize)	
9	Total Increases to Retained Earnings	\$ -
10	Decreases to Unreserved Retained Earnings	
11	Net Loss From Schedule B-11	
12	Dividends Paid and Declared (Schedule B-32)	
13	Other Decreases (Itemize)	
14	Total Decreases to Retained Earnings	\$ -
15	Balance December 31 Unreserved Retained Earnings	\$ -
16	Balance all Retained Earnings December 31, 2002	\$ -

This information can be found in Table B-1 of the VZ-NE Arnis 43-02 report filed with the FCC.

[ARMIS Data Retrieval System](#)

B-32. DIVIDENDS DECLARED (Account 4560)

1. If any dividend was payable other than cash, give complete details in a note.

Line No.	Class of Stock (a)	Date Declared (b)	Date Payable (Paid) (c)	Number of Shares on Which Declared (d)	Dividend Per Share (e)	Amount of Dividends Declared (Paid) (f)
1	Dividends Paid:					
2						
3						
4	This information can be found in Table B-1 of the VZ-NE Armis 43-02 report filed with the FCC.			<u>ARMIS Data Retrieval System</u>		
5						
6	Total Dividends Paid					\$ -
7	Dividends Declared					
8						
9						
10	Total Dividends Declared					\$ -
11	Total Dividends Paid					
12	and Declared For Year					
13	(To Schedule B-31)					\$ -
14	Total					\$ -

This information can be found in Table B-1 of the VZ-NE Armis 43-02 report filed with the FCC.

[ARMIS Data Retrieval System](#)

B-33. CAPITAL STOCK, ADDITIONAL PAID-IN-CAPITAL AND TREASURY STOCK (Accounts 4510.1, 4510.2, 4520, 4530.1, 4530.2)

1. Beginning with common stock, respondents shall enter the class of stock and a description of any pertinent details such as differences in voting rights, preferences as to dividends or assets, pledges, etc.
2. Respondents shall provide the information specified in column headings (b) through (h) and note any other pertinent information at the bottom of the schedule.

Line No.	Class and Description of Capital (a)	Par or Stated Value Amount (b)	Number of Shares Authorized (c)	Amount of Stock Issued and Outstanding (d)	Additional Paid In Capital Account 4520 (e)	Total (Col. (d)&(e) (f)	Number of Shares of Treasury Stock (g)	Amount in Treasury Stock Account 4530.1 & 4530.2 (h)
1						\$ -		
2						\$ -		
3						\$ -		
4						\$ -		
5						\$ -		
6						\$ -		
7						\$ -		
8						\$ -		
9						\$ -		
10						\$ -		
11						\$ -		
12						\$ -		
13						\$ -		
14						\$ -		
15						\$ -		
16						\$ -		
17						\$ -		
18						\$ -		
19						\$ -		
20	Total	\$ -		\$ -	\$ -	\$ -		\$ -

I-34. OPERATING REVENUES			
Verizon-New Hampshire \$(000)			
Line No.	Item	Amount for the Current Year (b)	Increase Over Preceding Year (c)
LOCAL NETWORK REVENUES			
1	5001 Basic Area Revenue	\$ 161,879	\$ (16,634)
2	5002 Optional Extended Area Revenue	\$ -	\$ -
3	5003 Cellular Mobile Revenue	\$ 4,055	\$ (5,361)
4	5004 Other Mobile Services Revenue	\$ 176	\$ (123)
5	5010 Public Telephone Revenue	\$ -	\$ -
6	5040 Local Private Line Revenue	\$ 8,404	\$ (2,175)
7	5050 Customer Premises Revenue	\$ 2	\$ 5
8	5060 Other Local Exchange Revenue	\$ 43,816	\$ 2,058
9	Total Local Network Services Revenues	\$ 218,332	\$ (22,230)
NETWORK ACCESS SERVICES REVENUES			
10	5081 End User Revenue	\$ 60,347	\$ (347)
11	5082 Switched Access Revenue	\$ 29,353	\$ (6,958)
12	5083 Special Access Revenue	\$ 71,934	\$ 4,594
13	5084 State Access Revenue	\$ 24,885	\$ 4,774
14	Total Network Access Services Revenue	\$ 186,520	\$ 2,064
LONG DISTANCE NETWORK SERVICES REVENUES			
15	5100 Long Distance Message Revenue	\$ 34,183	\$ (5,786)
16	5120 Long Distance Private Network Revenue	\$ 3,696	\$ (410)
17	5160 Other Long Distance Revenue	\$ 264	\$ (123)
18	5169 Other Long Distance Revenue Settlements	\$ -	\$ -
19	Total Long Distance Network Services Revenues	\$ 38,143	\$ (6,319)
MISCELLANEOUS REVENUES			
20	5230 Directory Revenue	\$ 3,510	\$ 180
21	5240 Rent Revenue	\$ 16,819	\$ (2,728)
22	5250 Corporate Operations Revenue	\$ -	\$ (128)
23	5260 Miscellaneous Revenue	\$ 6,242	\$ 731
24	5270 Carrier Billing and Collection Revenue	\$ 4,067	\$ (686)
25	Total Miscellaneous Revenues	\$ 30,639	\$ (2,630)
	5280 Nonregulated Revenue	\$ 14,901	\$ (3,264)
UNCOLLECTIBLE REVENUES			
26	5301 Uncollectible Revenue - Telecommunications	\$ 24,761	\$ 11,569
27	5302 Uncollectible Revenue - Other	\$ 94	\$ (9)
28	Total Uncollectible Revenues	\$ 24,855	\$ 11,560
29	TOTAL Operating Revenues	\$ 463,680	\$ (43,939)

I-35. OPERATING EXPENSES			
Verizon-New Hampshire \$(000)			
Line No.	Item (a)	Amount for the Current Year (b)	Increase Over Preceding Year (c)
PLANT SPECIFIC OPERATIONS EXPENSES			
1	6112 Motor Vehicle Expense	\$ 36	\$ (2,109)
2	6113 Aircraft Expense	\$ 140	\$ 51
3	6114 Special Purpose Vehicle Expense	\$ 561	\$ 372
4	6115 Garage Work Equipment Expense	\$ -	\$ -
5	6116 Other Work Equipment Expense	\$ -	\$ -
6	6121 Land and Building Expense	\$ 16,350	\$ 817
7	6122 Furniture and Artworks Expense	\$ 125	\$ (38)
8	6123 Office Equipment Expense	\$ 927	\$ (349)
9	6124 General Purpose Computers Expense	\$ 6,748	\$ 1,885
10	6211 Analog Electronic Expense	\$ 163	\$ (179)
11	6212 Digital Electronic Expense	\$ 6,966	\$ 1,384
12	6215 Electro-Mechanical Expense	\$ -	\$ -
13	6220 Operators System Expense	\$ (1)	\$ (1)
14	6230 Central Office Transmission Expense	\$ 4,537	\$ (1,042)
15	6311 Station Apparatus Expense	\$ -	\$ -
16	6341 Large Private Branch Exchange Expense	\$ -	\$ -
17	6351 Public Telephone Terminal Equipment Expense	\$ 674	\$ (473)
18	6362 Other Terminal Equipment Expense	\$ 6,283	\$ 190
19	6411 Pole Expense	\$ 1,303	\$ (122)
20	6421 Aerial Cable Expense	\$ 22,430	\$ 386
21	6422 Underground Cable Expense	\$ 2,244	\$ (700)
22	6423 Buried Cable Expense	\$ 1,914	\$ (657)
23	6424 Submarine Cable Expense	\$ 0	\$ 0
24	6426 Intra-building Network Cable Expense	\$ 128	\$ (39)
	6431 Aerial Wire Expense	\$ -	\$ -
26	6441 Conduit Systems Expense	\$ 318	\$ (396)
27	Total Plant Specific Operations Expense	\$ 71,847	\$ (1,019)
PLANT NONSPECIFIC OPERATIONS EXPENSE			
28	6511 Property Held for Future Telecommunications Use Expense	\$ 0	\$ 0
29	6512 Provisioning Expense	\$ 431	\$ 318
30	6530 Network Operations Expense	\$ 23,067	\$ (9,423)
31	6540 Access Expense	\$ 43,462	\$ 10,669
32	6561 Depreciation Expense-Telecommunications Plant in Service	\$ 132,796	\$ 5,784
33	6562 Depreciation Expense-Property Held for Future Telecommunications Use	\$ -	\$ -
34	6563.1 Amortization Expense-Capital Leases	\$ -	\$ -
35	6563.2 Amortization Expense-Leaseholds	\$ 531	\$ (42)
36	6564 Amortization Expense-Intangible	\$ 6,150	\$ 353
37	6565 Amortization Expense-Other	\$ (1)	\$ (806)
38	Total Plant Nonspecific Operations Expense	\$ 206,436	\$ 6,853
CUSTOMER OPERATIONS EXPENSE			
39	6610 Marketing	\$ 13,112	\$ (4,050)
40	6620 Service	\$ 39,416	\$ 50
41	Total Customer Operations Expense	\$ 52,528	\$ (4,000)
CORPORATE OPERATIONS EXPENSE			
42	6710 Executive and Planning	\$ 2,713	\$ (592)
43	6720 General and Administrative	\$ 70,578	\$ 11,120
44	6790 Provision for Uncollectible Notes Receivable	\$ 0	\$ 0
45	Total Corporate Operations Expense	\$ 73,292	\$ 10,529
46	TOTAL Operating Expense	\$ 404,103	\$ 12,363

I-35A. INCREASE IN OPERATING EXPENSES

Give explanation of all accounts, over \$500, that have increased or decreased 10% or more over the prior year.

6112 – Motor Vehicle Expense decreased \$2.1M in 2002 due to a reduction in rental expense to supplement the company fleet and other miscellaneous reductions.

6113 – Aircraft Expense is up \$51K primarily due to an increase in allocated costs.

6114 – Special Purpose Vehicle Expense rose \$372K due to a gain in plant costs.

6122 – Furniture & Artworks Expense is down \$38K due to a decrease in repair expense.

6123 – Office Equipment is down \$349K because repair expense for Teletypewriters and radios have zero balances this year.

6124 – General Purpose Computers Expense is up \$1.9M due to an increase in contracted services.

6211 – Analog Electronic Expense is down \$179K due to decreased plant labor and material purchases.

6212 – Digital Electronic Expense is up \$1.4M due to increased plant labor costs.

6230 – Central Office Transmission Expense decreased \$1M due to lower plant labor associated with Circuit Equipment.

6351 – Public Terminal Equipment decreased \$473K due to lower plant labor and material costs.

6422 – Underground Cable Expense decreased \$700K due to lower plant labor costs.

6423 – Buried Cable Expense decreased \$657K due to lower plant labor costs.

6426 – Intrabuilding Network Cable Expense decreased \$39K due to lower metallic repair expenses.

6441 – Conduit Systems Expense decreased \$396K due to lower plant labor costs.

6530 – Network Operations Expense is down \$9.4M as a result of decreases in Testing, Plant Operations and Engineering Expenses.

6540 – Access Expense grew \$10.7M due to expenses associated with reciprocal compensation.

6565 – Amortization Expense-other shows a decrease of \$805K because it has a zero balance this year.

6610 – Marketing Expense decreased \$4M as a result of lower costs allocated to Product management and Product Advertising expense.

6710 – Executive and Planning Expense decreased \$592K due to lower allocated Executive costs.

6720 – General and Administrative Expense increased \$11M due to increased benefit costs associated with Work Force Reductions as well as higher allocated costs.

I-35B. CUSTOMER OPERATIONS EXPENSE (Account 6610 and 6620)			
CORPORATE OPERATIONS EXPENSE (Account 6710 and 6720)			
Verizon-New Hampshire \$(000)			
Line No.	Item (a)	Amount for the Current Year (b)	Increase Over Preceding Year (c)
Marketing			
1	6611 Product Management	\$ 5,829	\$ (2,255)
2	6612 Sales	\$ 6,583	\$ (736)
3	6613 Product Advertising	\$ 700	\$ (1,059)
4	Total Marketing Expense-Account 6610	\$ 13,112	\$ (4,050)
Services			
5	6621 Call Completion Services	\$ 1,057	\$ (85)
6	6622 Number Services	\$ 5,833	\$ 1,331
7	6623 Customer Services	\$ 32,527	\$ (1,195)
8	Total Service-Account 6620	\$ 39,416	\$ 50
CORPORATE OPERATIONS EXPENSE			
Executive and Planning			
9	6711 Executive	\$ 1,813	\$ (680)
10	6712 Planning	\$ 900	\$ 88
11	Total Executive and Planning-Account 6710	\$ 2,713	\$ (592)
General and Administrative			
12	6721 Accounting and Finance	\$ 2,606	\$ (1,055)
13	6722 External Relations	\$ 3,410	\$ (700)
14	6723 Human Resources	\$ 2,220	\$ (145)
	6724 Information Management	\$ 7,410	\$ 158
16	6725 Legal	\$ 1,534	\$ (125)
17	6726 Procurement	\$ 400	\$ (88)
18	6727 Research and Development	\$ 225	\$ 31
19	6728 Other General and Administrative	\$ 52,773	\$ 13,044
20	Total General and Administrative-Account 6720	\$ 70,578	\$ 11,120

I-36A. OTHER OPERATING TAXES (Account 7240)
Verizon-New Hampshire \$(000)

Line No.	Name of Government (a)	TYPE OF TAX						Total (h)
		(b)	(c)	(d)	(e)	(f)	(g)	
1	U.S. GOVERNMENT							\$ -
2								\$ -
3	Sales and Use Tax	\$ 122						\$ 122
4	State PUC Assessment		\$ 974					\$ 974
5	Annual Report & Franchise			\$ 4				\$ 4
6	FCC Regulatory Fee				\$ 331			\$ 331
7								\$ -
8								\$ -
9	Property Taxes:					\$ 1,653		\$ 1,653
10								\$ -
11	Operating Tax- All other						\$ 67	\$ 67
12								\$ -
13								\$ -
14								\$ -
15								\$ -
16								\$ -
17								\$ -
18								\$ -
19								\$ -
20	Total	\$ 122	\$ 974	\$ 4	\$ 331	\$ 1,653	\$ 67	\$ 3,152
21	Billed by Others	\$ 15						\$ 15
22	Billed to Others							\$ -
23	Charged to Construction							\$ -
24								\$ -
25								\$ -
26								\$ -
27								\$ -
28								\$ -
29								\$ -
30								\$ -
31								\$ -
32								\$ -
33	Total	\$ 15	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15

**I-36B. PREPAID TAXES AND TAX ACCRUALS (account 1300, 4070 and 4080)
Verizon-New Hampshire \$(000)**

1. Respondents shall disclose in column (b) the amount of prepaid taxes and in column (c) the amount of tax accruals at the beginning of the year and in column (d) other taxes accrued.
2. In column (d) respondents shall list the accounts charged and in column (e) the amount of taxes accrued during the year.
3. In column (f) respondents shall disclose the amount of taxes paid and in column (g) the adjustments with an explanation for each adjustment amounting to \$25,000 or more.
4. In succeeding columns, respondents shall disclose the balance at the end of the year for the prepaid taxes, income tax accruals and other taxes accrued.

Line No.	Particulars (a)	Balance at Beginning of the Year		Taxes Accrued During the Year		Taxes Paid During the Year (f)	Adjustments Debit or (Credit) (g)	Balance at End of the Year	
		Prepaid Taxes (Acct. 1300) (b)	Tax Accruals (Accts 4070 & 4080) (c)	Acct. Charged. (d)	Amount (e)			Prepaid Taxes (Acct. 1300) (h)	Tax Accruals (Accts 4070 & 4080) (i)
1	Prepaid Taxes	\$ 1,598		1300		\$ (1,599)		\$ (1)	
2	Income Taxes Accrued		\$ 59,636	4070			\$ (5,318)		\$ 64,954
3	Other Taxes Accrued - BPT		\$ 11,710	4080			\$ 937		\$ 10,773
4									
5									
6									
7									
8									
9									
10									
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27									
28									
29									
30									
31									
32									
33	Total	\$ 1,598	\$ 71,346		\$ -	\$ (1,599)	\$ (4,381)	\$ (1)	\$ 75,727

I-36C. NONOPERATING TAXES Verizon-New Hampshire \$(000)					
Line No.	Description of Item (a)	Total	Federal	State	Local
1	Account 7410 Nonoperating Investment Tax Credits-Net	\$ -			
2	Account 7420 Nonoperating Federal Income Tax	\$ (81)	\$ (81)		
3	Account 7430 Nonoperating State and Local Income Taxes	\$ 17		\$ 17	
4	Account 7440 Nonoperating Other Taxes	\$ -			
5					
6					
7					
8					
9					
10	Account 7450 Provision for Deferred Nonoperating Income Taxes-Net	\$ (243)	\$ (193)	\$ (50)	
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
21					
22					
23					
24					
25					
26					
27					
28					
29					
30					
31					
32					
33					
34					
35					
36	Total	\$ (307)	\$ (274)	\$ (33)	\$ -

**I-36D. EXTRAORDINARY ITEMS (Accounts 7610, 7620, 7630, 7640)
Verizon-New Hampshire \$(000)**

1. Give below a brief description of each item included in accounts 7610, Extraordinary Income Credits and 7620, Extraordinary Income Charges.
2. Give reference to Commission approval, including date of approval for extraordinary treatment of any item.
3. Income tax effects relating to each extraordinary item should be listed in Column (c) and Column (d).

Line No.	Description of Item (a)	Gross Amount (b)	Current Income Tax Effect (c)	Account 7640 Provision for Deferred Income Tax Effect (d)
1	Account 7610 Extraordinary Income Credits	\$ -	\$ -	\$ -
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15	TOTALS	\$ -	\$ -	\$ -
16	Account 7620 Extraordinary Income Charges - early extinguishment of long-term debt	\$ 4,262	\$ (1,677)	\$ (2,585)
17				
18				
19				
20				
21				
22				
23				
24				
25				
26				
27				
28				
29				
30	TOTALS	\$ 4,262	\$ (1,677)	\$ (2,585)
31	Net Extraordinary Items	\$ 4,262	\$ (1,677)	\$ (2,585)

I-37. NONOPERATING INCOME AND EXPENSES (Account 7300)			
Verizon-New Hampshire \$(000)			
Line No.	Item (a)	Amount for the Current Year (b)	Increase Over Preceding Year (c)
1	7310 Dividend Income		\$ -
2	7320 Interest Income	\$ 491	\$ (1,853)
3	7330 Income From Sinking and Other Funds	\$ -	\$ -
4	7340 Allowance for Funds Used During Construction	\$ 975	\$ (2,044)
5	7350 Gains or Losses for the Disposition of Certain Property	\$ (0)	\$ (0)
6	7355 Equity in Earnings of Affiliated Companies		\$ -
7	7360 Other Nonoperating Income	\$ 2,775	\$ 25,904
8	7370 Special Charges	\$ (717)	\$ (18)
9	Total Nonoperating Income and Expenses	\$ 3,524	\$ 21,988

I-38. OTHER OPERATING INCOME AND EXPENSES (Account 7100)			
Verizon-New Hampshire \$(000)			
Line No.	Item (a)	Amount for the Current Year (b)	Increase Over Preceding Year (c)
1	7110 Income from Custom Work	\$ 132	\$ 30
2	7130 Return from Nonregulated Use of Regulated Facilities		\$ -
3	7140 Gains and Losses from Foreign Exchange		\$ -
4	7150 Gains and Losses from the Disposition of Land and Artwork	\$ (10)	\$ (3,365)
5	7160 Other Operating Gains and Losses	\$ (112)	\$ (128)
6	Total Other Operating Income and Expenses	\$ 10	\$ (3,463)

I-39. SPECIAL EXPENSES ATTRIBUTABLE TO FORMAL REGULATORY CASES

Verizon-New Hampshire \$(000)

1. Show, to the extent indicated by the following instructions and columnar captions, the expenses incurred during the year in connection with formal cases before Federal, State and other regulatory commissions, and in cases in which such a commission is a party, including to the same extent, the cost of defense and prosecution of petitions and complaints presented to such commissions and the cost of valuations, inventories, and appraisals of plant made for rate-case purposes and those taken in compliance with State and other regulatory authorities.
2. Expenses in connection with the procurement of franchises, issuance of capital stock and funded debt, and the expenses of securing certificates of convenience and necessity shall not be included in this schedule.
3. Give in column (a) a complete description of the regulation, hearing, or case that occasioned the items reported, including its number or other identification and the name of the regulatory commission concerned.
4. Column (b) shall include special assessments by regulatory commissions pertaining to the proceedings reported. General assessments by such commissions shall not be included in this schedule.
5. Column (c) shall include amounts such as fees, retainers, and expenses (excepting minor expenses not readily separable) paid to attorneys, consultants, and others not carried on the payroll of respondent.
6. Column (d) shall include salaries and wages and readily associated expenses of employees that have been employed or retained in service by respondent solely or almost entirely because of one or more of the proceedings reported.
7. Total expenses reported in columns (b), (c) and (d) shall be reported in column (e).

Line No.	Description of Regulation or Case (a)	Special Assessments by Regulatory Commissions (b)	OTHER SPECIAL EXPENSES		Total Reported Expenses and Assessments (e)
			Fees, Retainers Expenses, and Other Billed Items (c)	Incremental Payroll Costs and Directly Associated Expenses (d)	
1	Bell Atlantic-NH - Destek Group, Inc.		\$ 5,535		\$ 5,535
2	New Hampshire Interconnection Litigation		\$ 58,590		\$ 58,590
3	New Hampshire/Vermont 271 (FCC)		\$ 652,882		\$ 652,882
4	VZ NH - Affiliate Contracted/Audit Invest		\$ 563		\$ 563
5	VZ NH - Appeal of PUC SGAT Order		\$ 21,652		\$ 21,652
6	VZ NH - Appeal of PUC's UNE Decision		\$ 37,501		\$ 37,501
7	Liberty Consulting Group-Financial Audit of VZ-NH		\$ 436,867		\$ 436,867
8	Beacon Telecommunications Advisors- Docket DT 01-151		\$ 91,692		\$ 91,692
9	Quantitative Decision Support - Docket DT 01-006		\$ 53,875		\$ 53,875
10	Orr & Reno - Docket DT 02-107		\$ 20,332		\$ 20,332
11					\$ -
12					\$ -
13					\$ -
14	Total	\$ -	\$ 1,379,489	\$ -	\$ 1,379,489

I-40. ADVERTISING
Verizon-New Hampshire \$(000)

1. Respondents shall disclose on line 1, the total amount charged to Account 6613, Product Advertising. Those costs shall include costs incurred in developing and implementing promotional strategies to stimulate the purchase of products and services.
2. Respondents shall disclose on line 2 the total amount of external relations expenditures to include cost to maintain relations with the government, regulators, other companies and the general public.
3. On line 3 respondents shall disclose the total costs incurred that are typically given special regulatory scrutiny for ratemaking purposes. These costs are presumed to be excluded from the cost of service in setting rates.

Line No.	Account No. (a)	Account Title (b)	Amount During the Year (c)
1	6613	Product Advertising	\$ 700
2	6722	External Relations	\$ 3,410
3	7370	Special Charges	\$ 717
4		Other (Specify):	
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38			
39		Total	\$ 4,827

I-41. GENERAL SERVICES AND LICENSES
Verizon-New Hampshire \$(000)

1. Respondents shall enter in column (a) the name of the affiliate to whom respondents paid \$10,000 or more for services received under a license agreement, a general service contract, or other arrangement providing for the furnishing of general account, engineering,
2. Respondents shall describe in column (b) the type of service provided.

Line No.	Name of Affiliate (a)	Service Provided (b)	Amount (c)
1	Telesector Resources Group	Billing associated with the provision of	\$ 38,947
2	Verizon Services Corporation	Technical, Regulatory, Government	\$ 28,610
3	Verizon Corporate Services Corporation	Relations, Centralized Data Processing	\$ 6,203
4	Verizon Data Services	Services, Marketing and Method Services	\$ 2,116
5	fGTE Telco's	and Training Systems support. The	\$ 1,893
6	Verizon Logistics	respondent paid for materials, apparatus,	\$ 367
7		equipment, supplies and services.	
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42	Aggregate of All Other Amounts		
43		Total	\$ 78,137

I-42. MEMBERSHIPS FEES AND DUES**Verizon-New Hampshire \$(000)**

1. Respondents shall disclose in column (b) the number of organizations in column (c) the number of memberships and in column (d) amount paid for membership fees and dues for each line item in column (a).
2. Respondents shall specify in column (a) any other type of organization not provided for elsewhere on this schedule.

Line No.	Particulars (a)	NUMBER OF		Amount (d)
		Organi- zations (b)	Member- ships (c)	
	EXPENDITURES CHARGED TO OPERATING EXPENSES			
1	Associations of Telecommunications Companies			
2	Trade, Technical and Professional Associations			0.1
	Other Organizations (specify type):			
3				
4				
5				
6				
7				
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9				
10				
11				
12				
13				
14				
15	Total	-	-	\$ 0.1
16	EXPENDITURES CHARGED TO ACCOUNT 7370			
17	Social and Athletic Clubs			
18	Service Clubs (Rotary, Kiwanis, etc.)			
19	Other Organizations (specify type):			3.7
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36				
37	Total	-	-	\$ 3.7

I-43. DONATIONS OR PAYMENTS FOR SERVICES RENDERED BY PERSONS OTHER THAN EMPLOYEES

1. Report for each service rendered (including materials furnished incidental to the service which are impracticable of separation) by recipient and in total the aggregate of all payments made during the year where the aggregate of all such payments to a recipient was \$5,000 or more including fees, retainers commissions, gifts, contributions, assessments, bonuses, subscriptions, allowances for expenses or any other form of payments for services or as donations. Payments to a recipient by two or more companies within a single system under a cost sharing or other joint arrangement shall be considered a single item for reporting in this schedule and shall be shown in the report of the principal company in the joint arrangement (as measured by gross operating revenues) with reference thereto in the reports of the other system companies in the joint arrangement.

Line No.	Name of Recipient (a)	Nature of Service (b)	Amount of Payment (c)
1			
2			
3	This information can be found in Table I-7 of the VZ-NE Armis 43-02 report filed with the FCC.		ARMIS Data Retrieval System
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40			
Total			\$ -

This information can be found in Tables II&III of the VZ-NE Armis 43-08 report filed with the FCC. ARMIS Data Retrieval System

S-1 SWITCHES AND ACCESS LINES IN SERVICE					
Line No.	Description (a)	Total at End of Year			
		Electronic	Digital	Main Access Lines	
		(b)	(c)	Analog (d)	Digital (e)
SWITCHES					
1	Central Office Switches - List by exchange				
2	Remote Switches				
3	Carrier Systems				
	Total	0	0	0	0
ACCESS LINES					
<u>Access Lines In Service by Customer:</u>				Total at End of Year	
				Analog (b)	Digital (c)
4	Residential Access Lines				
5	Multiparty				
6	Total Access Lines			0	0
7	Business Access Lines:				
8	Single Party				
9	Basic Rate ISDN (2B+D)				
10	Primary Rate ISDN				
11	PBX Trunks				
12	Centrex-CO Line Count				
13	InWATS - Closed End				
14	Total Business Lines			0	0
15	Other Access Lines				
16	Radio Common Carrier (RCC) and Company Mobile				
17	Switched Access - FGA FX/ONAL				
18	Public Pay Stations				
19	Other				
20	Total Other Access Lines			0	0
21	Total Access Lines			0	0

This information can be found in Table I.A of the VZ-NE Armis 43-08 report filed with the FCC. [ARMIS Data Retrieval System](#)

S-2 OUTSIDE PLANT STATISTICS - DISTRIBUTION/FEEDER		
Line No.	Description (a)	Total at End of Year (b)
1	Miles of Aerial Wire Aerial Cable	
2	Miles of Sheath Copper	
3	Miles of Wire in Cable	
4	Miles of Sheath Fiber	
5	Miles of Fiber in Sheath Underground Cable	
6	Miles of Sheath Copper	
7	Miles of Wire in Cable	
8	Miles of Sheath Fiber	
9	Miles of Fiber in Sheath Buried Cable	
10	Miles of Sheath Copper	
11	Miles of Wire in Cable	
12	Miles of Sheath Fiber	
13	Miles of Fiber in Sheath Submarine Cable	
14	Miles of Sheath Copper	
15	Miles of Wire in Cable	
16	Miles of Sheath Fiber	
17	Miles of Fiber in Sheath Total Distribution/Feeder Cable	
18	Miles of Sheath - Copper	
19	Miles of Sheath - Fiber	
20	Fiber Miles in Sheath - Lit	
21	Fiber Miles in Sheath - Deployed (Lit & Dark)	

This information can be found in Table I.B of the VZ-NE Armis 43-08 report filed with the FCC. [ARMIS Data Retrieval System](#)

S-3 OUTSIDE PLANT STATISTICS - INTEROFFICE		
Line No.	Description (a)	Total at End of Year (b)
1	Miles of Aerial Wire Aerial Cable	
2	Miles of Sheath Copper	
3	Miles of Wire in Cable	
4	Miles of Sheath Fiber	
5	Miles of Fiber in Sheath Underground Cable	
6	Miles of Sheath Copper	
7	Miles of Wire in Cable	
8	Miles of Sheath Fiber	
9	Miles of Fiber in Sheath Buried Cable	
10	Miles of Sheath Copper	
11	Miles of Wire in Cable	
12	Miles of Sheath Fiber	
13	Miles of Fiber in Sheath Submarine Cable	
14	Miles of Sheath Copper	
15	Miles of Wire in Cable	
16	Miles of Sheath Fiber	
17	Miles of Fiber in Sheath Total Distribution/Feeder Cable	
18	Miles of Sheath - Copper	
19	Miles of Sheath - Fiber	
20	Fiber Miles in Sheath - Lit	
21	Fiber Miles in Sheath - Deployed (Lit & Dark)	

S-4. PENSION COST

Line No.	Item	Current Year (b)	Previous Year (c)
North Associate Plan			
1	Accumulated Benefit Obligation	\$ 9,185,634,000	\$ 8,488,918,000
2	Projected Benefit Obligation	\$ 9,226,986,000	\$ 8,488,918,000
3	Fair Value of Plan Assets	\$ 9,292,237,000	\$ 10,641,168,000
4	Discount Rate for Settlement of Liabilities	7.25%	7.75%
5	Expected Long-Term Return on Assets	9.25%	9.25%
Net Periodic Pension Cost:			
6	Service Cost	\$ 105,019,000	\$ 109,403,000
7	Interest Cost	\$ 609,795,000	\$ 630,766,000
8	Return on Plan Assets	\$ (883,330,000)	\$ (906,330,000)
9	Amortization of Transition Amount	\$ (59,197,000)	\$ (59,197,000)
	Amortization of Gains or Losses	\$ (100,814,000)	\$ (120,526,000)
11	Total	\$ (328,527,000)	\$ (345,884,000)
12	Minimum Required Contribution	\$ -	\$ -
13	Actual Contribution	\$ -	\$ -
14	Maximum Amount Deductible	\$ -	\$ -
15	Benefits Payments	N/A	N/A
16	Pension Cost	\$ (106,655,000)	\$ (114,540,999)
17	Pension Cost Capitalized	\$ (23,709,407)	\$ (27,043,130)
18	Accumulated Pension Asset (Liability) at Close of Year	\$ (199,399,129)	\$ (229,827,129)
Number of Company Employees:			
19	Covered and not Covered by Plan		
20	Active	47,337	51,475
21	Retired	58,814	57,084

Note: 2002 annuity benefit payments are not available for plans which pay lump sum cashouts.

Note2: The information provided in on a plan basis and NE is a participants in the North Associate Plan.

Note3: Information identified on Line 16 - 18 is for total NE only. Pension cost identified on Line 16 excludes any SFAS 88 charges.

S-4. PENSION COST

Line No.	Item	Current Year (b)	Previous Year (c)
Management Cash Balance Plan			
1	Accumulated Benefit Obligation	\$ 12,898,075,000	\$ 12,502,155,000
2	Projected Benefit Obligation	\$ 13,396,073,000	\$ 12,502,155,000
3	Fair Value of Plan Assets	\$ 16,524,529,000	\$ 18,968,212,000
4	Discount Rate for Settlement of Liabilities	7.25%	7.75%
5	Expected Long-Term Return on Assets	9.25%	9.25%
Net Periodic Pension Cost:			
6	Service Cost	\$ 194,365,000	\$ 148,185,000
7	Interest Cost	\$ 917,807,000	\$ 920,480,000
8	Return on Plan Assets	\$ (1,638,593,000)	\$ (1,617,842,000)
9	Amortization of Transition Amount	\$ (11,881,000)	\$ (11,881,000)
10	Amortization of Gains or Losses	\$ (395,320,000)	\$ (527,026,000)
11	Total	\$ (933,622,000)	\$ (1,088,084,000)
12	Minimum Required Contribution	\$ -	\$ -
13	Actual Contribution	\$ -	\$ -
14	Maximum Amount Deductible	\$ -	\$ -
15	Benefits Payments	N/A	N/A
16	Pension Cost	\$ (109,916,000)	\$ (130,766,001)
17	Pension Cost Capitalized	\$ (24,434,327)	\$ (30,873,853)
18	Accumulated Pension Asset (Liability) at Close of Year	\$ 144,062,083	\$ 34,146,083
Number of Company Employees:			
19	Covered and not Covered by Plan		
20	Active	34,373	36,336
21	Retired	56,999	56,167

Note: 2002 annuity benefit payments are not available for plans which pay lump sum cashouts.

Note2: The information provided in on a plan basis and NE is a participants in the Management Cash Balance Plan.

Note3: Information identified on Line 16 - 18 is for total NE only. Pension cost identified on Line 16 excludes any SFAS 88 charges.

RESERVED

CITIES AND TOWNS IN NEW HAMPSHIRE IN WHICH VERIZON NEW ENGLAND INC.
CONDUCTS ITS TELEPHONE BUSINESS

Verizon New England Inc.

Year Ended December 31, 2002

Schedule A-5

(Code) (MMYY)
NETC 1202

Acworth	Dallon	Harts Location	Mont Vernon	Sargents Purchase
Albany	Danbury	Haverhill		Seabrook
Alexandria	Danville	Hebron	Nashua	Second College Grant
Allentown	Deerfield	Hill	Nelson	Sharon
Alstead	Deering	Hinsdale	New Boston	Shelburne
Alton	Derry	Holderness	Newbury	Somersworth
Amherst	Dixville	Hollis	New Castle	South Hampton
Andover	Dorchester	Hooksett	New Durham	Springfield
Antrim	Dover	Hopkinton	Newfields	Stark
Ashland	Dublin	Hudson	Newington	Stewartstown
Atkinson	Dummer		New Hampton	Stoddard
Auburn	Dunbarton	Jackson	New Ipswich	Strafford
	Durham	Jaffrey	New London	Stratham
Barnstead		Jefferson	Newmarket	Stratford
Barrington	East Kingston		Newport	Sugar Hill
Bartlett	Easton	Keene	Newton	Sullivan
Bath	Eaton	Kensington	Northfield	Sunapee
Beans's Purchase	Efingham	Kingston	North Hampton	Surry
Bedford	Ellsworth		Northumberland	Sutton
Belmont	Enfield	Laconia	Northwood	Swanzey
Bennington	Epping	Lancaster	Nottingham	
Benton	Epsom	Landaff		Tamworth
Berlin	Errol	Langdon	Orange	Temple
Bethlehem	Exeter	Lebanon	Orford	Thompson and Meserve
Boscawen		Lee	Ossipee	Purchase
Bow	Farmington	Lempster		Thomoton
Bradford	Fitzwilliam	Lincoln	Pelham	Tilton
Brentwood	Francestown	Lisbon	Pembroke	Troy
Bridgewater	Franconia	Litchfield	Peterborough	Tuftsboro
Bristol	Franklin	Littleton	Piermont	
Brookfield	Freedom	Livemore	Pinkhams Grant	Unity
Brookline	Freemont	Londonderry	Pittsburg	
		Loudon	Pittsfield	Wakefield
Cambridge	Gilford	Lyman	Plainfield	Walpole
Campton	Gilmanton	Lyme	Plaislow	Warner
Canaan	Gilsum	Lyndeborough	Plymouth	Warren
Candia	Goffstown		Portsmouth	Washington
Canterbury	Gorham	Madbury		Waterville Valley
Carroll	Goshen	Madison	Randolph	Weare
Center Harbor	Grafton	Manchester	Raymond	Wentworth
Charlestown	Grantham	Marborough	Richmond	Wentworths Location
Chatham	Greenfield	Marlow	Rindge	Westmoreland
Chester	Greenland	Martins Location	Rochester	Whitefield
Chesterfield	Greens Grant	Mason	Rollinsford	Wimot
Chichester	Greenville	Meredith	Roxbury	Wilton
Claremont	Groton	Memimack	Rumney	Winchester
Clarksville		Middleton	Rye	Windham
Colebrook	Hampstead	Milan		Wolfeboro
Columbia	Hampton	Milford	Salem	Woodstock
Concord	Hampton Falls	Milton	Salisbury	
Conway	Hancock	Millsfield	Sanbornton	
Conrith	Hanover	Monroe	Sandown	
Croyden	Harrisville	Moultonborough	Sandwich	

Schedule A-6: Payments to Individuals

Name	Sum Gross Amt
STATE OF NEW HAMPSHIRE	\$15,302,046.79
LEVEL 3 COMMUNICATIONS LLC	4,421,883.29
EXECUTIVE DIRECTOR BUREAU	3,451,824.61
UNION WATER POWER CO	2,517,589.46
RNK INC	1,489,699.19
LIGHTSHIP TELECOM	1,341,199.28
BROOKS FIBER PROPERTIES	1,112,863.77
LUCAS TREE EXPERT CO	881,476.45
PAETEC COMMUNICATIONS INC	873,028.51
MOUNTAIN LTD	781,170.68
CITIZENS BANK NH	732,378.80
JCR CONSTRUCTION CO INC	718,678.27
CHOICE ONE COMMUNICATIONS	631,253.21
NEW HAMPSHIRE ELEC COOP	608,518.30
NORTHEAST UTILITIES	588,733.80
FREEDOM RING COMMUNICATIONS LLC	573,954.89
GRANTE STATE TELE INC	532,842.11
MCLANE GRAF RAULERSON & MIDDLETON	531,235.62
NEW ENGLAND TRAFFIC CONTROL SERVICES INC	516,192.00
D B U CONSTRUCTION INC	482,879.05
CONTEL CONSTRUCTION	472,484.67
GENERAL MOTORS ACCEPTANCE	421,707.00
HARON CORPORATION	411,495.52
GLOBAL NAPS INC	408,057.20
KEARSARGE TELE CO	406,615.13
LUCENT TECHNOLOGIES INC	402,473.13
NORTHERN LINE LAYERS	391,155.55
TEL-POWER INC	388,216.04
TELCORDIA TECHNOLOGIES INC	354,842.66
LANGILLE CONSTRUCTION INC	350,391.85
AJILON COMMUNICATIONS LLC	323,622.43
COMFORCE	307,154.19
CONVERSENT COMMUNICATIONS	303,259.95
MOHAWK LTD	298,101.02
TIME MANUFACTURING COMPANY	283,070.00
LACASSE PAVING & CONST CO	269,517.47
FLEET ELECTRIC SERVICE INC	235,471.16
A MARCELINO & COMPANY INC	232,046.13
HARON CORPORATION	228,167.39
UTILITY CONSULTANTS INC	222,496.38
TAD TELECOM INC	221,965.24
MEDIAONE OF VIRGINIA	219,258.87
VERIZON WIRELESS	214,902.00
BRIDGESTONE/FIRESTONE INC	197,463.15
JN BITCON ENTERPRISES	186,379.94
MARTY'S GMC	184,736.62
CONDON ELECTRIC INC	184,002.40
NASHUA POLICE DEPARTMENT	182,362.04
PARKSIDE SITE & UTILITY	180,000.00
DUNBARTON TELEPHONE CO	178,136.88
EAST COAST UTILITIES CORP	176,899.24
BUTLER FLEET SERVICES INC	171,196.18
L E BAGLEY CO INC	154,892.47
CONCORD ELECTRIC COMPANY	148,293.30
UNION TELEPHONE COMPANY	142,922.34
SHAW BROTHERS CONSTR INC	128,322.78
VERIZON NETWORK FUNDING-CONVERSENT	122,347.85
GILBANE BUILDING CO	117,881.55
NORTH PACIFIC POLE CO	117,806.72
K & J LAROCQUE INC	116,722.75
JP MORGAN CHASE / PEGAS NORTH	115,906.19
MERRIMACK COUNTY TELE CO	113,476.93
CITY OF MANCHESTER	113,086.68
GE CORPORATE CARD SERVICES	107,830.84
CHAMBERLAIN CONSTRUCTION CORP	106,358.00
JACK YOUNG COMPANY INC	105,914.79
CENTURY STAFFING LLC	104,119.06
ECI DIRECTIONAL DRILLING INC	103,371.32
RADIOTECH	97,936.25
SPRINGFIELD TECHNICAL	94,454.00
R M PIPER INC	93,312.00

CONTOOCOOK VALLEY TEL	93,028.70
TCG OF BOSTON	91,570.24
FAIRPOINT COMMUNICATIONS	88,311.31
EXETER & HAMPTON ELECTRIC	81,287.01
PAYWISE-AN ADECCO COMPANY	78,209.59
ASPLUNDH TREE EXPERT CO	75,496.60
EVERETT E MINK INC	74,050.00
TCG OF NH	73,249.94
MINI MAC MOBILE WASH	71,571.10
NORTH AMERICAN EQUIPMENT UPFITTERS INC	70,360.80
NUTMEG UTILITY PRODUCTS INC	70,100.49
VERIZON NETWORK FUNDING LEVEL 3	67,294.32
UNIVERSAL NETWORK DEVELOPMENT CORP	65,843.29
GCR TRUCK TIRE CENTER INC	64,114.88
ROBSON & WOESE INC	62,708.41
FORUM TEMPORARY SERVICES INC	60,169.20
ADELPHIA CABLE	58,226.58
JASPER ENGINE & TRANSMISSION	54,025.91
ONSITE TECHNICAL	53,396.00
GULF OF BOSTON	52,053.99
ELECTRONIC TECHNOLOGIES CORPORATION	47,943.23
ARCH WIRELESS INC	46,836.13
TOWN OF SEABROOK	46,657.00
PITNEY BOWES FACSIMILE DIVISION	46,159.52
UTILITY ONE SOURCE	45,685.00
NOVEL IRON WORKS INC	42,900.00
KOPPERS INDUSTRIES	42,742.90
ENGINEERS CONSTRUCTION	42,678.27
TEAM FENEX LTD	42,304.66
TOWN OF SALEM	41,479.73
TOWN OF WOLFEBORO	41,399.00
BELENOS INC	40,437.27
HARRY C CROOKER & SONS	40,272.89
PARSONS COMMUNICATIONS	39,308.22
BRETTON WOODS TELEPHONE C	38,664.19
UNIVERSAL SIGN	38,475.00
METROCAST	38,422.87
RBG INC	38,019.82
ROBBINS AUTO PARTS INC	37,281.11
EDS	37,047.25
J S MCCARTHY LETTER SYSTEMS	36,200.96
TOWN OF BEDFORD	35,886.41
CORNING CABLE SYSTEMS LLC	35,416.01
ALTEC INDUSTRIES INC	35,304.64
NORTEL NETWORKS INC	35,280.15
JAMES A KILEY COMPANY	34,344.74
RS AUDLEY INC	32,103.00
TOWN OF LONDONDERRY TOWN CLERK	31,366.85
COMMUNICATIONS MFG CO	30,559.50
STATE OF NEW HAMPSHIRE	29,900.14
PITNEY BOWES MANAGEMENT SERVICES	29,398.40
CENTRAL MAINE POWER CO	29,025.00
TOWN OF MERRIMACK	28,876.65
YANKEE TRUCKS LLC	28,836.53
DAIMLER-CHRYSLER	27,588.00
D M MANAGEMENT	27,478.31
INQUEST TECHNOLOGIES	27,000.00
BROOKLINE POLICE DEPT	26,457.50
CISCO SYSTEMS INC	26,008.06
SANEL AUTO PARTS CO	25,898.62
KGP TELECOMMUNICATIONS	25,816.42
SBA PROPERTIES INC	24,786.13
MERRIAM GRAVES CORP	24,719.70
XPECT FIRST AID	24,603.42
LADISHEFF GENERAL CONTRACTORS	24,288.50
TOWN OF DERRY	23,776.22
VINCENT CONSTRUCTION	23,600.00
BILL GEALY ELECTRIC	23,513.48
MOBILE TOOL INTERNATIONAL INC	23,500.38
JP MORGAN CHASE/PLASTIC PURCHASING CARD	23,040.25
SNAP-ON INDUSTRIAL	22,818.89
HOLLIS TELEPHONE COMPANY	22,634.53
TELCORDIA TECHNOLOGIES INC	22,592.96
BROADVIEW NETWORKS INC	22,590.79

CITY OF CONCORD	22,143.25
MIRRA CO INC	21,782.00
CITY OF DOVER	21,707.66
DIELECTRIC COMMUNICATIONS	21,501.72
VERIZON LOGISTICS INC	21,486.47
TOWN OF WINDHAM	21,435.00
KELLEY MACKENZIE	21,431.02
DOBLES CHEVROLET INC	21,382.87
BT & E UTILITY PRODUCTS INC	21,356.60
CITY OF KEENE	21,275.38
WILTON TELEPHONE CO INC	20,972.08
LITTLETON WATER & LIGHT	20,655.52
BARBARA CREELMAN	20,350.00
MERZ, WILLIAM J	19,516.05
RADIODETECTION-RISER BOND INSTRUMENTS	19,471.63
BJORGE & ASSOCIATES INC	19,324.47
CUSHING & SONS	18,805.00
ED SWETT INC	17,885.50
TOWN OF MILFORD	17,836.50
HOOKSETT POLICE DEPT	17,517.50
TOWN OF HUDSON	17,514.75
HALL, WAYNE F	17,405.55
GENUINE PARTS COMPANY	17,080.57
ADELPHIA	17,056.19
WILSON, RONALD J	16,853.20
ATLANTIC LADDER SERVICES INC	16,636.25
PITNEY BOWES MANAGEMENT SERVICE	16,593.44
PORTSMOUTH POLICE DEPT	16,535.50
PLAISTOW POLICE DEPT	16,430.00
MORNEAU MOVERS INC	16,395.50
DANIEL WEBSTER COLLEGE	16,000.00
SOUCY ELECTRIC INC	15,960.21
TOWN OF PELHAM	15,475.50
EXETER POLICE DEPARTMENT	15,324.96
EXXON COMPANY USA	15,257.73
DAVEY TREE EXPERT COMPANY	14,858.75
FREDERICK A ROBERTSON	14,335.16
SAFETY KLEEN CORP	14,199.91
BAY STATE AUTO SPRING MFG	14,053.51
GRAYBAR ELECTRIC COMPANY INC	13,750.75
MAACO AUTO PAINTING & BODYWORKS CTR	13,668.06
TOMS AUTO BODY	13,379.33
MOTOR QUEST OF WELLESLEY	13,340.31
MCI METRO	13,130.40
CITY OF CONCORD	13,048.14
WRIGHT EXPRESS FINANCIAL SERVICES	13,012.04
PERIPHERAL PARTS SUPPORT	12,949.05
CHASE USA PURCHASING CARD	12,859.66
WORKFLOW PARTNERS INC	12,833.88
TOWN OF HAMPSTEAD	12,585.00
NORMS TRANSMISSION SVC	12,521.71
SNC MANUFACTURING CO	12,208.08
CREST CHEVROLET INC	12,042.40
ETW CORPORATION	11,939.78
FNA TRANSMISSION INC	11,901.75
TOWN OF AUBURN	11,857.00
EXIDE CORP	11,540.33
BARNETT, DEBRA A	11,247.60
WEIRS MOTOR SALES INC	11,091.77
WEEKS, LUCY	11,088.00
H FRED OSGOOD INC	11,078.38
NELSON TREE SERVICE	11,009.77
S&W SERVICES INC	10,835.00
TVC INC	10,661.06
IMAGISTICS INTERNATIONAL INC	10,493.60
GE CONSUMER FINANCE	10,462.43
EUTIS CABLE COMPANY	10,426.23
UNIVERSAL AIR FILTER CO	10,400.00
GUILFORD EXCAVATING	10,352.50
GRAPPONE AUTO JUNCTION	10,335.68
AIRGAS EAST	10,238.68
LE BAGLEY CO INC	10,195.21
LIFTECH AUTOMOTIVE EQUIP	10,125.85
MCI METRO ACCESS TRANSMISSION SERV	10,062.66

ANNUAL REPORT
of

Verizon New England Inc.
TO THE
STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION
For the year ended December 31,
2002
OATH

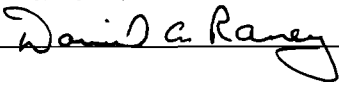
State of New Hampshire.
County of Merrimack ss.

I, the undersigned, Director of Regulatory Accounting of the Verizon New England Inc. utility, on my oath do severally say that the foregoing report has been prepared, under my direction, from the original books, papers and records of said utility, that I have carefully examined the same, and declare the same to be a complete and correct statement of the business and affairs of said utility, in respect to each and every matter and thing therein set forth to the best of our knowledge, information and belief; and that the accounts and figures contained in the foregoing report embrace all of the financial operations of said utility during the period for which said report is made.

 Director-Regulatory Accounting

COMMONWEALTH OF MASSACHUSETTS
COUNTY OF SUFFOLK

Subscribed and sworn to before me this
28TH day of MARCH, 2003
(insert day) day of (insert month and year)



David A. Raney
NOTARY PUBLIC
My commission expires June 2, 2006

VERIZON NEW ENGLAND INC.
EMBEDDED COST OF LONG-TERM DEBT
PERIOD ENDED DECEMBER 31, 2002

STATE BASIS

Series (A)	Rate (B)	Issue Date (C)	Maturity Date (D)	Type (E)	Long-term Maturities (F)	Current Maturities (G)	Premium (Discount) (H)	Unamortized Issuance Expense (I)	Net Proceeds (J=F+G+H+I)	YTM Cost Rate (K)	Annual Effective Cost (L=JxK)
1	6.250%	03/15/93	03/15/03	Debenture	\$ 0	\$ 225,000,000	\$ (28,304)	\$ (16,300)	\$ 224,955,396	6.380%	\$ 14,352,154
2	4.625%	07/01/65	07/01/05	"	60,000,000	0	7,140	(7,950)	59,999,190	4.626%	2,775,563
3	7.650%	06/15/00	06/15/07	"	125,000,000	0	(168,541)	(497,582)	124,333,877	7.807%	9,706,746
4	5.875%	04/15/99	04/15/09	"	200,000,000	0	(962,625)	(817,916)	198,219,459	6.066%	12,023,992
5	6.500%	09/15/01	09/15/11	"	1,000,000,000	0	(1,949,250)	(4,271,021)	993,779,729	6.597%	65,559,649
6	7.875%	09/01/92	09/01/22	"	100,000,000	0	(507,400)	(351,119)	99,141,481	7.991%	7,922,396
7	6.875%	10/01/93	10/01/23	"	250,000,000	0	(2,379,335)	(1,298,953)	246,321,712	7.046%	17,355,828
8	7.875%	11/15/89	11/15/29	"	348,965,000	0	0	0	348,965,000	7.962%	27,784,593
9	7.000%	05/15/02	05/15/42	"	480,000,000	0	0	(13,335,000)	466,665,000	7.244%	33,805,213
10	7.015%	06/30/00	06/30/03	Affiliate Note	0	200,000,000	0	0	200,000,000	7.015%	14,030,000
11	6.500%	08/21/01	09/15/11	Accumulated Derivatives	65,846,000	0	0	0	65,846,000	6.500%	4,279,990
12	6.550%			Capital Leases	943,387	93,052	0	0	1,036,439	6.550%	67,887
13	8.200%		03/15/03	Refinanced Debt	0	0	(7,156)	(49,866)	(57,022)	8.200%	342,130
14	8.000%		03/15/03	"	0	0	(1,547)	(5,363)	(6,910)	8.000%	41,459
15	6.125%		10/01/06	"	0	0	0	0	0	-	3,936
16	6.375%		09/01/08	"	0	0	0	0	0	-	81,830
17	9.000%		10/01/23	"	0	0	(2,302,068)	(18,113,407)	(20,415,475)	-	983,878
18	12.125%		01/31/25	"	0	0	(983,680)	(9,155,220)	(10,138,900)	-	459,120
19	12.125%		11/15/29	"	0	0	(961,717)	(10,142,755)	(11,104,472)	-	410,012
20	9.000%		08/01/31	"	0	0	0	0	0	-	219,514
Total					\$ 2,630,754,387	\$ 425,093,052	\$ (10,244,483)	\$ (58,062,452)	\$ 2,987,540,504	7.103%	\$ 212,205,890

Debt

STATEMENT 1

VERIZON NEW ENGLAND INC.
INFORMATION REQUIRED BY NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

TELEPHONE SERVICE REQUIRED FOR THE PROPER ADMINISTRATION OF THE COMPANY'S BUSINESS IS FURNISHED WITHOUT CHARGE AT THE RESIDENCE OF CERTAIN EMPLOYEES AND EXCHANGE AGENTS. THE NUMBER OF SUCH SERVICES FURNISHED IN NEW HAMPSHIRE ON DECEMBER 31, 2002 WAS:

EMPLOYEES.....	897
EXCHANGE.....	0
TOTAL	897

TELEPHONE SERVICE IS FURNISHED WITHOUT CHARGE AT THE RESIDENCE OF EMPLOYEES HAVING THIRTY OR MORE YEARS OF TELEPHONE COMPANY CREDITED SERVICE AND TO EMPLOYEES RETIRED ON SERVICE OR DISABILITY PENSIONS. THE NUMBER OF SUCH SERVICES FURNISHED IN NEW HAMPSHIRE ON DECEMBER 31, 2002 WAS:

EMPLOYEES.....	0
RETIRED EMPLOYEES.....	2,082
TOTAL	2,082

TELEPHONE SERVICE IS FURNISHED AT ONE-HALF THE ESTABLISHED RATES TO EMPLOYEES OF SIX MONTH'S SERVICE, TO EXCHANGE AGENTS AND TO RETIRED EMPLOYEES ON SPECIAL PENSIONS. THE NUMBER OF SUCH SERVICES FURNISHED IN NEW HAMPSHIRE ON DECEMBER 31, 2002 WAS:

EMPLOYEES.....	1,280
EXCHANGE AGENTS.....	0
RETIRED EMPLOYEES.....	5
TOTAL	1,285

ESTIMATED ANNUAL REVENUE.... \$2.1M

STATEMENT 1a

VERIZON NEW ENGLAND INC.
EMPLOYEES TELEPHONE SERVICE
STATE OF NEW HAMPSHIRE

NUMBER OF EMPLOYEES PROVIDED WITH
TELEPHONE SERVICE AT REDUCED RATES IN 2002.....4,284

ESTIMATED ANNUAL INTRASTATE REVENUE RELATED TO
EMPLOYEES PROVIDED WITH TELEPHONE SERVICE AT
REDUCED RATES IN 2002.....\$2.1M

STATEMENT 2

VERIZON NEW ENGLAND INC.
INFORMATION REQUIRED BY NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DIRECTORS' SERVICE

TELEPHONE SERVICE IS NOT PROVIDED WITHOUT CHARGE TO THE
COMPANY DIRECTORS.

STATEMENT 3

VERIZON NEW ENGLAND INC.
INFORMATION REQUIRED BY NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

OBSOLETE RATES - DECEMBER 31, 2002

NOTHING TO REPORT

ARMIS 43-02

FCC FILING

VERIZON NEW ENGLAND INC.

YEAR END 2002

SUBMISSION 1

ARMIS 43-02

FCC FILING

VERIZON NEW ENGLAND INC.

YEAR END 2002

SUBMISSION 1

FCC Report 43-02
Unrestricted Version
SUBMISSION 1
COSA: NETC

Approved by OMB
3060-0395
Edition Date: 12/2001
Estimated Avg. Burden Per Response: 395 Hrs

**FEDERAL COMMUNICATION COMMISSION
WASHINGTON, D.C. 20554**

**ARMIS USOA REPORT
For Year End December 31, 2002**

Accounting filing Level: A

Name of Company: Verizon New England Tel. & Tel., Inc.

Address of Company: 1095 Avenue of the Americas, New York, New York 10036

FCC Report 43-02, the ARMIS USOA Report, is prescribed for each local exchange carrier (LEC) with annual operating revenues for the preceding year equal to or above the indexed revenue threshold. This report collects the operating results of the carriers, total activities for every account in the USOA, as specified in Part 32 of the Commission's Rules. The ARMIS USOA Report specifies information requirements in a consistent format and is essential to the FCC to monitor revenue requirements, rate of return, jurisdictional separations and access charges. Response is mandatory.

Public reporting burden for this collection of information is estimated to average 395 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing the burden, to the Federal Communications Commission, Office of Managing Director, Washington, D.C. 20554.

An agency may not conduct or sponsor and a person is not required to respond to a collection of information unless it displays a currently valid control number.

COMPANY: Verizon New England Tel. & Tel., Inc.
STUDY AREA: All
PERIOD: Jan 2002 to Dec 2002
COISA: NETC

Unrestricted Version
SUBMISSION 1

TABLE C - 3
PAGE 1 OF 1

TABLE C-3 - RESPONDENT CORPORATE INFORMATION

Row No.	Classification (a)	Name/State (b)	Title and Department Over Which Jurisdiction is Exercised (c)	Term Expired or Current Term Will Expire (d)	Served Continuously From (e)
0010	Exact Name of Respondent	Verizon New England Inc.	N/A	N/A	N/A
0020	States of Operation	New York	N/A	N/A	N/A
0021	State of Operation	New Hampshire	N/A	N/A	N/A
0022	State of Operation	Vermont	N/A	N/A	N/A
0023	State of Operation	Massachusetts	N/A	N/A	N/A
0024	State of Operation	Maine	N/A	N/A	N/A
0025	State of Operation	Rhode Island	N/A	N/A	N/A
0026	State of Operation		N/A	N/A	N/A

0039	State of Operation		N/A	N/A	N/A
0101	Director	Ivan G. Seidenberg, New York, NY		2003	06/23/1997 to present
0102	Director	Richard L. Carrion, Hato Rey, PR		2003	10/28/1997 to present
0103	Director	Helene L. Kaplan, New York, NY		2003	10/28/1997 to present
0104	Director	Joseph Neubauer, Philadelphia, PA		2003	10/28/1997 to present
0105	Director	Hugh B. Price, New York, NY		2003	10/28/1997 to present
0106	Director	Walter V. Shipley, New York, NY		2003	10/28/1997 to present
0107	Director	John R. Stafford, Madison, NJ		2003	10/28/1997 to present
0108	Director	James R. Barker, Stamford, CT		2003	08/03/2000 to present
0109	Director	Edward H. Budd, Glatonbury, CT		2003	08/03/2000 to present
0110	Director	Robert F. Daniell, Hartford, CT		2003	08/03/2000 to present
0111	Director	Charles R. Lee, New York, NY		2003	08/03/2000 to present
0112	Director	John W. Snow, Richmond, VA		2003	08/03/2000 to present
0113	Director	Russell E. Palmer, Philadelphia, PA		2003	08/03/2000 to present
0114	Director	Robert D. Storey, Cleveland, OH		2003	08/03/2000 to present
0115	Director	Sandra O. Moose, Boston, MA		2003	08/03/2000 to present
0116	Director	Thomas H. O'Brien, Pittsburgh, PA		2003	05/24/2000 to present
0117	Director				
0118	Director				
0119	Director				
0120	Director				
0121	Director				
0122	Director				
0123	Director				
124	Director				
0125	Director				

0199	Director				
0201	Officer	Ivan G. Seidenberg, New York, NY	Chairman of the Board - President and Chief Executive Officer	2003	10/01/1997 to present
0202	Officer	Marianne Drost, New York, NY	Secretary	2003	01/11/2001 to present
0203	Officer	Edwin F. Hall, Philadelphia, PA	Chief Financial Officer	2003	09/23/1998 to present
0204	Officer	William F. Heitmann, New York, NY	Vice President	2003	09/28/1999 to present
0205	Officer	William F. Heitmann, New York, NY	Treasurer	2003	06/01/1999 to present
0206	Officer	W. Robert Mudge, Boston, MA	Region President - Operations (New England States)	2003	11/01/2001 to present
0207	Officer	Edwin F. Hall, Philadelphia, PA	Controller	2003	10/01/1997 to present
0208	Officer	Richard P. Jankun, New York, NY	Vice President - Taxes	2003	12/05/2002 to present
0209	Officer	Richard R. Masching, Coppel, TX	Vice President - Taxes	2003	12/05/2002 to present
0210	Officer	Joseph J. McGeever, Philadelphia, PA	Vice President - Taxes	2003	12/05/2002 to present
0211	Officer				
0212	Officer				
0213	Officer				
0214	Officer				
0215	Officer				
0216	Officer				
0217	Officer				
0218	Officer				
0219	Officer				
0220	Officer				
0221	Officer				
0222	Officer				
0223	Officer				
0224	Officer				
0225	Officer				

0299	Officer				

COMPANY: Verizon New England T & T, Inc.
 STUDY AREA: All
 PERIOD: Jan 2002 to Dec 2002
 COSA: NETC

Unrestricted Version
 SUBMISSION 1

TABLE C-5 - IMPORTANT CHANGES DURING THE YEAR

TABLE C - 5
 PAGE 2 OF 6

Row No.	Classification (e)	Description/identification (b)	Date (c)	Description of Contract (d)	State (e)	Date of Change (f)	Description of Change (g)	Est. Increase or Decrease in Annual Rev. (h)	Est. Savings or Additional Cost to Public (i)
	<u>Important Contracts, Agreements, Etc.</u>								
1610		Important Contract or Agreement				N/A	N/A	N/A	N/A
1611		Important Contract or Agreement				N/A	N/A	N/A	N/A
1612		Important Contract or Agreement				N/A	N/A	N/A	N/A
1613		Important Contract or Agreement				N/A	N/A	N/A	N/A
1614		Important Contract or Agreement				N/A	N/A	N/A	N/A
1615		Important Contract or Agreement				N/A	N/A	N/A	N/A
1616		Important Contract or Agreement				N/A	N/A	N/A	N/A
1617		Important Contract or Agreement				N/A	N/A	N/A	N/A
1618		Important Contract or Agreement				N/A	N/A	N/A	N/A
1619		Important Contract or Agreement				N/A	N/A	N/A	N/A
1620		Important Contract or Agreement				N/A	N/A	N/A	N/A
1621		Important Contract or Agreement				N/A	N/A	N/A	N/A
1622		Important Contract or Agreement				N/A	N/A	N/A	N/A
1623		Important Contract or Agreement				N/A	N/A	N/A	N/A
1624		Important Contract or Agreement				N/A	N/A	N/A	N/A
1625		Important Contract or Agreement				N/A	N/A	N/A	N/A
1626		Important Contract or Agreement				N/A	N/A	N/A	N/A
1627		Important Contract or Agreement				N/A	N/A	N/A	N/A
1628		Important Contract or Agreement				N/A	N/A	N/A	N/A
1629		Important Contract or Agreement				N/A	N/A	N/A	N/A
1630		Important Contract or Agreement				N/A	N/A	N/A	N/A
1631		Important Contract or Agreement				N/A	N/A	N/A	N/A
1632		Important Contract or Agreement				N/A	N/A	N/A	N/A
1633		Important Contract or Agreement				N/A	N/A	N/A	N/A
1634		Important Contract or Agreement				N/A	N/A	N/A	N/A
1635		Important Contract or Agreement				N/A	N/A	N/A	N/A
1636		Important Contract or Agreement				N/A	N/A	N/A	N/A
1637		Important Contract or Agreement				N/A	N/A	N/A	N/A
1638		Important Contract or Agreement				N/A	N/A	N/A	N/A
1639		Important Contract or Agreement				N/A	N/A	N/A	N/A
1640		Important Contract or Agreement				N/A	N/A	N/A	N/A
1641		Important Contract or Agreement				N/A	N/A	N/A	N/A
1642		Important Contract or Agreement				N/A	N/A	N/A	N/A
1643		Important Contract or Agreement				N/A	N/A	N/A	N/A
1644		Important Contract or Agreement				N/A	N/A	N/A	N/A
1645		Important Contract or Agreement				N/A	N/A	N/A	N/A
1646		Important Contract or Agreement				N/A	N/A	N/A	N/A
1647		Important Contract or Agreement				N/A	N/A	N/A	N/A
1648		Important Contract or Agreement				N/A	N/A	N/A	N/A
1649		Important Contract or Agreement				N/A	N/A	N/A	N/A
1650		Important Contract or Agreement				N/A	N/A	N/A	N/A
1651		Important Contract or Agreement				N/A	N/A	N/A	N/A
1652		Important Contract or Agreement				N/A	N/A	N/A	N/A
1653		Important Contract or Agreement				N/A	N/A	N/A	N/A

COMPANY: Verizon New England T & T, Inc.
 STUDY AREA: All
 PERIOD: Jan 2002 to Dec 2002
 COSA: NETC

Unrestricted Version
 SUBMISSION 1

TABLE C - 5
 PAGE 3 OF 6

TABLE C-5 - IMPORTANT CHANGES DURING THE YEAR

Row No.	Classification (e)	Description/Identification (b)	Date (c)	Description of Contract (d)	State (e)	Date of Change (f)	Description of Change (g)	Est. Increase or Decrease in Annual Rev. (h)	Est. Savings or Additional Cost to Public (i)
	<u>Important Contracts, Agreements, Etc.</u>								
1654	Important Contract or Agreement					N/A	N/A	N/A	N/A
1655	Important Contract or Agreement					N/A	N/A	N/A	N/A
1656	Important Contract or Agreement					N/A	N/A	N/A	N/A
1657	Important Contract or Agreement					N/A	N/A	N/A	N/A
1658	Important Contract or Agreement					N/A	N/A	N/A	N/A
1659	Important Contract or Agreement					N/A	N/A	N/A	N/A
1660	Important Contract or Agreement					N/A	N/A	N/A	N/A
1661	Important Contract or Agreement					N/A	N/A	N/A	N/A
1662	Important Contract or Agreement					N/A	N/A	N/A	N/A
1663	Important Contract or Agreement					N/A	N/A	N/A	N/A
1664	Important Contract or Agreement					N/A	N/A	N/A	N/A
1665	Important Contract or Agreement					N/A	N/A	N/A	N/A
1666	Important Contract or Agreement					N/A	N/A	N/A	N/A
1667	Important Contract or Agreement					N/A	N/A	N/A	N/A
1668	Important Contract or Agreement					N/A	N/A	N/A	N/A
1669	Important Contract or Agreement					N/A	N/A	N/A	N/A
1670	Important Contract or Agreement					N/A	N/A	N/A	N/A
1671	Important Contract or Agreement					N/A	N/A	N/A	N/A
1672	Important Contract or Agreement					N/A	N/A	N/A	N/A
1673	Important Contract or Agreement					N/A	N/A	N/A	N/A
1674	Important Contract or Agreement					N/A	N/A	N/A	N/A
1675	Important Contract or Agreement					N/A	N/A	N/A	N/A
1676	Important Contract or Agreement					N/A	N/A	N/A	N/A
1677	Important Contract or Agreement					N/A	N/A	N/A	N/A
1678	Important Contract or Agreement					N/A	N/A	N/A	N/A
1679	Important Contract or Agreement					N/A	N/A	N/A	N/A
1680	Important Contract or Agreement					N/A	N/A	N/A	N/A
1681	Important Contract or Agreement					N/A	N/A	N/A	N/A
1682	Important Contract or Agreement					N/A	N/A	N/A	N/A
1683	Important Contract or Agreement					N/A	N/A	N/A	N/A
1684	Important Contract or Agreement					N/A	N/A	N/A	N/A
1685	Important Contract or Agreement					N/A	N/A	N/A	N/A
1686	Important Contract or Agreement					N/A	N/A	N/A	N/A
1687	Important Contract or Agreement					N/A	N/A	N/A	N/A
1688	Important Contract or Agreement					N/A	N/A	N/A	N/A
1689	Important Contract or Agreement					N/A	N/A	N/A	N/A
1690	Important Contract or Agreement					N/A	N/A	N/A	N/A
1691	Important Contract or Agreement					N/A	N/A	N/A	N/A
1692	Important Contract or Agreement					N/A	N/A	N/A	N/A
1693	Important Contract or Agreement					N/A	N/A	N/A	N/A
1694	Important Contract or Agreement					N/A	N/A	N/A	N/A
1695	Important Contract or Agreement					N/A	N/A	N/A	N/A
1696	Important Contract or Agreement					N/A	N/A	N/A	N/A
1697	Important Contract or Agreement					N/A	N/A	N/A	N/A

COMPANY: Verizon New England T & T, Inc.
 STUDY AREA: All
 PERIOD: Jan 2002 to Dec 2002
 CDSA: NETC

Unrestricted Version
 SUBMISSION 1

TABLE C - 5
 PAGE 4 OF 6

TABLE C-5 - IMPORTANT CHANGES DURING THE YEAR

Row No.	Classification (e)	Description/Identification (b)	Date (c)	Description of Contract (d)	State (e)	Date of Change (f)	Description of Change (g)	Est. Increase or Decrease in Annual Rev. (h)	Est. Savings or Additional Cost to Public (i)
	<u>Important Contracts, Agreements, Etc.</u>								
1698	Important Contract or Agreement					N/A	N/A	N/A	N/A
1699	Important Contract or Agreement					N/A	N/A	N/A	N/A
1700	Important Contract or Agreement					N/A	N/A	N/A	N/A
1701	Important Contract or Agreement					N/A	N/A	N/A	N/A
1702	Important Contract or Agreement					N/A	N/A	N/A	N/A
1703	Important Contract or Agreement					N/A	N/A	N/A	N/A
1704	Important Contract or Agreement					N/A	N/A	N/A	N/A
1705	Important Contract or Agreement					N/A	N/A	N/A	N/A
1706	Important Contract or Agreement					N/A	N/A	N/A	N/A
1707	Important Contract or Agreement					N/A	N/A	N/A	N/A
1708	Important Contract or Agreement					N/A	N/A	N/A	N/A
1709	Important Contract or Agreement					N/A	N/A	N/A	N/A
1710	Important Contract or Agreement					N/A	N/A	N/A	N/A
1711	Important Contract or Agreement					N/A	N/A	N/A	N/A
1712	Important Contract or Agreement					N/A	N/A	N/A	N/A
1713	Important Contract or Agreement					N/A	N/A	N/A	N/A
1714	Important Contract or Agreement					N/A	N/A	N/A	N/A
1715	Important Contract or Agreement					N/A	N/A	N/A	N/A
1716	Important Contract or Agreement					N/A	N/A	N/A	N/A
1717	Important Contract or Agreement					N/A	N/A	N/A	N/A
1718	Important Contract or Agreement					N/A	N/A	N/A	N/A
1719	Important Contract or Agreement					N/A	N/A	N/A	N/A
1720	Important Contract or Agreement					N/A	N/A	N/A	N/A
1721	Important Contract or Agreement					N/A	N/A	N/A	N/A
1722	Important Contract or Agreement					N/A	N/A	N/A	N/A
1723	Important Contract or Agreement					N/A	N/A	N/A	N/A
1724	Important Contract or Agreement					N/A	N/A	N/A	N/A
1725	Important Contract or Agreement					N/A	N/A	N/A	N/A
1726	Important Contract or Agreement					N/A	N/A	N/A	N/A
1727	Important Contract or Agreement					N/A	N/A	N/A	N/A
1728	Important Contract or Agreement					N/A	N/A	N/A	N/A
1729	Important Contract or Agreement					N/A	N/A	N/A	N/A
1730	Important Contract or Agreement					N/A	N/A	N/A	N/A
1731	Important Contract or Agreement					N/A	N/A	N/A	N/A
1732	Important Contract or Agreement					N/A	N/A	N/A	N/A
1733	Important Contract or Agreement					N/A	N/A	N/A	N/A
1734	Important Contract or Agreement					N/A	N/A	N/A	N/A
1735	Important Contract or Agreement					N/A	N/A	N/A	N/A
1736	Important Contract or Agreement					N/A	N/A	N/A	N/A
1737	Important Contract or Agreement					N/A	N/A	N/A	N/A
1738	Important Contract or Agreement					N/A	N/A	N/A	N/A
1739	Important Contract or Agreement					N/A	N/A	N/A	N/A
1740	Important Contract or Agreement					N/A	N/A	N/A	N/A
1741	Important Contract or Agreement					N/A	N/A	N/A	N/A

COMPANY: Verizon New England T & T, Inc.
 STUDY AREA: All
 PERIOD: Jan 2002 to Dec 2002
 COSA: NETC

Unrestricted Version
 SUBMISSION 1

TABLE C - 5
 PAGE 6 OF 6

TABLE C-5 - IMPORTANT CHANGES DURING THE YEAR

Row No.	Classification (a)	Description/identification (b)	Date (c)	Description of Contract (d)	State (e)	Date of Change (f)	Description of Change (g)	Est. Increase or Decrease in Annual Rev. (h)	Est. Savings or Additional Cost to Public (i)
	<u>Important Contracts, Agreements, Etc.</u>								
1742	Important Contract or Agreement					N/A	N/A	N/A	N/A
1743	Important Contract or Agreement					N/A	N/A	N/A	N/A
1744	Important Contract or Agreement					N/A	N/A	N/A	N/A
1745	Important Contract or Agreement					N/A	N/A	N/A	N/A
1746	Important Contract or Agreement					N/A	N/A	N/A	N/A
1747	Important Contract or Agreement					N/A	N/A	N/A	N/A
1748	Important Contract or Agreement					N/A	N/A	N/A	N/A
1749	Important Contract or Agreement					N/A	N/A	N/A	N/A
1750	Important Contract or Agreement					N/A	N/A	N/A	N/A
1751	Important Contract or Agreement					N/A	N/A	N/A	N/A
1752	Important Contract or Agreement					N/A	N/A	N/A	N/A
1753	Important Contract or Agreement					N/A	N/A	N/A	N/A
1754	Important Contract or Agreement					N/A	N/A	N/A	N/A
1755	Important Contract or Agreement					N/A	N/A	N/A	N/A
1756	Important Contract or Agreement					N/A	N/A	N/A	N/A
1757	Important Contract or Agreement					N/A	N/A	N/A	N/A
1758	Important Contract or Agreement					N/A	N/A	N/A	N/A
1759	Important Contract or Agreement					N/A	N/A	N/A	N/A
1760	Important Contract or Agreement					N/A	N/A	N/A	N/A
1761	Important Contract or Agreement					N/A	N/A	N/A	N/A
1762	Important Contract or Agreement					N/A	N/A	N/A	N/A
1763	Important Contract or Agreement					N/A	N/A	N/A	N/A
1764	Important Contract or Agreement					N/A	N/A	N/A	N/A
1765	Important Contract or Agreement					N/A	N/A	N/A	N/A
1766	Important Contract or Agreement					N/A	N/A	N/A	N/A
1767	Important Contract or Agreement					N/A	N/A	N/A	N/A
1768	Important Contract or Agreement					N/A	N/A	N/A	N/A
1769	Important Contract or Agreement					N/A	N/A	N/A	N/A
1770	Important Contract or Agreement					N/A	N/A	N/A	N/A
1771	Important Contract or Agreement					N/A	N/A	N/A	N/A
1772	Important Contract or Agreement					N/A	N/A	N/A	N/A
1773	Important Contract or Agreement					N/A	N/A	N/A	N/A
1774	Important Contract or Agreement					N/A	N/A	N/A	N/A
1775	Important Contract or Agreement					N/A	N/A	N/A	N/A
1776	Important Contract or Agreement					N/A	N/A	N/A	N/A
1777	Important Contract or Agreement					N/A	N/A	N/A	N/A
1778	Important Contract or Agreement					N/A	N/A	N/A	N/A
1779	Important Contract or Agreement					N/A	N/A	N/A	N/A
1780	Important Contract or Agreement					N/A	N/A	N/A	N/A
1781	Important Contract or Agreement					N/A	N/A	N/A	N/A
1782	Important Contract or Agreement					N/A	N/A	N/A	N/A
1783	Important Contract or Agreement					N/A	N/A	N/A	N/A

1793	Important Contract or Agreement					N/A	N/A	N/A	N/A

COMPANY: Verizon New England T & T, Inc.
 STUDY AREA: All
 PERIOD: Jan 2002 to Dec 2002
 COSA: NETC

Unrestricted Version
 SUBMISSION 1

TABLE C - 5
 PAGE 6 OF 6

TABLE C-5 - IMPORTANT CHANGES DURING THE YEAR

Row No.	Classification (a)	Description/Identification (b)	Date (c)	Description of Contract (d)	State (e)	Date of Change (f)	Description of Change (g)	Est. Increase or Decrease in Annual Rev. (h)	Est. Savings or Additional Cost to Public (i)
	<u>Important Changes in Service and Rate Schedules</u>								
0401	Change in Service and Rate	N/A	N/A	N/A	N/A	02/01/2002	Intrastate - Exchange and Other	-1,200	1,200
0402	Change in Service and Rate	N/A	N/A	N/A	N/A	06/15/2002	Intrastate - Exchange and Other	-1,500	1,500
0403	Change in Service and Rate	N/A	N/A	N/A	N/A	02/12/2002	Intrastate - Exchange and Other	-1,700	1,700
0404	Change in Service and Rate	N/A	N/A	N/A	N/A	01/01/2002	Intrastate - Exchange and Other	-2,100	2,100
0405	Change in Service and Rate	N/A	N/A	N/A	N/A	07/02/2002	Interstate - TM 206, 2002 Annual Filing	-33,854	33,854
0406	Change in Service and Rate	N/A	N/A	N/A	N/A	07/13/2002	Interstate - TM 214, TBNP Exogenous Cost Refile	7,582	-7,582
0407	Change in Service and Rate	N/A	N/A	N/A	N/A				
0408	Change in Service and Rate	N/A	N/A	N/A	N/A				
0409	Change in Service and Rate	N/A	N/A	N/A	N/A				
0410	Change in Service and Rate	N/A	N/A	N/A	N/A				
0411	Change in Service and Rate	N/A	N/A	N/A	N/A				
0412	Change in Service and Rate	N/A	N/A	N/A	N/A				
0413	Change in Service and Rate	N/A	N/A	N/A	N/A				
0414	Change in Service and Rate	N/A	N/A	N/A	N/A				
0415	Change in Service and Rate	N/A	N/A	N/A	N/A				
0416	Change in Service and Rate	N/A	N/A	N/A	N/A				
0417	Change in Service and Rate	N/A	N/A	N/A	N/A				
0418	Change in Service and Rate	N/A	N/A	N/A	N/A				
0419	Change in Service and Rate	N/A	N/A	N/A	N/A				
0420	Change in Service and Rate	N/A	N/A	N/A	N/A				
0421	Change in Service and Rate	N/A	N/A	N/A	N/A				
0422	Change in Service and Rate	N/A	N/A	N/A	N/A				
0423	Change in Service and Rate	N/A	N/A	N/A	N/A				
0424	Change in Service and Rate	N/A	N/A	N/A	N/A				
0425	Change in Service and Rate	N/A	N/A	N/A	N/A				
0426	Change in Service and Rate	N/A	N/A	N/A	N/A				
0427	Change in Service and Rate	N/A	N/A	N/A	N/A				
0428	Change in Service and Rate	N/A	N/A	N/A	N/A				
0429	Change in Service and Rate	N/A	N/A	N/A	N/A				
0430	Change in Service and Rate	N/A	N/A	N/A	N/A				

0999	Change in Service and Rate	N/A	N/A	N/A	N/A				

COMPANY: Verizon New England Tel. & Tel., Inc.
STUDY AREA: All
PERIOD: Jan 2002 to Dec 2002
COSA: NETC

Unrestricted Version
SUBMISSION 1

TABLE B - 1
PAGE 1 OF 4

TABLE B-1 - BALANCE SHEET ACCOUNTS - CLASS A LEVEL REPORTING
(Dollars in thousands)

Row/ Acct. No.	Account Title (a)	Amount (b)
	Current Assets	
1130	Cash	0
1140	Special cash deposits	54
1150	Working cash advances	19
1160	Temporary investments	284,200
1120	Cash and equivalents	284,273 -
1180	Telecommunications accounts receivable	1,116,272
1181	Accounts receivable allowance-telecommunications	219,558 -
1190	Other accounts receivable <i>Affiliates</i>	341,507
1191	Accounts receivable allowance-other <i>Affiliates</i>	12,372 -
1200	Notes receivable <i>Affiliates</i>	0
1201	Notes receivable allowance "	0 -
1210	Interest and dividends receivable	14,850
1220	Inventories	32,975 ✓
120	Total Noncash Current (excluding prepayments)	1,273,674
1290	Prepaid rents	7,389
1300	Prepaid taxes	2,988
1310	Prepaid insurance	0
1320	Prepaid directory expenses	0
1330	Other prepayments	12,950
1280	Prepayments	23,327
1350	Other Current Assets	92,520
130	Total Current Assets	1,673,794
	Noncurrent Assets	
1401	Investments in affiliated companies	116,399
1402	Investments in nonaffiliated companies	1,431
1406	Nonregulated investments	0
1407	Unamortized debt issuance expense	20,580
1408	Sinking funds	0
1410	Other noncurrent assets	165,512
1437	Deferred tax regulatory asset	93,190
1438	Deferred maintenance and retirements	0
1439	Deferred charges	266,137
1500	Other jurisdictional assets-net	-436,980
150	Total Noncurrent Assets	226,269

COMPANY: Verizon New England T & T, Inc.
STUDY AREA: All
PERIOD: Jan 2002 to Dec 2002
COSA: NETC

Unrestricted Version
SUBMISSION 1

TABLE B - 1
PAGE 2 OF 4

TABLE B-1 - BALANCE SHEET ACCOUNTS - CLASS A LEVEL REPORTING
(Dollars in thousands)

Row/ Acct. No.	Account Title (aa)	Beginning Balance (ab)	Additions (ac)	Retirements (ad)	Transfers/ Adjustments (ae)	Ending Balance (af)
	<u>Plant</u>					
2001	Telecommunications plant in service (TPIS)	16,794,099	978,519	522,903	28,832	17,278,547
2002	Property held for future telecom use (PHFTU)	43	0	0	221	264
2003	Telephone plant under construction-short term (TPUC)	241,666	0	0	-117,405	124,261
2005	Telecommunications plant adjustment	1	0	0	-1	0
2006	Nonoperating plant	74,604	0	0	-47,885	26,719
2007	Goodwill	0	0	0	0	0
210	Total Plant	17,110,413	978,519	522,903	-136,238	17,429,791
	<u>TPIS - General Support</u>					
2111	Land	35,390	1,634	254	-19	36,751
2112	Motor vehicles	110,128	8,632	433	547	118,874
2113	Aircraft	0	0	0	0	0
2114	Tools and other work equipment	142,127	15,844	10,960	-103	146,908
2121	Buildings	995,526	55,589	9,162	3,011	1,044,964
2122	Furniture	10,683	0	178	1	10,506
2123	Office equipment	75,341	49	15,323	-31,430	28,637
2124	General purpose computers	123,070	19,775	30,559	25,374	137,660
2110	Land and Support	1,492,265	101,523	66,869	-2,619	1,524,300
	<u>TPIS - Central Office</u>					
2211	Analog electronic switching	22	1	2	-21	0
2212	Digital electronic switching	3,482,055	159,606	139,013	28,596	3,531,244
2215.1	Step-by-step switching	0	0	0	0	0
2215.2	Crossbar switching	0	0	0	0	0
2215.3	Other electro-mechanical switching	0	0	0	0	0
2215	Electro-mechanical switching	0	0	0	0	0
2210	Central Office-Switching	3,482,077	159,607	139,015	28,575	3,531,244
2220	Operator Systems	35,927	886	3,475	468	33,806
2231.1	Satellite & earth stations	0	0	0	0	0
2231.2	Other radio facilities	9,948	1,602	1,878	183	9,855
2231	Radio systems	9,948	1,602	1,878	183	9,855
2232	Circuit equipment	4,133,403	390,482	157,183	-12,168	4,354,534
2230	Central Office - Transmission	4,143,351	392,084	159,061	-11,985	4,364,389
	<u>TPIS - Information Origination/Termination</u>					
2311	Station apparatus	0	0	0	0	0
2321	Customer premises wiring	0	0	0	0	0
2341	Large PBX	0	0	0	0	0
2351	Public telephone terminal equipment	70,339	2,119	0	54	72,512
2362	Other terminal equipment	306,482	15,507	39,807	-7,206	274,976
2310	Information Origination/Termination	376,821	17,626	39,807	-7,152	347,488
	<u>TPIS - Cable & Wire</u>					
2411	Poles	771,188	35,455	4,146	-337	802,160
2421	Aerial cable	3,381,205	106,948	16,528	10,186	3,481,811
2422	Underground cable	1,354,654	46,779	9,045	-141	1,392,247
2423	Buried cable	328,525	4,332	1,191	35	331,701
2424	Submarine cable	7,904	3,613	0	-3,583	7,934
2425	Deep sea cable	0	0	0	0	0
2426	Intrabuilding network cable	33,520	2,593	98	46	36,061
2431	Aerial wire	-126	0	0	126	0
2441	Conduit systems	969,398	24,824	526	-1,862	991,834
2410	Cable & Wire	6,846,268	224,544	31,534	4,470	7,043,748
240	Total TPIS (before amortizable assets)	16,376,709	896,270	439,761	11,757	16,844,975

COMPANY: Verizon New England T & T, Inc.
STUDY AREA: All
PERIOD: Jan 2002 to Dec 2002
COSA: NETC

TABLE B-1 - BALANCE SHEET ACCOUNTS - CLASS A LEVEL REPORTING
(Dollars in thousands)

Row/ Acct. No.	Account Title (aa)	Beginning Balance (ab)	Additions (ac)	Retirements (ad)	Transfers/ Adjustments (ae)	Ending Balance (af)
<u>TPIS Amortizable Assets</u>						
2681	Capital leases	1,137	0	0	0	1,137
2682	Leasehold improvements	69,683	5,018	24,242	3,526	53,985
2680	Amortizable tangibles	70,820	5,018	24,242	3,526	55,122
2690	Intangibles	346,571	77,231	58,900	13,548	378,450
260	Total TPIS	16,794,099	978,519	522,903	28,830	17,278,547

Row/ Acct. No.	Account Title (a)	Amount (b)
<u>Depreciation and Amortization</u>		
3100	Accumulated depreciation	10,091,702
3200	Accumulated depreciation - PHFTU	2
3300	Accumulated depreciation - nonoperating	383
3410	Accumulated amortization - Capitalized leases	41
3420	Accumulated amortization - Leasehold improvement	31,546
3400	Accumulated amortization - Tangibles	31,587
3500	Accumulated amortization - Intangibles	139,175
3600	Accumulated amortization - Other	0
340	Total Depreciation and Amortization	10,262,849
350	Net Plant	7,166,942
360	Total Assets	9,067,005
<u>Current Liabilities</u>		
4010	Accounts payable	873,492
4020	Notes payable	345,178
1030	Advanced billing and payments	54,624
4040	Customer's deposits	505
4050	Current maturities - long term debt	224,972
4060	Current maturities - capital leases	93
4070	Income taxes - accrued	-41,623
4080	Other taxes - accrued	57,196
4100	Net current deferred operating income taxes	-29,293
4110	Net current deferred nonoperating income taxes	-12,067
4120	Other accrued liabilities	370,212
4130	Other current liabilities	400,533
410	Total Current Liabilities	2,243,822
<u>Long-Term Debt</u>		
4210	Funded debt	2,629,811
4220	Premium on long-term debt	7
4230	Discount on long-term debt	5,967
4240	Reacquired debt	0
4250	Obligations under capital leases	943
4260	Advances from affiliated companies	200,000
4270	Other long-term debt	0
420	Total Long-Term Debt	2,824,794

- Short Term Debt

V = long term debt.

COMPANY: Verizon New England T & T, Inc.
 STUDY AREA: All
 PERIOD: Jan 2002 to Dec 2002
 COSA: NETC

Unrestricted Version
 SUBMISSION 1

TABLE B - 1
 PAGE 4 OF 4

TABLE B-1 - BALANCE SHEET ACCOUNTS - CLASS A LEVEL REPORTING
 (Dollars in thousands)

Row/ Acct. No.	Account Title (a)	Amount (b)
	<u>Other Liabilities and Deferred Credits</u>	
4310	Other long-term liabilities	1,356,341
4320	Unamortized operating invest tax credits - net	24,177
4330	Unamortized nonoperating invest tax credits - net	0
4340	Net noncurrent deferred operating income taxes	613,661
4341	Net accum. deferred operating income taxes	69,825
4350	Net noncurrent deferred nonoperating income taxes	-44,388
4360	Other deferred credits	171,937
4361	Deferred regulatory liability	23,542 ✓
4370	Other jurisdictional liabilities/defer credits - net	-140,950
430	Total Other Liabilities and Deferred Credits	2,074,145
	<u>Stockholders' Equity</u>	
4510	Capital stock	1,000 ✓
4520	Additional paid-in capital	1,665,357
4530	Treasury stock	0
4540	Other capital	0
4550	Retained earnings	257,887
440	Total Stockholders' Equity	1,924,244
450	Total Liabilities and Stockholders' Equity	9,067,005
460	Retained Earnings (Beginning of Year)	922,067
465	Net Income	104,623
470	Dividends Declared	529,000
475	Miscellaneous Debits	252,491
480	Miscellaneous Credits	12,688
490	Retained Earnings (End of Year)	257,887

COMPANY: Verizon New England Tel. & Tel., Inc.
STUDY AREA: All
PERIOD: Jan 2002 to Dec 2002
OS: NETC

Unrestricted Version
SUBMISSION 1

TABLE B-2 - STATEMENT OF CASH FLOWS

TABLE B - 2
PAGE 1 OF 1

(Dollars in thousands)

Row No.	Description (a)	Amount (b)	Amount (c)
	INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS:		
	<u>Cash Flows From Operating Activities:</u>		
0100	Net Income/Loss	N/A	104,623
	<u>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities</u>		
0110	Depreciation and Amortization	1,231,018	N/A
0120	Provision for Losses for Accounts Receivables	225,518	N/A
0130	Deferred Income Taxes - Net	83,279	N/A
0140	Unamortized ITC - Net	-5,190	N/A
0150	Allowance for Funds Used During Construction	-12,504	N/A
0160	Net Change in Operating Receivables	-135,100	N/A
0170	Net Change in Materials, Supplies & Inventories	5,345	N/A
0180	Net Change in Operating Payables & Accrued Liabilities	66,766	N/A
0190	Net Change in Other Assets and Deferred Charges	-90,609	N/A
0200	Net Change in Other Liabilities and Deferred Credits	443,997	N/A
0210	Other	-404,119	N/A
0220	Total Adjustments	N/A	1,408,401
0230	Net Cash Provided by/Used in Operating Activities	N/A	1,513,024
	<u>Cash Inflows/Outflows from Investing Activities:</u>		
0240	Construction/Acquisition of Property, Plant and Equipment	-835,030	N/A
0250	Proceeds from Disposals of Property, Plant and Equipment	33,076	N/A
0260	Investments in & Advances to Affiliates	0	N/A
0270	Proceeds from Repayment of Advances	2,395	N/A
0280	Other Investing Activities	-13,830	N/A
0290	Net Cash Provided by/Used in Investment Activities	N/A	-813,389
	<u>Cash Flows from Financing Activities:</u>		
0300	Net Increase/Decrease in Short-Term Debt	0	N/A
0310	Advances from Affiliates	0	N/A
0320	Repayment of Advances from Affiliates	-229,264	N/A
0330	Proceeds from Long-Term Debt	480,000	N/A
0340	Repayment of Long-Term Debt	-475,000	N/A
0350	Payment of Capital Lease Obligations	-87	N/A
0360	Proceeds from Issue of Common Stock/Equity Investment from Parent	10,067	N/A
0370	Repurchase of Treasury Shares	0	N/A
0380	Dividends Paid	-529,000	N/A
0390	Other Financing Activities	60,946	N/A
0400	Net Cash Provided by Financing Activities	N/A	-682,338
0410	Effect of Exchange Rate Changes on Cash	N/A	0
0420	Net Increase/Decrease in Cash and Cash Equivalents	N/A	17,297
0430	Cash & Cash Equivalents - Beginning of Period	N/A	266,976
0440	Cash & Cash Equivalents - End of Period	N/A	284,273

COMPANY: Verizon New England Tel. & Tel., Inc.
 STUDY AREA: All
 PERIOD: Jan 2002 to Dec 2002
 COSA: NETC

Unrestricted Version
 SUBMISSION 1

TABLE B-3 - INVESTMENTS IN AFFILIATES AND OTHER COMPANIES
 (Dollars in thousands)

TABLE B - 3
 PAGE 1 OF 6

Row No.	Classification (a)	Company Name (b)	Account 1401/1402					Net (h)
			Common (c)	Preferred (d)	Advances (e)	LT Debt (f)	Adjustments (g)	
AFFILIATED COMPANIES								
<u>Equity Method:</u>								
0101	Investment	Telesector Resources Group, Inc.	116,400	0	0	0	0	116,400
0102	Investment	Verizon Advanced Data Inc.	2,395	0	0	0	-2,395	0
0103	Investment		0	0	0	0	0	0
0104	Investment		0	0	0	0	0	0
0105	Investment		0	0	0	0	0	0
0106	Investment		0	0	0	0	0	0
0107	Investment		0	0	0	0	0	0
0108	Investment		0	0	0	0	0	0
0109	Investment		0	0	0	0	0	0
0110	Investment		0	0	0	0	0	0
0111	Investment		0	0	0	0	0	0
0112	Investment		0	0	0	0	0	0
0113	Investment		0	0	0	0	0	0
0114	Investment		0	0	0	0	0	0
0115	Investment		0	0	0	0	0	0
0116	Investment		0	0	0	0	0	0
0117	Investment		0	0	0	0	0	0
0118	Investment		0	0	0	0	0	0
0119	Investment		0	0	0	0	0	0
0120	Investment		0	0	0	0	0	0
0121	Investment		0	0	0	0	0	0
0122	Investment		0	0	0	0	0	0
0123	Investment		0	0	0	0	0	0
0124	Investment		0	0	0	0	0	0
0125	Investment		0	0	0	0	0	0
0126	Investment		0	0	0	0	0	0
0127	Investment		0	0	0	0	0	0
0128	Investment		0	0	0	0	0	0
0129	All Othr Investments	N/A	0	0	0	0	0	0
0130	Total Equity Method	N/A	118,795	0	0	0	-2,395	116,400
<u>Cost Method:</u>								
0201	Investment	Verizon - Washington	0	0	0	0	0	0
0202	Investment	Verizon - Maryland	0	0	0	0	0	0
0203	Investment	Verizon - Virginia	0	0	0	0	0	0
0204	Investment	Verizon - West Virginia	0	0	0	0	0	0
0205	Investment	Verizon - Pennsylvania	0	0	0	0	0	0
0206	Investment	Verizon - Delaware	0	0	0	0	0	0
0207	Investment	Verizon - New Jersey	0	0	0	0	0	0
0208	Investment	Network Services, Inc.	0	0	0	0	0	0
0209	Investment	Verizon Corp. (parent)	0	0	0	0	0	0
0210	Investment	Verizon Integrated Systems	0	0	0	0	0	0
0211	Investment	Verizon Mobile	0	0	0	0	0	0
0212	Investment	Verizon Network Funding	0	0	0	0	0	0
0213	Investment	Verizon Federal Integrated Solutions	0	0	0	0	0	0
0214	Investment		0	0	0	0	0	0
0215	Investment		0	0	0	0	0	0
0216	Investment		0	0	0	0	0	0
0217	Investment		0	0	0	0	0	0
0218	Investment		0	0	0	0	0	0
0219	Investment		0	0	0	0	0	0
0220	Investment		0	0	0	0	0	0
0221	Investment		0	0	0	0	0	0
0222	Investment		0	0	0	0	0	0
0223	Investment		0	0	0	0	0	0
0224	Investment		0	0	0	0	0	0
0225	Investment		0	0	0	0	0	0
0226	Investment		0	0	0	0	0	0
0227	Investment		0	0	0	0	0	0
0228	Investment		0	0	0	0	0	0
0229	All Othr Investments	N/A	0	0	0	0	0	0
0230	Total Cost Method	N/A	0	0	0	0	0	0
0240	Total Affiliates	N/A	118,795	0	0	0	-2,395	116,400
0250	Non-Affiliates	N/A	1,456	0	0	0	-25	1,431
0260	Total Investments	N/A	120,251	0	0	0	-2,420	117,831

COMPANY: Verizon New England Tel. & Tel., Inc.
STUDY AREA: All
PERIOD: Jan 2002 to Dec 2002
COSA: NETC

Unrestricted Version
SUBMISSION 1

TABLE B - 3
PAGE 2 OF 6

TABLE B-3 - INVESTMENTS IN AFFILIATES AND OTHER COMPANIES
(Dollars in thousands)

Row No.	Classification (a)	Company Name (b)	Account 1160			
			Beg Balance (i)	Gross Dr. (j)	Gross Cr. (k)	Net (l)
AFFILIATED COMPANIES						
<u>Equity Method:</u>						
0101	Investment	Telesector Resources Group, Inc.	0	0	0	0
0102	Investment	Verizon Advanced Data Inc.	0	0	0	0
0103	Investment		0	0	0	0
0104	Investment		0	0	0	0
0105	Investment		0	0	0	0
0106	Investment		0	0	0	0
0107	Investment		0	0	0	0
0108	Investment		0	0	0	0
0109	Investment		0	0	0	0
0110	Investment		0	0	0	0
0111	Investment		0	0	0	0
0112	Investment		0	0	0	0
0113	Investment		0	0	0	0
0114	Investment		0	0	0	0
0115	Investment		0	0	0	0
0116	Investment		0	0	0	0
0117	Investment		0	0	0	0
0118	Investment		0	0	0	0
0119	Investment		0	0	0	0
0120	Investment		0	0	0	0
0121	Investment		0	0	0	0
0122	Investment		0	0	0	0
0123	Investment		0	0	0	0
0124	Investment		0	0	0	0
0125	Investment		0	0	0	0
0126	Investment		0	0	0	0
0127	Investment		0	0	0	0
0128	Investment		0	0	0	0
0129	All Othr Investments	N/A	0	0	0	0
0130	Total Equity Method	N/A	0	0	0	0
<u>Cost Method:</u>						
0201	Investment	Verizon - Washington	0	0	0	0
0202	Investment	Verizon - Maryland	0	0	0	0
0203	Investment	Verizon - Virginia	0	0	0	0
0204	Investment	Verizon - West Virginia	0	0	0	0
0205	Investment	Verizon - Pennsylvania	0	0	0	0
0206	Investment	Verizon - Delaware	0	0	0	0
0207	Investment	Verizon - New Jersey	0	0	0	0
0208	Investment	Network Services, Inc.	0	0	0	0
0209	Investment	Verizon Corp. (parent)	0	0	0	0
0210	Investment	Verizon Integrated Systems	0	0	0	0
0211	Investment	Verizon Mobile	0	0	0	0
0212	Investment	Verizon Network Funding	0	0	0	0
0213	Investment	Verizon Federal Integrated Solutions	0	0	0	0
0214	Investment		0	0	0	0
0215	Investment		0	0	0	0
0216	Investment		0	0	0	0
0217	Investment		0	0	0	0
0218	Investment		0	0	0	0
0219	Investment		0	0	0	0
0220	Investment		0	0	0	0
0221	Investment		0	0	0	0
0222	Investment		0	0	0	0
0223	Investment		0	0	0	0
0224	Investment		0	0	0	0
0225	Investment		0	0	0	0
0226	Investment		0	0	0	0
0227	Investment		0	0	0	0
0228	Investment		0	0	0	0
0229	All Othr Investments	N/A	0	0	0	0
0230	Total Cost Method	N/A	0	0	0	0
0240	Total Affiliates	N/A	0	0	0	0
0250	Non-Affiliates	N/A	266,900	284,200	266,900	284,200
0260	Total Investments	N/A	266,900	284,200	266,900	284,200

COMPANY: Verizon New England Tel. & Tel., Inc.
STUDY AREA: All
PERIOD: Jan 2002 to Dec 2002
COSA: NETC

Unrestricted Version
SUBMISSION 1

TABLE B-3 - INVESTMENTS IN AFFILIATES AND OTHER COMPANIES
(Dollars in thousands)

TABLE B - 3
PAGE 3 OF 6

Row No.	Classification (a)	Company Name (b)	Account 1180			
			Beg Balance (m)	Gross Dr. (n)	Gross Cr. (o)	Net (p)
AFFILIATED COMPANIES						
<u>Equity Method:</u>						
0101	Investment	Telesector Resources Group, Inc.	0	0	0	0
0102	investment	Verizon Advanced Data Inc.	0	0	0	0
0103	Investment		0	0	0	0
0104	Investment		0	0	0	0
0105	Investment		0	0	0	0
0106	Investment		0	0	0	0
0107	Investment		0	0	0	0
0108	Investment		0	0	0	0
0109	Investment		0	0	0	0
0110	Investment		0	0	0	0
0111	Investment		0	0	0	0
0112	Investment		0	0	0	0
0113	Investment		0	0	0	0
0114	investment		0	0	0	0
0115	Investment		0	0	0	0
0116	Investment		0	0	0	0
0117	Investment		0	0	0	0
0118	Investment		0	0	0	0
0119	investment		0	0	0	0
0120	Investment		0	0	0	0
0121	Investment		0	0	0	0
0122	Investment		0	0	0	0
0123	Investment		0	0	0	0
0124	Investment		0	0	0	0
0125	Investment		0	0	0	0
0126	Investment		0	0	0	0
0127	Investment		0	0	0	0
0128	Investment		0	0	0	0
0129	All Othr Investments	N/A	0	0	0	0
0130	Total Equity Method	N/A	0	0	0	0
<u>Cost Method:</u>						
0201	Investment	Verizon - Washington	0	0	0	0
0202	Investment	Verizon - Maryland	0	0	0	0
0203	Investment	Verizon - Virginia	0	0	0	0
0204	Investment	Verizon - West Virginia	0	0	0	0
0205	Investment	Verizon - Pennsylvania	0	0	0	0
0206	Investment	Verizon - Delaware	0	0	0	0
0207	Investment	Verizon - New Jersey	0	0	0	0
0208	investment	Network Services, Inc.	0	0	0	0
0209	Investment	Verizon Corp. (parent)	0	0	0	0
0210	Investment	Verizon Integrated Systems	0	0	0	0
0211	Investment	Verizon Mobile	0	0	0	0
0212	Investment	Verizon Network Funding	0	0	0	0
0213	Investment	Verizon Federal Integrated Solutions	0	0	0	0
0214	Investment		0	0	0	0
0215	Investment		0	0	0	0
0216	Investment		0	0	0	0
0217	Investment		0	0	0	0
0218	Investment		0	0	0	0
0219	Investment		0	0	0	0
0220	Investment		0	0	0	0
0221	Investment		0	0	0	0
0222	Investment		0	0	0	0
0223	Investment		0	0	0	0
0224	Investment		0	0	0	0
0225	Investment		0	0	0	0
0226	Investment		0	0	0	0
0227	Investment		0	0	0	0
0228	Investment		0	0	0	0
0229	All Othr Investments	N/A	0	0	0	0
0230	Total Cost Method	N/A	0	0	0	0
0240	Total Affiliates	N/A	0	0	0	0
0250	Non-Affiliates	N/A	1,143,552	851,066	878,346	1,116,272
0260	Total Investments	N/A	1,143,552	851,066	878,346	1,116,272

ARMIS USOA REPORT

COMPANY: Verizon New England T & T, Inc.
 STUDY AREA: All
 PERIOD: Jan 2002 to Dec 2002
 COSA: NETC

Unrestricted Version
 SUBMISSION 1

TABLE B-3 - INVESTMENTS IN AFFILIATES AND OTHER COMPANIES
 (Dollars in thousands)

TABLE B - 3
 PAGE 4 OF 6

Row No.	Classification (a)	Company Name (b)	Account 1190			
			Beg Balance (ac)	Gross Dr. (ad)	Gross Cr. (ae)	Net (af)
AFFILIATED COMPANIES						
<u>Equity Method:</u>						
0301	Investment	TeleSector Resources Group	41,002	304,889	320,805	25,086
0302	Investment		0	0	0	0
0303	Investment		0	0	0	0
0304	Investment		0	0	0	0
0305	Investment		0	0	0	0
0306	Investment		0	0	0	0
0307	Investment		0	0	0	0
0308	Investment		0	0	0	0
0309	Investment		0	0	0	0
0310	Investment		0	0	0	0
0311	Investment		0	0	0	0
0312	Investment		0	0	0	0
0313	Investment		0	0	0	0
0314	Investment		0	0	0	0
0315	Investment		0	0	0	0
0316	Investment		0	0	0	0
0317	Investment		0	0	0	0
0318	Investment		0	0	0	0
0319	Investment		0	0	0	0
0320	Investment		0	0	0	0
0321	Investment		0	0	0	0
0322	Investment		0	0	0	0
0323	Investment		0	0	0	0
0324	Investment		0	0	0	0
0325	Investment		0	0	0	0
0326	Investment		0	0	0	0
0327	Investment		0	0	0	0
0328	Investment		0	0	0	0
0329	All Othr Investments	N/A	0	0	0	0
0330	Total Equity Method	N/A	41,002	304,889	320,805	25,086
<u>Cost Method:</u>						
0401	Investment	Verizon Communications, Inc	2,730	0	2,730	0
0402	Investment	Verizon New York Inc.	185,730	1,401,809	1,314,362	273,177
0403	Investment	Verizon Yellow Pages	-643	2,542	1,511	388
0404	Investment	Verizon Wireless	101	5,415	0	5,516
0405	Investment	Verizon Government Affairs	72	0	0	72
0406	Investment	Verizon Entertainment & Information Services co.	0	0	0	0
0407	Investment	Internetworking & Multimedia Solutions	6	0	0	6
0408	Investment	Verizon Services Corp	57,427	625,127	640,181	42,373
0409	Investment	Verizon Long Distance	5,260	324	0	5,584
0410	Investment	NYNEX Network Systems	6	0	0	6
0411	Investment	Verizon Maryland Inc.	0	34,346	34,346	0
0412	Investment	Verizon New Jersey Inc.	0	122	122	0
0413	Investment	Verizon Virginia, Inc.	0	25	25	0
0414	Investment	Verizon DC, Inc	0	8	8	0
0415	Investment	Verizon Delaware, Inc	0	8	8	0
0416	Investment	Verizon Pennsylvanis, Inc	0	111	111	0
0417	Investment	Verizon, Virginia, Inc	0	19	18	1
0418	Investment	Z Government Relations	0	40	37	3
0419	Investment	NYNEX NEIS	0	0	15	-15
0420	Investment		0	0	0	0
0421	Investment		0	0	0	0
0422	Investment		0	0	0	0
0423	Investment		0	0	0	0
0424	Investment		0	0	0	0
0425	Investment		0	0	0	0
0426	Investment		0	0	0	0
0427	Investment		0	0	0	0
0428	Investment		0	0	0	0
0429	All Othr Investments	N/A	0	0	0	0
0430	Total Cost Method	N/A	250,689	2,069,896	1,993,474	327,111
0440	Total Affiliates	N/A	291,691	2,374,785	2,314,279	352,197
0450	Non-Affiliates	N/A	33,545	494,548	538,783	-10,690
0460	Total Investments	N/A	325,236	2,869,333	2,853,062	341,507

ARMIS USOA REPORT

COMPANY: Verizon New England T & T, Inc.
 STUDY AREA: All
 PERIOD: Jan 2002 to Dec 2002
 COSA: NETC

Unrestricted Version
 SUBMISSION 1

TABLE B-3 - INVESTMENTS IN AFFILIATES AND OTHER COMPANIES
 (Dollars in thousands)

TABLE B - 3
 PAGE 5 OF 6

Row No.	Classification (a)	Company Name (b)	Account 1200			
			Beg Balance (ag)	Gross Dr. (ah)	Gross Cr. (ai)	Net (aj)
AFFILIATED COMPANIES						
<u>Equity Method:</u>						
0301	Investment	TeleSector Resources Group	0	0	0	0
0302	Investment		0	0	0	0
0303	Investment		0	0	0	0
0304	Investment		0	0	0	0
0305	Investment		0	0	0	0
0306	Investment		0	0	0	0
0307	Investment		0	0	0	0
0308	Investment		0	0	0	0
0309	Investment		0	0	0	0
0310	Investment		0	0	0	0
0311	Investment		0	0	0	0
0312	Investment		0	0	0	0
0313	Investment		0	0	0	0
0314	Investment		0	0	0	0
0315	Investment		0	0	0	0
0316	Investment		0	0	0	0
0317	Investment		0	0	0	0
0318	Investment		0	0	0	0
0319	Investment		0	0	0	0
0320	Investment		0	0	0	0
0321	Investment		0	0	0	0
0322	Investment		0	0	0	0
0323	Investment		0	0	0	0
0324	Investment		0	0	0	0
0325	Investment		0	0	0	0
0326	Investment		0	0	0	0
0327	Investment		0	0	0	0
0328	Investment		0	0	0	0
0329	All Othr Investments	N/A	0	0	0	0
0330	Total Equity Method	N/A	0	0	0	0
<u>Cost Method:</u>						
0401	Investment	Verizon Communications, Inc	0	0	0	0
0402	Investment	Verizon New York Inc.	0	0	0	0
0403	Investment	Verizon Yellow Pages	0	0	0	0
0404	Investment	Verizon Wireless	0	0	0	0
0405	Investment	Verizon Government Affairs	0	0	0	0
0406	Investment	Verizon Entertainment & Information Services co.	0	0	0	0
0407	Investment	Internetworking & Multimedia Solutions	0	0	0	0
0408	Investment	Verizon Services Corp	0	0	0	0
0409	Investment	Verizon Long Distance	0	0	0	0
0410	Investment	NYNEX Network Systems	0	0	0	0
0411	Investment	Verizon Maryland Inc.	0	0	0	0
0412	Investment	Verizon New Jersey Inc.	0	0	0	0
0413	Investment	Verizon Virginia, Inc.	0	0	0	0
0414	Investment	Verizon DC, Inc	0	0	0	0
0415	Investment	Verizon Delaware, Inc	0	0	0	0
0416	Investment	Verizon Pennsylvania, Inc	0	0	0	0
0417	Investment	Verizon, Virginia, Inc	0	0	0	0
0418	Investment	Z Government Relations	0	0	0	0
0419	Investment	NYNEX NEIS	0	0	0	0
0420	Investment		0	0	0	0
0421	Investment		0	0	0	0
0422	Investment		0	0	0	0
0423	Investment		0	0	0	0
0424	Investment		0	0	0	0
0425	Investment		0	0	0	0
0426	Investment		0	0	0	0
0427	Investment		0	0	0	0
0428	Investment		0	0	0	0
0429	All Othr Investments	N/A	0	0	0	0
0430	Total Cost Method	N/A	0	0	0	0
0440	Total Affiliates	N/A	0	0	0	0
0450	Non-Affiliates	N/A	0	0	0	0
0460	Total Investments	N/A	0	0	0	0

ARMIS USOA REPORT

COMPANY: Verizon New England T & T, Inc.
 STUDY AREA: All
 PERIOD: Jan 2002 to Dec 2002
 COSA: NETC

Unrestricted Version
 SUBMISSION 1

TABLE B-3 - INVESTMENTS IN AFFILIATES AND OTHER COMPANIES
 (Dollars in thousands)

TABLE B - 3
 PAGE 6 OF 6

Row No.	Classification (a)	Company Name (b)	Account 1210				Total (ao)
			Beg Balance (ak)	Gross Dr. (al)	Gross Cr. (am)	Net (an)	
AFFILIATED COMPANIES							
<u>Equity Method:</u>							
0301	Investment	TeleSector Resources Group	-6,949	36,538	26,217	3,372	144,858
0302	Investment		0	0	0	0	0
0303	Investment		0	0	0	0	0
0304	Investment		0	0	0	0	0
0305	Investment		0	0	0	0	0
0306	Investment		0	0	0	0	0
0307	Investment		0	0	0	0	0
0308	Investment		0	0	0	0	0
0309	Investment		0	0	0	0	0
0310	Investment		0	0	0	0	0
0311	Investment		0	0	0	0	0
0312	Investment		0	0	0	0	0
0313	Investment		0	0	0	0	0
0314	Investment		0	0	0	0	0
0315	Investment		0	0	0	0	0
0316	Investment		0	0	0	0	0
0317	Investment		0	0	0	0	0
0318	Investment		0	0	0	0	0
0319	Investment		0	0	0	0	0
0320	Investment		0	0	0	0	0
0321	Investment		0	0	0	0	0
0322	Investment		0	0	0	0	0
0323	Investment		0	0	0	0	0
0324	Investment		0	0	0	0	0
0325	Investment		0	0	0	0	0
0326	Investment		0	0	0	0	0
0327	Investment		0	0	0	0	0
0328	Investment		0	0	0	0	0
0329	All Othr Investments	N/A	0	0	0	0	0
0330	Total Equity Method	N/A	-6,949	36,538	26,217	3,372	144,858
<u>Cost Method:</u>							
0401	Investment	Verizon Communications, Inc	0	0	0	0	0
0402	Investment	Verizon New York Inc.	0	0	0	0	273,177
0403	Investment	Verizon Yellow Pages	0	0	0	0	388
0404	Investment	Verizon Wireless	0	0	0	0	5,516
0405	Investment	Verizon Government Affairs	0	0	0	0	72
0406	Investment	Verizon Entertainment & Information Services co.	0	0	0	0	0
0407	Investment	Internetworking & Multimedia Solutions	0	0	0	0	6
0408	Investment	Verizon Services Corp	0	0	0	0	42,373
0409	Investment	Verizon Long Distance	0	0	0	0	5,584
0410	Investment	NYNEX Network Systems	0	0	0	0	6
0411	Investment	Verizon Maryland Inc.	0	0	0	0	0
0412	Investment	Verizon New Jersey Inc.	0	0	0	0	0
0413	Investment	Verizon Virginia, Inc.	0	0	0	0	0
0414	Investment	Verizon DC, Inc	0	0	0	0	0
0415	Investment	Verizon Delaware, Inc	0	0	0	0	0
0416	Investment	Verizon Pennsylvania, Inc	0	0	0	0	0
0417	Investment	Verizon, Virginia, Inc	0	0	0	0	1
0418	Investment	Z Government Relations	0	0	0	0	3
0419	Investment	NYNEX NEIS	0	0	0	0	-15
0420	Investment		0	0	0	0	0
0421	Investment		0	0	0	0	0
0422	Investment		0	0	0	0	0
0423	Investment		0	0	0	0	0
0424	Investment		0	0	0	0	0
0425	Investment		0	0	0	0	0
0426	Investment		0	0	0	0	0
0427	Investment		0	0	0	0	0
0428	Investment		0	0	0	0	0
0429	All Othr Investments	N/A	0	0	0	0	0
0430	Total Cost Method	N/A	0	0	0	0	327,111
0440	Total Affiliates	N/A	-6,949	36,538	26,217	3,372	471,969
0450	Non-Affiliates	N/A	11,477	1	0	11,478	1,402,691
0460	Total Investments	N/A	4,528	36,539	26,217	14,850	1,874,660

COMPANY: Verizon New England Tel. & Tel., Inc.
 STUDY AREA: All
 PERIOD: Jan 2002 to Dec 2002
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Unrestricted Version
 SUBMISSION 1

TABLE B-4 - ANALYSIS OF ASSETS PURCHASED FROM OR SOLD TO AFFILIATES
 (Dollars in thousands)

TABLE B - 4
 PAGE 1 OF 1

Row No.	Classification (a)	Name of Affiliate (b)	Net Book Cost (c)	Fair Market Value (d)	Tariff (e)	Publicly Filed Agreements (ee)	Prevailing Market Price (f)	Total Purchase/Sales (g)
A. ANALYSIS OF ASSETS PURCHASED FROM AFFILIATES								
0101	Asset Purchased		0	0	0	0	0	0
0102	Asset Purchased		0	0	0	0	0	0
0103	Asset Purchased		0	0	0	0	0	0
0104	Asset Purchased		0	0	0	0	0	0
0105	Asset Purchased		0	0	0	0	0	0
0106	Asset Purchased		0	0	0	0	0	0
0107	Asset Purchased		0	0	0	0	0	0
0108	Asset Purchased		0	0	0	0	0	0
0109	Asset Purchased		0	0	0	0	0	0
0110	Asset Purchased		0	0	0	0	0	0
0111	Asset Purchased		0	0	0	0	0	0
0112	Asset Purchased		0	0	0	0	0	0
0113	Asset Purchased		0	0	0	0	0	0
0114	Asset Purchased		0	0	0	0	0	0
0115	Asset Purchased		0	0	0	0	0	0
0116	Asset Purchased		0	0	0	0	0	0
0117	Asset Purchased		0	0	0	0	0	0
0118	Asset Purchased		0	0	0	0	0	0
0119	Asset Purchased		0	0	0	0	0	0
0139	From All Others	N/A	0	0	0	0	0	0
0	Total Purchases	N/A	0	0	0	0	0	0

B. ANALYSIS OF ASSETS SOLD TO AFFILIATES

0201	Asset Sold		0	0	0	0	0	0
0202	Asset Sold		0	0	0	0	0	0
0203	Asset Sold		0	0	0	0	0	0
0204	Asset Sold		0	0	0	0	0	0
0205	Asset Sold		0	0	0	0	0	0
0206	Asset Sold		0	0	0	0	0	0
0207	Asset Sold		0	0	0	0	0	0
0208	Asset Sold		0	0	0	0	0	0
0209	Asset Sold		0	0	0	0	0	0
0210	Asset Sold		0	0	0	0	0	0
0211	Asset Sold		0	0	0	0	0	0
0212	Asset Sold		0	0	0	0	0	0
0213	Asset Sold		0	0	0	0	0	0
0214	Asset Sold		0	0	0	0	0	0
0215	Asset Sold		0	0	0	0	0	0
0216	Asset Sold		0	0	0	0	0	0
0217	Asset Sold		0	0	0	0	0	0
0218	Asset Sold		0	0	0	0	0	0
0219	Asset Sold		0	0	0	0	0	0
0220	Asset Sold		0	0	0	0	0	0
0239	To All Others	N/A	0	0	0	0	0	0
0240	Total Sales	N/A	0	0	0	0	0	0

FCC Report 43-02
ARMIS USOA REPORT

COMPANY: Verizon New England Tel. & Tel., Inc.
STUDY AREA: All
PERIOD: Jan 2002 to Dec 2002
COSA: NETC

Unrestricted Version
SUBMISSION 1

TABLE B-5 - ANALYSIS OF ENTRIES IN ACCUMULATED DEPRECIATION
(Dollars in thousands)

TABLE B - 5
PAGE 1 OF 4

Row No.	Description (a)	Beginning Balance (b)	CREDITS DURING THE YEAR		
			Accruals (c)	Salvage (d)	Other Credits (e)
0100	Motor Vehicles	3,584	7,715	327	75
0110	Aircraft	0	0	0	0
0120	Tools and other work equipment	66,214	10,880	1	3
0150	Buildings	325,196	28,533	1,261	0
0160	Furniture	3,558	907	0	0
0180	Office Support Equipment	19,678	3,079	0	0
0190	Company Communications Equipment	25,907	2,289	0	35,921
0200	General Purpose Computers	104,691	23,026	6	20,130
0210	Total Support Assets	548,828	76,429	1,595	56,129
0220	Analog Electronic Switching	2,403	0	0	7
0230	Digital Electronic Switching	1,830,185	271,695	11,019	12,981
0240	Step-by-Step Switching	2	0	0	0
0250	Crossbar Switching	0	0	0	0
0260	Other Electro-mech. Switching	0	0	0	0
0270	Total Central Office-Switching	1,832,590	271,695	11,019	12,988
0280	Operator Systems	37,626	6,417	0	140
0290	Satellite and Earth Sta. Facilities	7,684	701	119	117
0300	Other Radio Facilities	0	0	0	0
0310	Circuit Equipment	2,262,482	354,286	17,685	36,282
0320	Total Central Office-Transmission	2,270,166	354,987	17,804	36,399
0330	Station Apparatus	0	0	0	0
0340	Customer Premises Wiring	0	0	0	0
0350	Large Private Branch Exchange	0	0	0	0

FCC Report 43-02
ARMIS USOA REPORT

COMPANY: Verizon New England Tel. & Tel., Inc.
STUDY AREA: All
PERIOD: Jan 2002 to Dec 2002
COSA: NETC

Unrestricted Version
SUBMISSION 1

TABLE B-5 - ANALYSIS OF ENTRIES IN ACCUMULATED DEPRECIATION
(Dollars in thousands)

TABLE B - 5
PAGE 2 OF 4

Row No.	Description (a)	Beginning Balance (b)	CREDITS DURING THE YEAR		
			Accruals (c)	Salvage (d)	Other Credits (e)
0360	Public Telephone Terminal Equipment	52,980	4,595	0	0
0370	Other Terminal Equipment	217,389	30,096	503	1
0380	Total Info. Origination/Termination	270,369	34,691	503	1
0390	Poles	482,821	52,407	0	0
0400	Aerial Cable	2,379,818	231,727	4,190	0
0410	Underground Cable	964,418	85,437	0	0
0420	Buried Cable	226,500	18,018	0	0
0430	Submarine Cable	6,383	276	0	0
0440	Deep Sea Cable	0	0	0	0
0450	Intrabuilding Network Cable	17,563	2,736	0	0
0460	Aerial Wire	0	0	0	0
0470	Conduit Systems	324,935	21,677	0	0
0480	Total Cable and Wire Facilities	4,402,438	412,278	4,190	0
0490	Total Accumulated Depreciation	9,362,017	1,156,497	35,111	105,657

COMPANY: Verizon New England Tel. & Tel., Inc
 STUDY AREA: All
 PERIOD: Jan 2002 to Dec 2002
 COSA: NETC

Unrestricted Version
 SUBMISSION 1

TABLE B-5 - ANALYSIS OF ENTRIES IN ACCUMULATED DEPRECIATION
 (Dollars in thousands)

TABLE B - 5
 PAGE 3 OF 4

Row No.	Description (a)	CHARGES DURING THE YEAR				Ending Balance (j)
		Retirements w/Traffic (f)	Retirements w/o Traffic (g)	Cost of Removal (h)	Other Charges (i)	
0100	Motor Vehicles	0	433	0	-675	11,943
0110	Aircraft	0	0	0	0	0
0120	Tools and other work equipment	0	10,960	0	-2	66,140
0150	Buildings	0	9,162	6,144	631	339,053
0160	Furniture	0	178	0	13	4,274
0180	Office Support Equipment	0	4,851	0	15	17,891
0190	Company Communications Equipment	0	10,472	0	37,810	15,835
0200	General Purpose Computers	0	30,559	7	21,141	96,146
0210	Total Support Assets	0	66,615	6,151	58,933	551,282
0220	Analog Electronic Switching	0	2	0	-53	2,461
0230	Digital Electronic Switching	0	139,013	2,386	-12,281	1,996,762
0240	Step-by-Step Switching	0	0	0	2	0
0250	Crossbar Switching	0	0	0	0	0
0260	Other Electro-mech. Switching	0	0	0	1	-1
0270	Total Central Office-Switching	0	139,015	2,386	-12,331	1,999,222
0280	Operator Systems	0	3,475	38	-139	40,809
0290	Satellite and Earth Sta. Facilities	0	1,878	163	-81	6,661
0300	Other Radio Facilities	0	0	0	0	0
0310	Circuit Equipment	0	157,183	15,808	14,281	2,483,463
0320	Total Central Office-Transmission	0	159,061	15,971	14,200	2,490,124
0330	Station Apparatus	0	0	0	0	0
0340	Customer Premises Wiring	0	0	0	0	0
0350	Large Private Branch Exchange	0	0	0	0	0

COMPANY: Verizon New England Tel. & Tel., Inc
STUDY AREA: All
PERIOD: Jan 2002 to Dec 2002
COSA: NETC

Unrestricted Version
SUBMISSION 1

TABLE B-5 - ANALYSIS OF ENTRIES IN ACCUMULATED DEPRECIATION

TABLE B - 5
PAGE 4 OF 4

(Dollars in thousands)

Row No.	Description (a)	CHARGES DURING THE YEAR				Ending Balance (j)
		Retirements w/Traffic (f)	Retirements w/o Traffic (g)	Cost of Removal (h)	Other Charges (i)	
0360	Public Telephone Terminal Equipment	0	0	0	-53	57,628
0370	Other Terminal Equipment	0	39,807	955	-2,472	209,699
0380	Total Info. Origination/Termination	0	39,807	955	-2,525	267,327
0390	Poles	0	4,146	13,460	44	517,578
0400	Aerial Cable	0	16,528	14,295	1,109	2,583,803
0410	Underground Cable	0	9,045	13,211	678	1,026,921
0420	Buried Cable	0	1,191	439	35	242,853
0430	Submarine Cable	0	0	0	0	6,659
0440	Deep Sea Cable	0	0	0	0	0
0450	Intrabuilding Network Cable	0	98	239	10	19,952
0460	Aerial Wire	0	0	0	0	0
0470	Conduit Systems	0	526	926	-12	345,172
0480	Total Cable and Wire Facilities	0	31,534	42,570	1,864	4,742,938
0490	Total Accumulated Depreciation	0	439,507	68,071	60,002	10,091,702

COMPANY: Verizon New England Tel. & Tel., Inc.
STUDY AREA: All
PERIOD: Jan 2002 to Dec 2002
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Unrestricted Version
SUBMISSION 1

TABLE B-6 - SUMMARY OF INVESTMENT AND ACCUMULATED DEPRECIATION BY JURISDICTION
(Dollars in thousands)

TABLE B - 6
PAGE 1 OF 1

Row No.	Description (a)	Telephone Plant Before Amortizable Assets (Accounts 2110 through 2441)					
		Telephone Plant Beginning Balance (b)	Telephone Plant Additions (c)	Telephone Plant Retirements w/Traffic (d)	Telephone Plant Retirements w/o Traffic (e)	Other Charges and Credits (f)	Telephone Plant Ending Balance (g)
0300	Maine	1,733,119	96,808	0	33,894	4,695	1,800,728
0320	Massachusetts	10,447,447	576,760	0	304,021	19,157	10,739,344
0400	New Hampshire	2,004,454	85,915	0	38,054	1,087	2,053,402
0500	Rhode Island	1,202,986	75,149	0	36,992	-9,557	1,231,586
0560	Vermont	988,703	61,638	0	26,800	-3,625	1,019,915
0910	Total	16,376,709	896,270	0	439,761	11,757	16,844,975

Row No.	Description (a)	Accumulated Depreciation (Account 3100)							
		Beginning Balance (h)	Depreciation Accruals (i)	Gross Salvage (j)	Cost of Removal (k)	Other Charges and Credits (l)	Ending Balance (m)	Beginning Ratio (n)	Ending Ratio (o)
0300	Maine	1,058,669	117,361	4,391	4,912	-25,853	1,149,656	61.08	63.84
0320	Massachusetts	5,795,977	750,196	20,894	47,258	-277,319	6,242,491	55.48	58.13
0400	New Hampshire	1,166,084	132,797	3,527	8,379	-35,079	1,258,949	58.17	61.31
0500	Rhode Island	713,382	89,128	3,483	4,567	-33,045	768,381	59.30	62.39
0560	Vermont	627,905	67,015	2,816	2,955	-22,556	672,225	63.51	65.91
0910	Total	9,362,017	1,156,497	35,111	68,071	-393,852	10,091,702	57.17	59.91

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 STUDY AREA: All
 PERIOD: Jan 2002 to Dec 2002
 COSA: NETC

Unrestricted Version
 SUBMISSION 1

TABLE B - 7
 PAGE 1 OF 1

TABLE B-7 - BASES OF CHARGES FOR DEPRECIATION

(Dollars in thousands)

Row No.	Classifi- cation (a)	Plant Account (b)	Name of Class or Subclass of Plant (c)	(Method) Whole or Remaining Life (d)	Life Years (e)	Net Salvage (%) (f)	Depreciation	
							Accumulated (%) (g)	Rate (%) (h)

Row No.	Classifi- cation (a)	Plant Account (b)	Name of Class or Subclass of Plant (c)	Account 6561		Average Plant Balance (k)	Composite Rate (%) (l)
				Expensed Amount (i)	Amortized Amount (j)		

This schedule is not required because this carrier's depreciation rates are prescribed by the FCC.

COMPANY: Verizon New England Tel. & Tel., Inc.
 STUDY AREA: All
 PERIOD: Jan 2002 to Dec 2002
 COSA: NETC

Unrestricted Version
 SUBMISSION 1

TABLE B-10 - ACCOUNTS PAYABLE TO AFFILIATES
 (Dollars in thousands)

TABLE B - 10
 PAGE 1 OF 1

Row No.	Classification (a)	Name of Affiliate (b)	Balance at Beginning of the Year (c)	ACTIVITY DURING YEAR		Balance at End of the Year (f)
				Gross Debits (d)	Gross Credits (e)	
0101	Payable To	Verizon Communications, Inc	1,631	177,294	175,907	244
0102	Payable To	Verizon New York Inc.	4,628	35,846	53,541	22,323
0103	Payable To	Verizon Yellow Pages	-44,855	34,099	34,152	-44,802
0104	Payable To	Verizon Network Funding Corp.	-132	0	182	50
0105	Payable To	Telesector Resources Group	443,990	852,031	854,621	446,580
0106	Payable To	Verizon Virginia Inc.	205	2,683	2,656	178
0107	Payable To	Z Government Relations (ZGR)	0	1,149	1,338	189
0108	Payable To	Verizon Services Corp	262,365	1,319,165	1,151,991	95,191
0109	Payable To	Verizon Network Integration Corp.	0	230	230	0
0110	Payable To	Verizon Maryland Inc.	105	935	905	75
0111	Payable To	Verizon New Jersey Inc.	1,379	4,430	5,429	2,378
0112	Payable To	Verizon Pennsylvania Inc.	33	447	441	27
0113	Payable To	VZ North (fGTE)	0	1,790	1,790	0
0114	Payable To	Verizon Wireless	0	3,020	3,027	7
0115	Payable To	Verizon Long Distance	0	130	130	0
0116	Payable To	VZ Ave (fOne Pt)	0	9	9	0
0117	Payable To		0	0	0	0
0118	Payable To		0	0	0	0
0119	Payable To		0	0	0	0
0120	Payable To		0	0	0	0
0121	Payable To		0	0	0	0
0122	Payable To		0	0	0	0
0123	Payable To		0	0	0	0
0124	Payable To		0	0	0	0
0125	Payable To		0	0	0	0
0126	Payable To		0	0	0	0
0127	Payable To		0	0	0	0
0128	Payable To		0	0	0	0
0129	Payable To		0	0	0	0
0130	Payable To		0	0	0	0
0131	Payable To		0	0	0	0
0132	Payable To		0	0	0	0
0133	Payable To		0	0	0	0
0134	Payable To		0	0	0	0
0135	Payable To		0	0	0	0
0136	Payable To		0	0	0	0
0137	Payable To		0	0	0	0
0138	Payable To		0	0	0	0
0139	Payable To		0	0	0	0
0140	Payable To		0	0	0	0
0141	Payable To		0	0	0	0
0142	Payable To		0	0	0	0
0143	Payable To		0	0	0	0
0144	Payable To		0	0	0	0
0145	Payable To		0	0	0	0
0146	Payable To		0	0	0	0
0147	Payable To		0	0	0	0
0148	Payable To		0	0	0	0
0149	Payable To		0	0	0	0
0150	Payable To		0	0	0	0
0160	Total	N/A	669,349	2,433,258	2,286,349	522,440

COMPANY: Verizon New England Tel. & Tel., Inc.
 STUDY AREA: All
 PERIOD: Jan 2002 to Dec 2002
 COSA: NETC

Unrestricted Version
 SUBMISSION 1
 TABLE I - 1
 PAGE 1 OF 5

Table I-1 - INCOME STATEMENT ACCOUNTS - CLASS A ACCOUNT LEVEL REPORTING
 (Dollars in Thousands)

Row/ Acct. No.	Account Title (a)	Amount (b)
REVENUE ACCOUNTS		
Local Network Revenues		
5001	Basic area revenue	1,485,975
5002	Optional extended area revenue	0
5003	Cellular mobile service revenue	37,427
5004	Other mobile service revenue	523
510	Basic local service revenue	1,523,925
5040	Local private line revenue	116,797
5050	Customer premises revenue	136
5060	Other local exchange revenue	397,334
5069	Other local exchange revenue settlements	1,550
520	Local network service revenue	2,039,742
Network Access Services Revenues		
5081	End user revenue	528,008
5082	Switched access revenue	198,229
5083	Special access revenue	614,552
5084	State access revenue	150,759
5080	Network access revenue	1,491,548
Long Distance (LD) Network Services Revenues		
5100	LD message revenue	301,590
5111	LD inward-only revenue	12,878
5112	LD outward-only revenue	147
5110	Unidirectional LD Revenue	13,025
5121	Subvoice grade LD private network revenue	663
5122	Voice grade LD private network revenue	19,503
5123	Audio program grade LD private network revenue	0
5124	Video program grade LD private network revenue	0
5125	Digital transmission LD private network revenue	27,168
5126	LD private network switching revenue	0
5128	Other LD private network revenue	0
5129	Other LD private network revenue settlements	1,470
5120	Long distance private network revenue	48,804
5160	Other long distance revenue	4,799
5169	Other long distance revenue settlements	0
525	LD Network Service Revenues	368,218
Miscellaneous Revenues		
5230	Directory revenue	33,994
5240	Rent revenue	153,955
5250	Corporate operations revenue	13
5261	Special billing arrangements revenue	1,170
5262	Customer operations revenue	855
5263	Plant operations revenue	0
5264	Other incidental regulated revenue	39,036
5269	Other revenue settlements	0
5260	Miscellaneous revenue	41,061
5270	Carrier billing and collection revenue	44,704
5200	Miscellaneous revenue	273,727
5280	Nonregulated revenue	187,634
5301	Uncollectible revenue-telecommunications	224,785
5302	Uncollectible revenue-other	733
5300	Uncollectible revenue	225,518
530	Total Operating Revenues	4,135,351

COMPANY: Verizon New England Tel. & Tel., Inc.
 STUDY AREA: All
 PERIOD: Jan 2002 to Dec 2002
 COSA: NETC

Unrestricted Version
 SUBMISSION 1
 TABLE I - 1
 PAGE 2 OF 5

Table I-1 - INCOME STATEMENT ACCOUNTS - CLASS A ACCOUNT LEVEL REPORTING
 (Dollars in Thousands)

Row/ Acct. No.	Account Title (aa)	Total (ab)
	EXPENSE ACCOUNTS	
	Plant Specific Operations	
615	Account 6112 - Motor Vehicles	1,503
625	Account 6113 - Aircraft	1,253
635	Account 6114 - Tools and other work equipment	1,873
6110	Network support	4,629
6121	Land & building	131,481
6122	Furniture & artworks	1,157
6123	Office equipment	7,146
6124	General purpose computers	70,857
6120	General support	210,641
6211	Analog electronic	817
6212	Digital electronic	86,025
6215	Electro-mechanical	0
6210	Central Office-switching	86,842
6220	Operator systems	84
6231	Radio systems	142
6232	Circuit equipment	60,486
6230	Central office-transmission	60,628
6311	Station apparatus	0
6341	Large PBX	0
6351	Public telephone terminal equipment	6,632
6362	Other terminal equipment	67,284
6310	Information origination/termination expense	73,916
6411	Poles	9,420
6421	Aerial cable	237,329
6422	Underground cable	40,202
6423	Buried cable	15,805
6424	Submarine cable	17
6425	Deep sea cable	0
6426	Intrabuilding network cable	3,685
6431	Aerial wire	0
6441	Conduit systems	7,068
6410	Cable and wire	313,526
650	Total Plant Specific Operations	750,267

COMPANY: Verizon New England Tel. & Tel., Inc.
STUDY AREA: All
PERIOD: Jan 2002 to Dec 2002
COSA: NETC

Unrestricted Version
SUBMISSION 1
TABLE I - 1
PAGE 3 OF 5

Table I-1 - INCOME STATEMENT ACCOUNTS - CLASS A ACCOUNT LEVEL REPORTING
(Dollars in Thousands)

Row/ Acct. No.	Account Title (aa)	Total (ab)
	<u>Plant Nonspecific Operations</u>	
6511	PHFTU	0
665	Account 6512 - Provisioning	3,266
6510	Other property plant and equipment expense	3,266
6531	Power	41,508
6532	Network administration	64,088
6533	Testing	64,418
675	Account 6534 - Plant operation administration	82,090
685	Account 6535 - Engineering	30,439
6530	Network Operations	282,543
6540	Access	207,250
6561	Depreciation-TPIS	1,156,495
6562	Depreciation-PHFTU	0
6563	Amortization-tangible	5,800
6564	Amortization-intangible	68,724
6565	Amortization-other	-1
6560	Depreciations & Amortization Expense	1,231,018
690	Total Plant Nonspecific Operations	1,724,078
	<u>Customer Operations</u>	
6611	Product management	57,191
6612	Sales	62,639
6613	Product advertising	18,340
6610	Marketing Expense	138,170
6621	Call completion	10,188
6622	Number services	51,295
6623	Customer services	266,584
6620	Service Expense	328,067
700	Total Customer Operations	466,237
	<u>Corporate Operations</u>	
6711	Executive	17,667
6712	Planning	8,047
6710	Executive and Planning	25,714
6721	Accounting & finance	21,975
6722	External relations	28,982
6723	Human resources	19,907
6724	Information management	62,472
6725	Legal	14,002
6726	Procurement	3,605
6727	Research and development	1,961
6728	Other general and administrative	467,356
6720	General & Administrative	620,260
6790	Provision for uncollectible notes	0
710	Total Corporate Operations Expense	645,974
720	Total Operating Expenses	3,586,554
730	Income Before Other Operating Items and Taxes	548,797

COMPANY: Verizon New England Tel. & Tel., Inc.
 STUDY AREA: All
 PERIOD: Jan 2002 to Dec 2002
 COSA: NETC

Unrestricted Version
 SUBMISSION 1
 TABLE 1 - 1
 PAGE 4 OF 5

Table I-1 - INCOME STATEMENT ACCOUNTS - CLASS A ACCOUNT LEVEL REPORTING
 (Dollars in Thousands)

Row/ Acct. No.	Account Title (a)	Amount (b)
	<u>Other Operating Income and Expense</u>	
7110	Income from custom work	793
7130	Return from nonreg use of regulated facilities	0
7140	Gains/losses from foreign exchange	0
7150	Gains/losses from disposition of land & artworks	513
7160	Other operating gains and losses	-897
7100	Other operating income and expenses	409
	<u>Operating Taxes</u>	
7210	Operating investment tax credits-net	5,190
7220	Operating federal income taxes	821
7230	Operating state and local income taxes	10,557
7240	Operating other taxes	145,386
7250	Provision for deferred operating income tax-net	85,375
7200	Operating Taxes	236,949
	<u>Nonoperating Income and Expense</u>	
7310	Dividend income	0
7320	Interest income	4,364
7330	Income from sinking and other funds	0
7340	Allowance for funds used during const (AFUDC)	12,504
7350	Gains/losses from the disposition of property	-1
7360	Other nonoperating income	24,292
7370	Special charges	6,716
7300	Nonoperating Income and Expense	34,443
	<u>Nonoperating Taxes</u>	
7410	Nonoperating investment tax credits-net	0
7420	Nonoperating federal income taxes	601
7430	Nonoperating state and local income taxes	124
7440	Nonoperating other taxes	0
7450	Provision for deferred nonoperating income tax-net	-2,096
7400	Nonoperating Taxes	-1,371
	<u>Interest and Related Items</u>	
7510	Interest on funded debt	162,986
7520	Interest expense-capital leases	71
7530	Amortization of debt issuance expense	2,997
7540	Other interest deductions	10,147
7500	Interest and Related Items	176,201
	<u>Extraordinary Items</u>	
7610	Extraordinary income credits	0
7620	Extraordinary income charges	37,744
7630	Current inc tax effect of extraordinary items-net	-14,854
7640	Provision for deferred inc tax effect of items-net	0
7600	Extraordinary Items	-22,890
	<u>Jurisdictional Differences & Nonregulated Income</u>	
7910	Income effects of jurisdictional differences-net	-44,357
7990	Nonregulated net income	0
790	Net Income	104,623

COMPANY: Verizon New England Tel. & Tel., Inc.
STUDY AREA: All
PERIOD: Jan 2002 to Dec 2002
COSA: NETC

Unrestricted Version
SUBMISSION 1
TABLE I - 1
PAGE 5 OF 5

Table I-1 - INCOME STATEMENT ACCOUNTS - CLASS A ACCOUNT LEVEL REPORTING
(Dollars in Thousands)

Row/ Acct. No.	Account Title (a)	Amount (b)
830	Total number of employees at the end of the year	15,287
840	Number of full-time employees	15,263
850	Number of part-time employees	24
860	Total compensation for the year	1,398,870

COMPANY: Verizon New England Tel. & Tel., Inc.
 STUDY AREA: All
 PERIOD: Jan 2002 to Dec 2002
 USOA: NETC

Unrestricted Version
 SUBMISSION 1
 TABLE I - 2
 PAGE 1 OF 2

TABLE I-2 - ANALYSIS OF SERVICES PURCHASED FROM OR SOLD TO AFFILIATES

(Dollars in Thousands)

Row No.	Classification (a)	Name of Affiliate (b)	Fully Distributed Cost (c)	Fair Market Value (cc)	Tariff Rate (d)	Publicly Filed Agreements (dd)	Prevailing Market Price (e)	Total Purchase/Sales (f)
A. ANALYSIS OF SERVICES PURCHASED FROM AFFILIATES								
0101	Service Purchased	Exchange Indemnity Company	9,201	0	0	0	0	9,201
0102	Service Purchased	Telesector Resources Group, Inc.	350,258	0	0	0	0	350,258
0103	Service Purchased	Verizon Avenue Corp.	775	0	0	0	0	775
0104	Service Purchased	Verizon Corporate Services Group Inc.	45,950	0	0	0	0	45,950
0105	Service Purchased	Verizon Corporate Services Corp.	85,022	0	0	0	0	85,022
0106	Service Purchased	Verizon Data Services Inc.	26,736	0	0	0	0	26,736
0107	Service Purchased	Verizon Network Funding Corp.	333	0	0	0	0	333
0108	Service Purchased	Verizon Services Corp.	193,500	0	0	0	0	193,500
0109	Service Purchased	Verizon Services Organization Inc.	62,253	0	0	0	0	62,253
0110	Service Purchased	GTE Communication Systems Corporation	3,303	0	0	0	0	3,303
0111	Service Purchased	Vz Wireless	0	0	(321)	0	3,009	2,688
0112	Service Purchased		0	0	0	0	0	0
0113	Service Purchased		0	0	0	0	0	0
0114	Service Purchased		0	0	0	0	0	0
0115	Service Purchased		0	0	0	0	0	0
0116	Service Purchased		0	0	0	0	0	0
0117	Service Purchased		0	0	0	0	0	0
0118	Service Purchased		0	0	0	0	0	0
0119	Service Purchased		0	0	0	0	0	0
0120	Service Purchased		0	0	0	0	0	0
0121	Service Purchased		0	0	0	0	0	0
0122	Service Purchased		0	0	0	0	0	0
0123	Service Purchased		0	0	0	0	0	0
0124	Service Purchased		0	0	0	0	0	0
0125	Service Purchased		0	0	0	0	0	0
0126	Service Purchased		0	0	0	0	0	0
0127	Service Purchased		0	0	0	0	0	0
0128	Service Purchased		0	0	0	0	0	0
0129	Service Purchased		0	0	0	0	0	0
0130	Service Purchased		0	0	0	0	0	0
0131	Service Purchased		0	0	0	0	0	0
0132	Service Purchased		0	0	0	0	0	0
0133	Service Purchased		0	0	0	0	0	0
0134	Service Purchased		0	0	0	0	0	0
0135	Service Purchased		0	0	0	0	0	0
0136	Service Purchased		0	0	0	0	0	0
0137	Service Purchased		0	0	0	0	0	0
0138	Service Purchased		0	0	0	0	0	0
0139	From All Others	N/A	0	0	0	0	0	0
0140	Total Purchases	N/A	777,331	0	(321)	0	3,009	780,019

COMPANY: Verizon New England T & T, Inc.
STUDY AREA: All
PERIOD: Jan 2002 to Dec 2002
NSA: NETC

TABLE I-2 - ANALYSIS OF SERVICES PURCHASED FROM OR SOLD TO AFFILIATES
(Dollars in Thousands)

Row No.	Classification (a)	Name of Affiliate (b)	Fully Distributed Cost (c)	Fair Market Value (cc)	Tariff Rate (d)	Publicly Filed Agreements (dd)	Prevailing Market Price (e)	Total Purchase/Sales (f)
B. ANALYSIS OF SERVICES SOLD TO AFFILIATES								
0201	Service Sold	Telesector Resources Group Inc.	46,674	5,092	3,519	0	0	55,285
0202	Service Sold	Verizon Corporate Services Corp.	5,305	0	649	0	0	5,954
0203	Service Sold	Verizon Services Corp.	98	1	102	0	0	201
0204	Service Sold	Verizon Internet Services Inc.	3,247	0	61,209	0	0	64,456
0205	Service Sold	Verizon Directory Services Inc.	80	0	0	0	1,135	1,215
0206	Service Sold	Verizon TeleProducts Inc.	490	0	0	0	0	490
0207	Service Sold	Bell Atlantic Communications Inc.	19,513	0	96	0	19,263	38,872
0208	Service Sold	NYNEX Long Distance Inc.	0	0	0	0	5,020	5,020
0209	Service Sold	Verizon Global Networks Inc.	78	994	15,228	0	0	16,300
0210	Service Sold	Verizon Wireless	2,043	307	24,836	0	0	27,186
0211	Service Sold	Verizon Select Services Inc.	324	0	102	0	74	500
0212	Service Sold		0	0	0	0	0	0
0213	Service Sold		0	0	0	0	0	0
0214	Service Sold		0	0	0	0	0	0
0215	Service Sold		0	0	0	0	0	0
0216	Service Sold		0	0	0	0	0	0
0217	Service Sold		0	0	0	0	0	0
0218	Service Sold		0	0	0	0	0	0
0219	Service Sold		0	0	0	0	0	0
0220	Service Sold		0	0	0	0	0	0
0221	Service Sold		0	0	0	0	0	0
2	Service Sold		0	0	0	0	0	0
.3	Service Sold		0	0	0	0	0	0
0224	Service Sold		0	0	0	0	0	0
0225	Service Sold		0	0	0	0	0	0
0226	Service Sold		0	0	0	0	0	0
0227	Service Sold		0	0	0	0	0	0
0228	Service Sold		0	0	0	0	0	0
0229	Service Sold		0	0	0	0	0	0
0230	Service Sold		0	0	0	0	0	0
0231	Service Sold		0	0	0	0	0	0
0232	Service Sold		0	0	0	0	0	0
0233	Service Sold		0	0	0	0	0	0
0234	Service Sold		0	0	0	0	0	0
0235	Service Sold		0	0	0	0	0	0
0236	Service Sold		0	0	0	0	0	0
0237	Service Sold		0	0	0	0	0	0
0238	Service Sold		0	0	0	0	0	0
0239	From All Others	N/A	0	0	0	0	0	0
0240	Total Sales	N/A	77,852	6,394	105,741	0	25,492	215,479

COMPANY: Verizon New England Tel. & Tel., Inc.
 STUDY AREA: All
 PERIOD: Jan 2002 to Dec 2002
 COSA: NETC

Unrestricted Version
 SUBMISSION 1

TABLE I - 6
 PAGE 1 OF 1

TABLE I-6 - SPECIAL CHARGES
 (Dollars in Thousands)

Row No.	Classification (a)	Particulars (b)	Amount (c)
0100	Lobbying Expenses	N/A	2,520

OTHER SPECIAL CHARGES

0200	Membership Fees and Dues	N/A	68
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ABANDONED CONSTRUCTION PROJECTS AMOUNTING TO \$ 100,000 OR MORE

0210	Name of Project		0
0211	Name of Project		0
0212	Name of Project		0
0213	Name of Project		0
0214	Name of Project		0
0215	Name of Project		0
0216	Name of Project		0
0217	Name of Project		0
0218	Name of Project		0
0219	Total Abandoned Construction Projects Amounting to \$ 100,000 or More	N/A	0

0220	Telecommunications Plant Acquisition Adjustments	N/A	0
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PENALTIES AND FINES AMOUNTING TO \$ 100,000 OR MORE

0230	Name of Penalty and/or Fine		0
0231	Name of Penalty and/or Fine		0
0232	Name of Penalty and/or Fine		0
0233	Name of Penalty and/or Fine		0
0234	Name of Penalty and/or Fine		0
0235	Name of Penalty and/or Fine		0
0236	Name of Penalty and/or Fine		0
0237	Name of Penalty and/or Fine		0
0238	Name of Penalty and/or Fine		0
0239	Total Penalties and Fines Amounting to \$ 100,000 or More	N/A	0

0240	Charitable, Social or Other Community Welfare	N/A	63
0250	All Other Items in the Aggregate	N/A	4,065
0260	Total of Other Special Charges	N/A	4,196

0270	Total of Account 7370	N/A	6,716
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FCC Report 43-02
 ARMIS USOA REPORT
 COMPANY: Verizon New England T & T, Inc.
 STUDY AREA: All
 PERIOD: Jan 2002 to Dec 2002
 COSA: NETC

Unrestricted Version
 SUBMISSION 1
 TABLE I - 7
 Page 1 of 2

TABLE I-7 - DONATIONS OR PAYMENTS FOR SERVICES RENDERED BY PERSONS OTHER THAN EMPLOYEES
 (Dollars in Thousands)

Row No.	Nature of Service (a)	Name of Recipient (b)	Amount (c)
ADVERTISING AND INFORMATION SERVICES - EXCEEDING \$ 1,000,000			
0201	Name of Advertising and Information Service	Nothing to Report	
0202	Name of Advertising and Information Service		
0599	Total Advertising and Information Services - Exceeding \$ 1,000,000	N/A	0
AUDIT AND ACCOUNTING - EXCEEDING \$ 500,000			
0601	Name of Audit and Accounting Service	Nothing to Report	
0699	Total Audit and Accounting Services - Exceeding \$ 500,000	N/A	0
CLERICAL AND OFFICE SERVICES - EXCEEDING \$ 1,000,000			
0701	Name of Clerical and Office Service	Nothing to Report	
0799	Total Clerical and Office Services - Exceeding \$ 1,000,000	N/A	0
COMPUTER AND DATA PROCESSING SERVICES - EXCEEDING \$ 1,000,000			
0801	Name of Computer and Data Processing Service	Lucent Technologies, Inc	1,325
0802	Name of Computer and Data Processing Service	Volt Delta Resources Inc.	1,752
0899	Total Computer and Data Processing Services - Exceeding \$ 1,000,000	N/A	3,077
CONSULTING AND RESEARCH SERVICES - EXCEEDING \$ 500,000			
0901	Name of Consulting and Research Service	Nothing to Report	
1299	Total Consulting and Research Services - Exceeding \$ 500,000	N/A	0
FINANCIAL SERVICES - EXCEEDING \$ 500,000			
1301	Name of Financial Service	Nothing to Report	
1399	Total Financial Services - Exceeding \$ 500,000	N/A	0
LEGAL - EXCEEDING \$ 500,000			
1401	Name of Legal Service	Nothing to Report	
1499	Total Legal Services - Exceeding \$ 500,000	N/A	0
MEMBERSHIP FEES AND DUES - EXCEEDING \$ 50,000			
1501	Name of Association	Nothing to Report	
1599	Total Membership Fees and Dues - Exceeding \$ 50,000	N/A	0
PERSONNEL SERVICES - EXCEEDING \$ 1,000,000			
1601	Name of Personnel Service	Nothing to Report	
1699	Total Personnel Services - Exceeding \$ 1,000,000	N/A	0
PRINTING AND DESIGN SERVICES - EXCEEDING \$ 1,000,000			

FCC Report 43-02
 ARMIS USOA REPORT
 COMPANY: Verizon New England T & T, Inc.
 STUDY AREA: All
 PERIOD: Jan 2002 to Dec 2002
 COSA: NETC

Unrestricted Version
 SUBMISSION 1
 TABLE I - 7
 Page 2 of 2

TABLE I-7 - DONATIONS OR PAYMENTS FOR SERVICES RENDERED BY PERSONS OTHER THAN EMPLOYEES
 (Dollars in Thousands)

Row No.	Nature of Service (a)	Name of Recipient (b)	Amount (c)
1701	Name of Printing and Design Service	Nothing to Report	
1799	Total Printing and Design Services - Exceeding \$ 1,000,000	N/A	0

SECURITY SERVICES - EXCEEDING \$ 1,000,000			
Row No.	Nature of Service (a)	Name of Recipient (b)	Amount (c)
1801	Name of Security Service	Nothing to Report	
1899	Total Security Services - Exceeding \$ 1,000,000	N/A	0
1900	Contributions	N/A	63
2000	Directory Services	N/A	0

CERTIFICATION

I certify that I am an officer of VERIZON COMMUNICATIONS, INC.; that I have examined ARMIS Report 43-02 and that to the best of my knowledge, information, and belief, all statements of fact contained in this report are true and that said report is an accurate statement of the affairs of the above named respondent in respect to the data set forth herein for the period from January 2002 to December 2002.

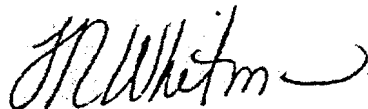
This certification is for the following company/study area(s):

COSA	Company / Study Area(s)	Submission
CDDC	Verizon Washington, D.C., Inc.	01
CMMD	Verizon Maryland, Inc.	01
CVVA	Verizon Virginia, Inc.	01
CWWV	Verizon West Virginia, Inc.	01
DSDE	Verizon Delaware, Inc.	01
PAPA	Verizon Pennsylvania, Inc.	01
NJNJ	Verizon New Jersey, Inc.	01
NETC	Verizon New England Tel. & Tel., Inc.	01
NYNY	Verizon New York Telephone, Inc.	01
GTGC	Verizon California, Inc.	01
GTFL	Verizon Florida, Inc.	01
GTHI	Verizon Hawaii, Inc.	01
GTMW	Verizon North, Inc.	01
GTNW	Verizon Northwest, Inc.	01
GTSO	Verizon South, Inc.	01
GTSW	GTE Southwest, Inc. dba Verizon Southwest	01
COSO	Contel of the South, Inc. dba Verizon Mid-States	01

PRINTED NAME: Lawrence R. Whitman

POSITION: Senior Vice President and CFO

SIGNATURE:



DATE: April 1, 2003

(Persons making willful false statements in this report form can be punished by fine or imprisonment under the Communications Act, 47 U.S.C. 220(e).)

CONTACT PERSON: Gerald Asch

TELEPHONE NUMBER: (202) 515-2532

COMPANY: Verizon New England Tel. & Tel., Inc.
 STUDY AREA: All
 PERIOD: Jan 2002 to Dec 2002
 COSA: NETC

Unrestricted Version
 SUBMISSION 1
 FOOTNOTE TABLE
 PAGE 1 of 1

FOOTNOTE TABLE

<u>Table</u>	<u>Row</u>	<u>Col</u>	<u>FN#</u>	<u>Footnote</u> :
B1	1160.0	b	1	Temporary cash reserves consist of funds placed in trust for future associate health and welfare payments.
B1	1181.0	b	2	Includes reserves recorded in 2002 for MCI Worldcom, Inc. receivables.
B1	1410.0	b	3	Increase in 1410 primarily due to an increase in the prepaid pension asset as a result in changes in actuarial assumptions and plan amendments.
B1	4120.0	b	4	Amounts recorded in accordance with SFAS 112, Employers Accounting for Postemployment Benefits.
B1	4210.0	b	5	In May 2002, issued \$480 million of 7% debentures due on May 15, 2042
B1	4210.0	b	6	In September 2002, issued \$1,000.0 million of 6 1/2% Series A debentures due on September 15, 2011.
B1	4210.0	b	7	Early extinguishment of \$175 million of 6.30% notes due on December 16, 2002, \$100 million of 6 1/8% debentures due on October 1, 2006, \$125 million of 6 3/8% debentures due on September 1, 2008 and \$75 million of 9% debentures due August 1, 2031. debenture due on July 1, 2002.
B2	330.0	b	8	In May 2002, issued \$480 million of 7% debentures due on May 15, 2042
B2	330.0	b	9	In September 2002, issued \$1,000.0 million of 6 1/2% Series A debentures due on September 15, 2011.
I1	5301.0	b	10	Includes reserves recorded in 2002 for MCI Worldcom, Inc. receivables.
I1	6728.0	b	11	Amounts recorded in accordance with SFAS 88, Employers Accounting for Settlements and Curtailments of Defined Pension Plans and for Termination Benefits.
I1	860.0	b	12	Total compensation includes both expenses and capitalized salary, wages and benefits.
I1	7620.0	b	13	Amounts recorded as extraordinary charges associated with early extinguishment of \$175 million of 6.30% notes due on December 16, 2002, \$100 million of 6 1/8% debentures due on October 1, 2006, \$125 million of 6 3/8% debentures due on September 1, 2008 and \$75 million of 9% debentures due August 1, 2031.
I1	7630.0	b	14	Amounts recorded as extraordinary charges associated with early extinguishment of \$175 million of 6.30% notes due on December 16, 2002, \$100 million of 6 1/8% debentures due on October 1, 2006, \$125 million of 6 3/8% debentures due on September 1, 2008 and \$75 million of 9% debentures due August 1, 2031.

FCC Report 43-02
ARMIS USOA REPORT

COMPANY: Verizon New England T & T, Inc.
STUDY AREA: All
PERIOD: Jan 2002 to Dec 2002
COSA: NETC

Unrestricted Version
SUBMISSION 1
FOOTNOTE TABLE

CONFIDENTIAL TREATMENT TABLE

PAGE 1 OF 1

Table (a)	Row (b)	Column (s) (c)
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THE COMPANY HAS NOT REQUESTED CONFIDENTIAL TREATMENT FOR ANY DATA IN THIS REPORT.

STATEMENT 1

VERIZON NEW ENGLAND INC.
INFORMATION REQUIRED BY NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

TELEPHONE SERVICE REQUIRED FOR THE PROPER ADMINISTRATION OF THE COMPANY'S BUSINESS IS FURNISHED WITHOUT CHARGE AT THE RESIDENCE OF CERTAIN EMPLOYEES AND EXCHANGE AGENTS. THE NUMBER OF SUCH SERVICES FURNISHED IN NEW HAMPSHIRE ON DECEMBER 31, 2002 WAS:

EMPLOYEES.....	897
EXCHANGE.....	0
TOTAL	897

TELEPHONE SERVICE IS FURNISHED WITHOUT CHARGE AT THE RESIDENCE OF EMPLOYEES HAVING THIRTY OR MORE YEARS OF TELEPHONE COMPANY CREDITED SERVICE AND TO EMPLOYEES RETIRED ON SERVICE OR DISABILITY PENSIONS. THE NUMBER OF SUCH SERVICES FURNISHED IN NEW HAMPSHIRE ON DECEMBER 31, 2002 WAS:

EMPLOYEES.....	0
RETIRED EMPLOYEES.....	2,082
TOTAL	2,082

TELEPHONE SERVICE IS FURNISHED AT ONE-HALF THE ESTABLISHED RATES TO EMPLOYEES OF SIX MONTH'S SERVICE, TO EXCHANGE AGENTS AND TO RETIRED EMPLOYEES ON SPECIAL PENSIONS. THE NUMBER OF SUCH SERVICES FURNISHED IN NEW HAMPSHIRE ON DECEMBER 31, 2002 WAS:

EMPLOYEES.....	1,280
EXCHANGE AGENTS.....	0
RETIRED EMPLOYEES.....	5
TOTAL	1,285

ESTIMATED ANNUAL REVENUE.... \$2.1M

STATEMENT 1a

VERIZON NEW ENGLAND INC.
EMPLOYEES TELEPHONE SERVICE
STATE OF NEW HAMPSHIRE

NUMBER OF EMPLOYEES PROVIDED WITH
TELEPHONE SERVICE AT REDUCED RATES IN 2002.....4,284

ESTIMATED ANNUAL INTRASTATE REVENUE RELATED TO
EMPLOYEES PROVIDED WITH TELEPHONE SERVICE AT
REDUCED RATES IN 2002.....\$2.1M

STATEMENT 2

VERIZON NEW ENGLAND INC.
INFORMATION REQUIRED BY NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DIRECTORS' SERVICE

TELEPHONE SERVICE IS NOT PROVIDED WITHOUT CHARGE TO THE
COMPANY DIRECTORS.

STATEMENT 3

VERIZON NEW ENGLAND INC.
INFORMATION REQUIRED BY NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

OBSOLETE RATES - DECEMBER 31, 2002

NOTHING TO REPORT

ARMIS 43-02

FCC FILING

VERIZON NEW ENGLAND INC.

STATE OF NEW HAMPSHIRE

YEAR END 2002

SUBMISSION 1

ARMIS 43-02

FCC FILING

VERIZON NEW ENGLAND INC.

STATE OF NEW HAMPSHIRE

YEAR END 2002

SUBMISSION 1

COMPANY: Verizon New England T & T, Inc.
STUDY AREA: New Hampshire
PERIOD: Jan 2002 to Dec 2002
COSA: NENH

Unrestricted Version
SUBMISSION 1

TABLE B-1 - BALANCE SHEET ACCOUNTS - CLASS A LEVEL REPORTING
(Dollars in thousands)

TABLE B - 1
PAGE 2 OF 4

Row/ Acct. No.	Account Title (aa)	Beginning Balance (ab)	Additions (ac)	Retirements (ad)	Transfers/ Adjustments (ae)	Ending Balance (af)
	Plant					
2001	Telecommunications plant in service (TPIS)	2,045,418	89,027	45,871	2,829	2,091,403
2002	Property held for future telecom use (PHFTU)	0	0	0	0	0
2003	Telephone plant under construction-short term (TPUC)	19,796	0	0	-6,475	13,321
2005	Telecommunications plant adjustment	0	0	0	0	0
2006	Nonoperating plant	5,486	0	0	-3,433	2,053
2007	Goodwill	0	0	0	0	0
210	Total Plant	2,070,700	89,027	45,871	-7,079	2,106,777
	TPIS - General Support					
2111	Land	3,579	616	0	0	4,195
2112	Motor vehicles	10,322	1,188	135	2,533	13,908
2113	Aircraft	0	0	0	0	0
2114	Tools and other work equipment	16,541	1,361	1,767	-17	16,118
2121	Buildings	93,719	7,290	1,211	172	99,970
2122	Furniture	1,585	0	2	0	1,583
2123	Office equipment	7,448	5	1,665	-2,128	3,660
2124	General purpose computers	10,156	1,414	3,623	1,599	9,546
2110	Land and Support	143,350	11,874	8,403	2,159	148,980
	TPIS - Central Office					
2211	Analog electronic switching	-4	0	0	4	0
2212	Digital electronic switching	416,818	13,464	7,836	-496	421,950
2215.1	Step-by-step switching	0	0	0	0	0
2215.2	Crossbar switching	0	0	0	0	0
2215.3	Other electro-mechanical switching	0	0	0	0	0
2215	Electro-mechanical switching	0	0	0	0	0
2210	Central Office-Switching	416,814	13,464	7,836	-492	421,950
2220	Operator Systems	1,104	0	0	0	1,104
2231.1	Satellite & earth stations	0	0	0	0	0
2231.2	Other radio facilities	1,073	143	346	-6	864
2231	Radio systems	1,073	143	346	-6	864
2232	Circuit equipment	481,452	27,821	12,943	859	497,189
2230	Central Office - Transmission	482,525	27,964	13,289	853	498,053
	TPIS - Information Origination/Termination					
2311	Station apparatus	0	0	0	0	0
2321	Customer premises wiring	0	0	0	0	0
2341	Large PBX	0	0	0	0	0
2351	Public telephone terminal equipment	8,334	1	0	29	8,364
2362	Other terminal equipment	20,368	1,270	3,478	-903	17,257
2310	Information Origination/Termination	28,702	1,271	3,478	-874	25,621
	TPIS - Cable & Wire					
2411	Poles	144,958	7,513	1,026	77	151,522
2421	Aerial cable	497,640	15,325	2,679	370	510,656
2422	Underground cable	128,633	4,915	886	-3	132,659
2423	Buried cable	52,362	508	251	0	52,619
2424	Submarine cable	1,127	992	0	-986	1,133
2425	Deep sea cable	0	0	0	0	0
2426	Intrabuilding network cable	1,115	0	0	0	1,115
2431	Aerial wire	-12	0	0	12	0
2441	Conduit systems	106,136	2,089	206	-29	107,990
2410	Cable & Wire	931,959	31,342	5,048	-559	957,694
240	Total TPIS (before amortizable assets)	2,004,454	85,915	38,054	1,087	2,053,402

COMPANY: Verizon New England T & T, Inc.
 STUDY AREA: New Hampshire
 PERIOD: Jan 2002 to Dec 2002
 NENH

Unrestricted Version
 SUBMISSION 1

TABLE B-1 - BALANCE SHEET ACCOUNTS - CLASS A LEVEL REPORTING
 (Dollars in thousands)

TABLE B - 1
 PAGE 3 OF 4

Row/ Acct. No.	Account Title (aa)	Beginning Balance (ab)	Additions (ac)	Retirements (ad)	Transfers/ Adjustments (ae)	Ending Balance (af)
	<u>TPIS Amortizable Assets</u>					
2681	Capital leases	0	0	0	0	0
2682	Leasehold improvements	6,902	458	3,004	181	4,537
2680	Amortizable tangibles	6,902	458	3,004	181	4,537
2690	Intangibles	34,061	2,654	4,813	1,562	33,464
260	Total TPIS	2,045,418	89,027	45,871	2,829	2,091,403

Row/ Acct. No.	Account Title (a)	Amount (b)
	<u>Depreciation and Amortization</u>	
3100	Accumulated depreciation	1,258,949
3200	Accumulated depreciation - PHFTU	0
3300	Accumulated depreciation - nonoperating	22
3410	Accumulated amortization - Capitalized leases	0
3420	Accumulated amortization - Leasehold improvement	4,259
3400	Accumulated amortization - Tangibles	4,259
3500	Accumulated amortization - Intangibles	13,703
3600	Accumulated amortization - Other	0
340	Total Depreciation and Amortization	1,276,933
350	Net Plant	829,844

COMPANY: Verizon New England T & T, Inc.
STUDY AREA: New Hampshire
PERIOD: Jan 2002 to Dec 2002
COSA: NENH

Unrestricted Version
SUBMISSION 1

TABLE B-5 - ANALYSIS OF ENTRIES IN ACCUMULATED DEPRECIATION
(Dollars in thousands)

TABLE B - 5
PAGE 1 OF 4

Row No.	Description (a)	Beginning Balance (b)	CREDITS DURING THE YEAR		
			Accruals (c)	Salvage (d)	Other Credits (e)
0100	Motor Vehicles	-411	362	114	8
0110	Aircraft	0	0	0	0
0120	Tools and other work equipment	9,622	1,153	0	0
0150	Buildings	29,440	2,687	0	0
0160	Furniture	570	111	0	0
0180	Office Support Equipment	2,313	349	0	0
0190	Company Communications Equipment	760	285	0	3,003
0200	General Purpose Computers	7,676	0	0	5,714
0210	Total Support Assets	49,970	✓ 4,947	114	8,725
0220	Analog Electronic Switching	-47	0	0	0
0230	Digital Electronic Switching	223,452	32,030	837	300
0240	Step-by-Step Switching	0	0	0	0
0250	Crossbar Switching	0	0	0	0
0260	Other Electro-mech. Switching	0	0	0	0
0270	Total Central Office-Switching	223,405	✓ 32,030	837	300
0280	Operator Systems	795	✓ 239	0	0
0290	Satellite and Earth Sta. Facilities	446	77	19	0
0300	Other Radio Facilities	0	0	0	0
0310	Circuit Equipment	279,300	40,319	2,394	0
0320	Total Central Office-Transmission	279,746	✓ 40,396	2,413	0
0330	Station Apparatus	0	0	0	0
0340	Customer Premises Wiring	0	0	0	0
0350	Large Private Branch Exchange	0	0	0	0

COMPANY: Verizon New England T & T, Inc.
 STUDY AREA: New Hampshire
 PERIOD: Jan 2002 to Dec 2002
 COSA: NENH

Unrestricted Version
 SUBMISSION 1

TABLE B-5 - ANALYSIS OF ENTRIES IN ACCUMULATED DEPRECIATION
 (Dollars in thousands)

TABLE B - 5
 PAGE 2 OF 4

Row No.	Description (a)	Beginning Balance (b)	CREDITS DURING THE YEAR		
			Accruals (c)	Salvage (d)	Other Credits (e)
0360	Public Telephone Terminal Equipment	7,061	636	0	0
0370	Other Terminal Equipment	12,199	1,365	39	0
0380	Total Info. Origination/Termination	19,260	2,001	39	0
0390	Poles	79,585	8,597	0	0
0400	Aerial Cable	367,645	32,308	124	0
0410	Underground Cable	74,552	6,783	0	0
0420	Buried Cable	38,730	2,993	0	0
0430	Submarine Cable	965	70	0	0
0440	Deep Sea Cable	0	0	0	0
0450	Intrabuilding Network Cable	881	77	0	0
0460	Aerial Wire	0	0	0	0
0470	Conduit Systems	30,550	2,355	0	0
0480	Total Cable and Wire Facilities	592,908	53,183	124	0
0490	Total Accumulated Depreciation	1,166,084	132,796	3,527	9,025

COMPANY: Verizon New England T & T, Inc.
 STUDY AREA: New Hampshire
 PERIOD: Jan 2002 to Dec 2002
 COSA: NENH

Unrestricted Version
 SUBMISSION 1

TABLE B-5 - ANALYSIS OF ENTRIES IN ACCUMULATED DEPRECIATION
 (Dollars in thousands)

TABLE B - 5
 PAGE 3 OF 4

Row No.	Description (a)	CHARGES DURING THE YEAR				Ending Balance (j)
		Retirements w/Traffic (f)	Retirements w/o Traffic (g)	Cost of Removal (h)	Other Charges (i)	
0100	Motor Vehicles	0	135	0	-12	-50
0110	Aircraft	0	0	0	0	0
0120	Tools and other work equipment	0	1,767	0	0	9,008
0150	Buildings	0	1,211	239	38	30,639
0160	Furniture	0	2	0	3	676
0180	Office Support Equipment	0	211	0	3	2,448
0190	Company Communications Equipment	0	1,454	0	2,970	-376
0200	General Purpose Computers	0	3,623	2	6,070	3,695
0210	Total Support Assets	0	8,403	241	9,072	46,040
0220	Analog Electronic Switching	0	0	0	-47	0
0230	Digital Electronic Switching	0	7,836	306	-1,170	249,647
0240	Step-by-Step Switching	0	0	0	0	0
0250	Crossbar Switching	0	0	0	0	0
0260	Other Electro-mech. Switching	0	0	0	-1	1
0270	Total Central Office-Switching	0	7,836	306	-1,218	249,648
0280	Operator Systems	0	0	0	0	1,034
0290	Satellite and Earth Sta. Facilities	0	346	38	-92	250
0300	Other Radio Facilities	0	0	0	0	0
0310	Circuit Equipment	0	12,943	1,306	-1,778	309,542
0320	Total Central Office-Transmission	0	13,289	1,344	-1,870	309,792
0330	Station Apparatus	0	0	0	0	0
0340	Customer Premises Wiring	0	0	0	0	0
0350	Large Private Branch Exchange	0	0	0	0	0

COMPANY: Verizon New England T & T, Inc.
 STUDY AREA: New Hampshire
 PERIOD: Jan 2002 to Dec 2002
 COSA: NENH

Unrestricted Version
 SUBMISSION 1

TABLE B-5 - ANALYSIS OF ENTRIES IN ACCUMULATED DEPRECIATION
 (Dollars in thousands)

TABLE B - 5
 PAGE 4 OF 4

Row No.	Description (a)	CHARGES DURING THE YEAR				Ending Balance (j)
		Retirements w/Traffic (f)	Retirements w/o Traffic (g)	Cost of Removal (h)	Other Charges (i)	
0360	Public Telephone Terminal Equipment	0	0	0	-28	7,725
0370	Other Terminal Equipment	0	3,478	129	-15	10,011
0380	Total Info. Origination/Termination	0	3,478	129	-43	17,736
0390	Poles	0	1,026	2,945	7	84,204
0400	Aerial Cable	0	2,679	2,297	47	395,054
0410	Underground Cable	0	886	759	49	79,641
0420	Buried Cable	0	251	93	4	41,375
0430	Submarine Cable	0	0	0	0	1,035
0440	Deep Sea Cable	0	0	0	0	0
0450	Intrabuilding Network Cable	0	0	0	0	958
0460	Aerial Wire	0	0	0	0	0
0470	Conduit Systems	0	206	265	2	32,432
0480	Total Cable and Wire Facilities	0	5,048	6,359	109	634,699
0490	Total Accumulated Depreciation	0	38,054	8,379	6,050	1,258,949

COMPANY: Verizon New England T & T, Inc.
STUDY AREA: New Hampshire
PERIOD: Jan 2002 to Dec 2002
COSA: NENH

Unrestricted Version
SUBMISSION 1
TABLE I - 1
PAGE 1 OF 5

Table I-1 - INCOME STATEMENT ACCOUNTS - CLASS A ACCOUNT LEVEL REPORTING
(Dollars in Thousands)

Row/ Acct. No.	Account Title (a)	Amount (b)
REVENUE ACCOUNTS		
Local Network Revenues		
5001	Basic area revenue	161,879
5002	Optional extended area revenue	0
5003	Cellular mobile service revenue	4,055
5004	Other mobile service revenue	177
510	Basic local service revenue	166,111
5040	Local private line revenue	8,404
5050	Customer premises revenue	2
5060	Other local exchange revenue	43,490
5069	Other local exchange revenue settlements	325
520	Local network service revenue	218,332
Network Access Services Revenues		
5081	End user revenue	60,347
5082	Switched access revenue	29,353
5083	Special access revenue	71,934
5084	State access revenue	24,886
5080	Network access revenue	186,520
Long Distance (LD) Network Services Revenues		
5100	LD message revenue	32,559
5111	LD inward-only revenue	1,625
5112	LD outward-only revenue	0
5110	Unidirectional LD Revenue	1,625
5121	Subvoice grade LD private network revenue	52
5122	Voice grade LD private network revenue	1,568
5123	Audio program grade LD private network revenue	0
5124	Video program grade LD private network revenue	0
5125	Digital transmission LD private network revenue	1,685
5126	LD private network switching revenue	0
5128	Other LD private network revenue	0
5129	Other LD private network revenue settlements	391
5120	Long distance private network revenue	3,696
5160	Other long distance revenue	263
5169	Other long distance revenue settlements	0
525	LD Network Service Revenues	38,143
Miscellaneous Revenues		
5230	Directory revenue	3,510
5240	Rent revenue	16,819
5250	Corporate operations revenue	0
5261	Special billing arrangements revenue	164
5262	Customer operations revenue	125
5263	Plant operations revenue	0
5264	Other incidental regulated revenue	5,953
5269	Other revenue settlements	0
5260	Miscellaneous revenue	6,242
5270	Carrier billing and collection revenue	4,068
5200	Miscellaneous revenue	30,639
5280	Nonregulated revenue	14,901
5301	Uncollectible revenue-telecommunications	24,761
5302	Uncollectible revenue-other	94
5300	Uncollectible revenue	24,855
530	Total Operating Revenues	463,680

COMPANY: Verizon New England T & T, Inc.
 STUDY AREA: New Hampshire
 PERIOD: Jan 2002 to Dec 2002
 COSA: NENH

Unrestricted Version
 SUBMISSION 1
 TABLE I - 1
 PAGE 2 OF 5

Table I-1 - INCOME STATEMENT ACCOUNTS - CLASS A ACCOUNT LEVEL REPORTING
 (Dollars in Thousands)

Row/ Acct. No.	Account Title (aa)	Total (ab)
	EXPENSE ACCOUNTS	
	Plant Specific Operations	
615	Account 6112 - Motor Vehicles	36
625	Account 6113 - Aircraft	140
635	Account 6114 - Tools and other work equipment	561
6110	Network support	737
6121	Land & building	16,350
6122	Furniture & artworks	125
6123	Office equipment	927
6124	General purpose computers	6,748
6120	General support	24,150
6211	Analog electronic	163
6212	Digital electronic	6,966
6215	Electro-mechanical	0
6210	Central Office-switching	7,129
6220	Operator systems	-1
6231	Radio systems	5
6232	Circuit equipment	4,532
6230	Central office-transmission	4,537
6311	Station apparatus	0
6341	Large PBX	0
6351	Public telephone terminal equipment	674
6362	Other terminal equipment	6,283
6310	Information origination/termination expense	6,957
6411	Poles	1,303
6421	Aerial cable	22,430
6422	Underground cable	2,244
6423	Buried cable	1,914
6424	Submarine cable	0
6425	Deep sea cable	0
6426	Intrabuilding network cable	128
6431	Aerial wire	0
6441	Conduit systems	318
6410	Cable and wire	28,337
650	Total Plant Specific Operations	71,846

COMPANY: Verizon New England T & T, Inc.
 STUDY AREA: New Hampshire
 PERIOD: Jan 2002 to Dec 2002
 COSA: NENH

Unrestricted Version
 SUBMISSION 1
 TABLE I - 1
 PAGE 3 OF 5

Table I-1 - INCOME STATEMENT ACCOUNTS - CLASS A ACCOUNT LEVEL REPORTING
 (Dollars in Thousands)

Row/ Acct. No.	Account Title (aa)	Total (ab)
	Plant Nonspecific Operations	
6511	PHFTU	0
665	Account 6512 - Provisioning	431
6510	Other property plant and equipment expense	431
6531	Power	4,273
6532	Network administration	2,112
6533	Testing	6,257
675	Account 6534 - Plant operation administration	8,047
685	Account 6535 - Engineering	2,378
6530	Network Operations	23,067
6540	Access	43,462
6561	Depreciation-TPIS	132,796
6562	Depreciation-PHFTU	0
6563	Amortization-tangible	531
6564	Amortization-intangible	6,150
6565	Amortization-other	-1
6560	Depreciations & Amortization Expense	139,476
690	Total Plant Nonspecific Operations	206,438
	Customer Operations	
6611	Product management	5,829
6612	Sales	6,583
6613	Product advertising	700
6610	Marketing Expense	13,112
6621	Call completion	1,057
6622	Number services	5,832
6623	Customer services	32,527
6620	Service Expense	39,416
700	Total Customer Operations	52,528
	Corporate Operations	
6711	Executive	1,813
6712	Planning	900
6710	Executive and Planning	2,713
6721	Accounting & finance	2,606
6722	External relations	3,410
6723	Human resources	2,220
6724	Information management	7,410
6725	Legal	1,534
6726	Procurement	400
6727	Research and development	225
6728	Other general and administrative	52,773
6720	General & Administrative	70,578
6790	Provision for uncollectible notes	0
710	Total Corporate Operations Expense	73,291
720	Total Operating Expenses	404,103
730	Income Before Other Operating Items and Taxes	59,576

COMPANY: Verizon New England T & T, Inc.
STUDY AREA: New Hampshire
PERIOD: Jan 2002 to Dec 2002
COSA: NENH

Unrestricted Version
SUBMISSION 1
TABLE I - 1
PAGE 4 OF 5

Table I-1 - INCOME STATEMENT ACCOUNTS - CLASS A ACCOUNT LEVEL REPORTING
(Dollars in Thousands)

Row/ Acct. No.	Account Title (a)	Amount (b)
	<u>Other Operating Income and Expense</u>	
7110	Income from custom work	132
7130	Return from nonreg use of regulated facilities	0
7140	Gains/losses from foreign exchange	0
7150	Gains/losses from disposition of land & artworks	-10
7160	Other operating gains and losses	-112
7100	Other operating income and expenses	10
	<u>Operating Taxes</u>	
7210	Operating investment tax credits-net	930
7220	Operating federal income taxes	4,793
7230	Operating state and local income taxes	1,546
7240	Operating other taxes	3,152
7250	Provision for deferred operating income tax-net	8,695
7200	Operating Taxes	17,256
	<u>Nonoperating Income and Expense</u>	
7310	Dividend income	0
7320	Interest income	491
7330	Income from sinking and other funds	0
7340	Allowance for funds used during const (AFUDC)	975
7350	Gains/losses from the disposition of property	0
7360	Other nonoperating income	2,775
7370	Special charges	717
7300	Nonoperating Income and Expense	3,524
	<u>Nonoperating Taxes</u>	
7410	Nonoperating investment tax credits-net	0
7420	Nonoperating federal income taxes	-81
7430	Nonoperating state and local income taxes	17
7440	Nonoperating other taxes	0
7450	Provision for deferred nonoperating income tax-net	-243
7400	Nonoperating Taxes	-307
	<u>Interest and Related Items</u>	
7510	Interest on funded debt	18,409
7520	Interest expense-capital leases	0
7530	Amortization of debt issuance expense	339
7540	Other interest deductions	1,123
7500	Interest and Related Items	19,871
	<u>Extraordinary Items</u>	
7610	Extraordinary income credits	0
7620	Extraordinary income charges	4,262
7630	Current inc tax effect of extraordinary items-net	-1,677
7640	Provision for deferred inc tax effect of items-net	0
7600	Extraordinary Items	-2,585
	<u>Jurisdictional Differences & Nonregulated Income</u>	
7910	Income effects of jurisdictional differences-net	-228
390	Nonregulated net income	0
790	Net Income	23,477

ARMIS 43-08

FCC FILING

VERIZON NEW ENGLAND INC.

YEAR END 2002

SUBMISSION 1

ARMIS 43-08

FCC FILING

VERIZON NEW ENGLAND INC.

YEAR END 2002

SUBMISSION 1

FCC REPORT 43-08
UNRESTRICTED Version
Submission 01
COSA: NETC

Approved by OMB
3060-0496
Edition Date: 12/2002
Estimated Avg. Burden Per Response: 160 Hrs.

**FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554**

ARMIS OPERATING DATA REPORT

For Year End December 31, 2002

Account Filing Level (Class A or Class B): Class A
Name of Company: VERIZON NEW ENGLAND, INC.
Address of Company: 1095 AVENUE OF THE AMERICAS
NEW YORK, NY 10036

FCC Report 43-08, the ARMIS Operating Data Report, is prescribed for each local exchange carrier (LEC) with annual operating revenues for the preceding year equal to or above the indexed revenue threshold. This report collects annual company level statistical data. The Operating Data Report specifies information requirements in a consistent format and is essential to the FCC to monitor network growth, usage, and reliability. Response is mandatory.

Public reporting burden for this collection of information is estimated to average 160 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing the burden to the Federal Communications Commission, Office of Managing Director, Washington, D.C. 20554.

An agency may not conduct or sponsor and a person is not required to respond to a collection of information unless it displays a currently valid control number.

Data Run Date: 11/08/2004

FCC Paper Report 43-08, the Operating Data Report

FCC Paper Report 43-08
ARMIS Operating Data ReportCOMPANY: VERIZON NEW ENGLAND TEL & TELEGRAPH
STUDY: VERIZON - NE
AREA:
PERIOD: From: Jan 2002 To: Dec 2002
COSA: NETCApproved by OMB
3060-0496
Edition Date: 12/2002
Unrestricted Version
SUBMISSION 04

TABLE I.A

TABLE I.A - OUTSIDE PLANT STATISTICS -- CABLE AND WIRE FACILITIES

Row No.	State or Terr. (a)	Code (b)	Aerial Cable		Underground Cable			Buried Cable		Intrabldg Network Cable		Total Cable		Km of Fiber in Cable		Conduit System				
			Km of Aerial Wire (c)	Sheath Km of Metallic (d)	Sheath Km of Fiber (e)	Sheath Km of Metallic (f)	Sheath Km of Fiber (g)	Sheath Km of Metallic (h)	Sheath Km of Fiber (i)	Sheath Km of Metallic (n)	Sheath Km of Fiber (o)	Sheath Km of Metallic (p)	Sheath Km of Fiber (q)	Fiber Km Equipped (Lit) (r)	Total Fiber Km Deployed (Lit & Dark) (s)	Km of Metallic Wire in Cable (t)	Equipped Km of Tube in Coax Cable (u)	Equivalent Number of Poles (v)	Trench Km (w)	Duct Km (x)
300	Maine	ME	0	46,037	5,501	1,328	620	1,773	8	3	0	49,141	6,129	99,412	210,173	12,411,578	0	247,101	808	4,447
320	Massachusetts	MA	0	64,887	7,290	20,034	8,510	8,917	6	323	45	94,161	15,851	560,855	1,499,612	63,835,194	31	672,318	11,952	61,322
400	New Hampshire	NH	0	32,320	4,178	2,121	1,043	3,083	3	13	5	37,537	5,229	128,709	298,628	14,181,329	0	229,896	1,062	6,841
500	Rhode Island	RI	0	12,163	1,178	2,543	922	1,072	0	3	0	15,781	2,100	58,262	196,830	10,585,689	0	143,711	1,052	7,441
560	Vermont	VT	0	27,868	1,891	908	629	2,193	14	2	0	30,971	2,534	44,403	103,745	6,655,191	0	151,509	682	2,712
910	Total	TO	0	183,275	20,038	26,934	11,724	17,038	31	344	50	227,591	31,843	891,641	2,308,988	107,668,981	31	1,444,535	15,556	82,763

2002

There are no footnotes available for this table.

Data Run Date: 11/08/2004

FCC Paper Report 43-08, the Operating Data Report

FCC Paper Report 43-08
ARMIS Operating Data ReportCOMPANY: VERIZON NEW ENGLAND TEL & TELEGRAPH
STUDY AREA: VERIZON - NE
PERIOD: From: Jan 2002 To: Dec 2002
COSA: NETCApproved by OMB
3060-0496
Edition Date: 12/2002
Unrestricted Version
SUBMISSION 04

TABLE I.B

TABLE I.B - OUTSIDE PLANT STATISTICS -- OTHER

Row No.	State or Terr. (ba)	Code (bb)	Radio Relay System				Total Equipped Interoffice Circuit Km (Cable and Microwave Systems)			
			Km of Terrestrial System (bc)	Km of One-Way Terrestrial Radio Channel (bd)	Km of Telephone Channel		Total Equipped Local Loop Circuit Km		Analog (4 kHz or Equiv.) (bk)	Digital (64 kbps or Equiv.) (bl)
					Analog (4 kHz or Equiv.) (bf)	Digital (64 kbps or Equiv.) (bg)	Analog (4kHz or Equiv.) (bh)	Digital (64 kbps or Equiv.) (bi)		
300	Maine	ME	44	127	0	14,960	4,617,892	4,754,990	0	7,012,670
320	Massachusetts	MA	128	1,060	0	494,912	26,222,560	15,983,826	0	20,586,357
400	New Hampshire	NH	37	75	0	3,593	4,651,690	4,167,345	0	5,694,885
500	Rhode Island	RI	37	149	0	21,427	4,305,556	3,044,362	0	1,283,501
560	Vermont	VT	0	0	0	0	2,105,646	2,018,958	0	5,535,302
910	Total	TO	247	1,410	0	534,893	41,903,344	29,969,481	0	40,112,715

FOOTNOTE TABLE

Table	Row	Col	FN#	Footnote
I.B	300	BH	22	PREVIOUS SUBMISSION ERRONEOUSLY REPORTED 2001 DATA FOR 2002; THIS SUBMISSION ADDS CORRECT 2002 DATA.
		BL	23	PREVIOUS SUBMISSION ERRONEOUSLY REPORTED 2001 DATA FOR 2002; THIS SUBMISSION ADDS CORRECT 2002 DATA.
		BI	24	PREVIOUS SUBMISSION ERRONEOUSLY REPORTED 2001 DATA FOR 2002; THIS SUBMISSION ADDS CORRECT 2002 DATA.
	320	BI	25	PREVIOUS SUBMISSION ERRONEOUSLY REPORTED 2001 DATA FOR 2002; THIS SUBMISSION ADDS CORRECT 2002 DATA.

Data Run Date: 11/08/2004

FCC Paper Report 43-08, the Operating Data Report

FCC Paper Report 43-08
ARMIS Operating Data Report

Approved by OMB
3060-0496
Edition Date: 12/2002
Unrestricted Version
SUBMISSION 04

COMPANY: VERIZON NEW ENGLAND TEL & TELEGRAPH
STUDY: VERIZON - NE
AREA:
PERIOD: From: Jan 2002 To: Dec 2002
COSA: NETC

2002

TABLE II

TABLE II - SWITCHED ACCESS LINES IN SERVICE

Row No.	State or Terr. (ca)	Code (cb)	Main Access Lines (cc)	PBX and Centrex Trunks (cd)	Centrex Extensions (ce)	Other Switched Access Lines (ci)	Total Switched Access Lines (cj)	Central Office Switches Excluding Remotes (ck)	Remote Switches (cl)	Total Central Office Switches (cm)	Basic Rate ISDN Control Channels (cn)	Primary Rate ISDN Control Channels (co)
300	Maine	ME	561,193	57,077	47,729	57,624	723,623	15	126	141	2,680	1,972
320	Massachusetts	MA	3,228,592	254,751	409,432	243,529	4,136,304	170	156	326	50,956	5,270
400	New Hampshire	NH	628,385	28,480	42,512	41,960	741,337	26	96	122	3,885	763
500	Rhode Island	RI	481,188	22,235	61,303	28,386	593,112	21	20	41	2,033	451
560	Vermont	VT	283,793	13,712	46,713	18,130	362,348	10	77	87	2,413	394
910	Total	TO	5,183,151	376,255	607,689	389,629	6,556,724	242	475	717	61,967	8,850

FOOTNOTE TABLE

Table	Row	Col	FN#	Footnote
II	ALL	ALL	1	ACCESS LINES WILL NOT MATCH THOSE ON 43-05 AND 43-07 DUE TO DEFINITIONAL DIFFERENCES.
	300	CC	42	CORRECTED DATA MAPPING TEMPLATE TO ACCOUNT FOR THE PROPER REPORTING OF UNE-PS AND RESOLD LINES. UNE-PS AND RESOLD LINES ARE REPORTED IN COLUMN CI
		CE	43	CORRECTED DATA MAPPING TEMPLATE TO ACCOUNT FOR THE PROPER REPORTING OF UNE-PS AND RESOLD LINES. UNE-PS AND RESOLD LINES ARE REPORTED IN COLUMN CI
		CJ	44	CORRECTED DATA MAPPING TEMPLATE TO ACCOUNT FOR THE PROPER REPORTING OF UNE-PS AND RESOLD LINES. UNE-PS

Data Run Date: 11/08/2004

FCC Paper Report 43-08, the Operating Data Report

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COMPANY: VERIZON NEW ENGLAND TEL & TELEGRAPH
STUDY AREA: VERIZON - NE
PERIOD: From: Jan 2002 To: Dec 2002
COSA: NETC

2002

TABLE III

TABLE III - ACCESS LINES IN SERVICE BY CUSTOMER

Row No.	State or Terr. (fa)	Code (fb)	Business Switched Access Lines			Residential Switched Access Lines			Total Switched Access Lines (fi)	Special Access Lines (Non-Switched)		Total Access Lines (Switched and Special) (fl)	Local Private Lines (fm)
			Single Line (fc)	Multiline (fd)	Payphone Lines (fe)	Lifeline (ff)	Primary (fg)	Non-Primary (fh)		Analog (4 kHz or Equiv.) (fj)	Digital (64 kbps or Equiv.) (fk)		
300	Maine	ME	22,331	266,484	4,766	69,888	320,624	39,530	723,623	1,207	194,376	919,206	466,019
320	Massachusetts	MA	103,779	1,563,821	35,619	158,769	1,935,128	339,188	4,136,304	13,208	1,873,992	6,023,504	81,784
400	New Hampshire	NH	23,742	199,212	5,263	6,860	441,589	64,671	741,337	1,316	272,520	1,015,173	57,926
500	Rhode Island	RI	15,381	209,759	5,080	44,659	279,814	38,419	593,112	1,301	182,832	777,245	49,070
560	Vermont	VT	11,568	126,352	2,566	23,557	176,756	21,549	362,348	720	79,776	442,844	28,813
910	Total	TO	176,801	2,365,628	53,294	303,733	3,153,911	503,357	6,556,724	17,752	2,603,496	9,177,972	683,612

FOOTNOTE TABLE

Table	Row	Col	FN#	Footnote
III	ALL	ALL	2	ACCESS LINES WILL NOT MATCH THOSE ON 43-05 AND 43-07 DUE TO DEFINITIONAL DIFFERENCES.
	300	FE	92	INCORRECT CELL REFERENCE REPLACED WITH CORRECT CELL REFERENCE.
		FG	93	INCORRECT CELL REFERENCE REPLACED WITH CORRECT CELL REFERENCE.

Data Run Date: 11/08/2004

FCC Paper Report 43-08, the Operating Data Report

FCC Paper Report 43-08
ARMIS Operating Data ReportCOMPANY: VERIZON NEW ENGLAND TEL & TELEGRAPH
STUDY AREA: VERIZON - NE
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Unrestricted Version
SUBMISSION 04

TABLE IV

TABLE IV - TELEPHONE CALLS
(Amounts in Thousands)

2002

Row No.	State or Terr. (ea)	Code (eb)	Local Calls (ec)	IntraLATA Toll Calls Completed (Originating) (ed)	InterLATA Toll Calls Completed (Originating)			InterLATA Billed Access Minutes (Originating and Terminating)		
					Interstate (ee)	Intrastate (ef)	Total (eg)	Interstate (eh)	Intrastate (ei)	Total (ej)
300	Maine	ME	1,209,747	108,871	196,307	196,307	392,614	2,143,711	1,261,760	3,405,471
320	Massachusetts	MA	7,275,953	566,785	1,418,173	2,615,079	4,033,252	12,527,888	8,081,056	20,608,944
400	New Hampshire	NH	1,009,288	114,902	299,612	217,917	517,529	3,087,851	1,249,874	4,337,725
500	Rhode Island	RI	1,071,189	78,743	282,329	149,919	432,248	2,053,103	763,974	2,817,077
560	Vermont	VT	747,998	27,329	141,740	52,951	194,691	1,415,216	384,299	1,799,515
910	Total	TO	11,314,175	896,630	2,338,161	3,232,173	5,570,334	21,227,769	11,740,963	32,968,732

FOOTNOTE TABLE

Table	Row	Col	FN#	Footnote
IV	400	EE	3	DATA BASED ON A REGIONAL PROCESS THAT INCLUDES INTERSTATE AND STATE INTERCONNECT TRAFFIC.
	560	EE	4	DATA BASED ON A REGIONAL PROCESS THAT INCLUDES INTERSTATE AND STATE INTERCONNECT TRAFFIC.
	300	EE	5	DATA BASED ON A REGIONAL PROCESS THAT INCLUDES INTERSTATE AND STATE INTERCONNECT TRAFFIC.
	500	EE	6	DATA BASED ON A REGIONAL PROCESS THAT INCLUDES INTERSTATE AND STATE INTERCONNECT TRAFFIC.
	320	EE	7	DATA BASED ON A REGIONAL PROCESS THAT INCLUDES

Table of Contents

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-K

(Mark one)



**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2002**

OR



**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to**

Commission file number 1-1150

VERIZON NEW ENGLAND INC.

A New York Corporation

I.R.S. Employer Identification No. 04-1664340

185 Franklin Street, Boston, Massachusetts 02110

Telephone Number (617) 743-9800

Securities registered pursuant to Section 12(b) of the Act: See attached Schedule A.

Securities registered pursuant to Section 12(g) of the Act: None.

THE REGISTRANT MEETS THE CONDITIONS SET FORTH IN GENERAL INSTRUCTION I(1)(a) AND (b) OF FORM 10-K AND IS THEREFORE FILING THIS FORM WITH REDUCED DISCLOSURE FORMAT PURSUANT TO GENERAL INSTRUCTION I(2).

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes No

Table of Contents

Verizon New England Inc.

SCHEDULE A

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Thirty year 7 ⁷ / ₈ % Debentures, due September 1, 2022	New York Stock Exchange
Thirty year 6 ⁷ / ₈ % Debentures, due October 1, 2023	“
Forty year 7 ⁷ / ₈ % Debentures, due November 15, 2029	“
Ten year 6 ¹ / ₄ % Notes, due March 15, 2003	“
7% Debentures, Series B, due May 15, 2042	“

Table of Contents**Verizon New England Inc.****TABLE OF CONTENTS**

	Page
PART I	
Item 1. <u>Business</u> (Abbreviated pursuant to General Instruction I(2).)	1
Item 2. <u>Properties</u>	7
Item 3. <u>Legal Proceedings</u>	7
Item 4. <u>Submission of Matters to a Vote of Security Holders</u> (Omitted pursuant to General Instruction I(2).)	7
PART II	
Item 5. <u>Market for Registrant's Common Equity and Related Stockholder Matters</u>	8
Item 6. <u>Selected Financial Data</u> (Omitted pursuant to General Instruction I(2).)	8
Item 7. <u>Management's Discussion and Analysis of Results of Operations</u> (Abbreviated pursuant to General Instruction I(2).)	9
Item 7A. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	17
Item 8. <u>Financial Statements and Supplementary Data</u>	17
Item 9. <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	17
PART III	
Item 10. <u>Directors and Executive Officers of the Registrant</u> (Omitted pursuant to General Instruction I(2).)	17
Item 11. <u>Executive Compensation</u> (Omitted pursuant to General Instruction I(2).)	17
Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u> (Omitted pursuant to General Instruction I(2).)	17
Item 13. <u>Certain Relationships and Related Transactions</u> (Omitted pursuant to General Instruction I(2).)	17
Item 14. <u>Controls and Procedures</u>	18
PART IV	
Item 15. <u>Exhibits, Financial Statement Schedules, and Reports on Form 8-K</u>	18
<u>SIGNATURES</u>	20
<u>CERTIFICATIONS</u>	21

UNLESS OTHERWISE INDICATED, ALL INFORMATION IS AS OF MARCH 14, 2003.

Table of Contents**Verizon New England Inc.****PART I****Item 1. Business**

(Abbreviated pursuant to General Instruction I (2).)

GENERAL

Verizon New England Inc. is incorporated under the laws of the State of New York. We are a wholly owned subsidiary of NYNEX Corporation (NYNEX), which is a wholly owned subsidiary of Verizon Communications Inc. (Verizon).

We presently serve a territory consisting of Local Access and Transport Areas (LATAs) in Maine, Massachusetts, New Hampshire, Rhode Island and Vermont. These LATAs are generally centered on a city or based on some other identifiable common geography.

We currently provide two basic types of telecommunications services:

- *Exchange telecommunication service* is the transmission of telecommunications among customers located within a local calling area within a LATA. Examples of exchange telecommunications services include switched local residential and business services, local private line voice and data services and Centrex services. We also provide toll services within a LATA (intraLATA long distance).
- *Exchange access service* links a customer's premises and the transmission facilities of other telecommunications carriers, generally interLATA carriers. Examples of exchange access services include switched access and special access services.

As of December 31, 2002, we had approximately 15,300 employees. Approximately 85% of our employees (associates) are covered by collective bargaining agreements. Collective bargaining agreements with the unions expire in August 2003.

REGULATION**Telecommunications Act of 1996**

We face increasing competition in all areas of our business. The Telecommunications Act of 1996 (1996 Act), regulatory and judicial actions and the development of new technologies, products and services have created opportunities for alternative telecommunication service providers, many of which are subject to fewer regulatory constraints.

In-Region Long Distance

Under the 1996 Act, our ability to offer in-region long distance services (that is, services originating in the states where we operate as a local exchange carrier) is largely dependent on satisfying specified requirements. The requirements include a 14-point "competitive checklist" of steps which we must take to help competitors offer local services through resale, through purchase of unbundled network elements (UNEs), or by interconnecting their own networks to ours. We must also demonstrate to the Federal Communications Commission (FCC) that entry into the in-region long distance market would be in the public interest.

On April 16, 2001, February 22, 2002, April 17, 2002, June 19, 2002, and September 25, 2002, the FCC released orders approving our applications for permission to enter the in-region long distance markets in Massachusetts, Rhode Island, Vermont, Maine and New Hampshire, respectively. The U.S. Court of Appeals has remanded the Massachusetts order to the FCC for further explanation on one issue, but left our long distance authority in effect. Since April 26, 2001, March 7, 2002, April 30, 2002, July 1, 2002 and October 23, 2002 in-region long distance service is being offered in Massachusetts, Rhode Island, Vermont, Maine and New Hampshire, respectively, by a separate non-regulated subsidiary of Verizon as required by law.

Table of Contents**Verizon New England Inc.****FCC Regulation and Interstate Rates**

We are subject to the jurisdiction of the FCC with respect to interstate services and related matters. In 2002, the FCC continued to implement reforms to the interstate access charge system and to implement the "universal service" and other requirements of the 1996 Act.

Access Charges and Universal Service

On May 31, 2000, the FCC adopted the Coalition for Affordable Local and Long Distance Services (CALLS) plan as a comprehensive five-year plan for regulation of interstate access charges. The CALLS plan has three main components. First, it establishes a portable interstate access universal service support of \$650 million for the industry. This explicit support replaces implicit support embedded in interstate access charges. Second, the plan simplifies the patchwork of common line charges into one subscriber line charge (SLC) and provides for de-averaging of the SLC by zones and class of customers in a manner that will not undermine comparable and affordable universal service. Third, the plan sets into place a mechanism to transition to a set target of \$0.0055 per minute for switched access services. Once that target rate is reached, local exchange carriers are no longer required to make further annual price cap reductions to their switched access prices. The annual reductions leading to the target rate, as well as annual reductions for the subset of special access services that remain subject to price cap regulation was set at 6.5% per year.

On September 10, 2001, the U.S. Court of Appeals for the Fifth Circuit ruled on an appeal of the FCC order adopting the plan. The court upheld the FCC on several challenges to the order, but remanded two aspects of the decision back to the FCC on the grounds that they lacked sufficient justification. The court remanded back to the FCC for further consideration its decision setting the annual reduction factor at 6.5% minus an inflation factor and the size of the new universal service fund at \$650 million. The entire plan (including these elements) will continue in effect pending the FCC's further consideration of its justification of these components. As a result of tariff adjustments which became effective in July 2002, we reached the \$0.0055 benchmark.

The FCC has adopted rules for special access services that provide for pricing flexibility and ultimately the removal of services from price regulation when prescribed competitive thresholds are met. In order to use these rules, carriers must forego the ability to take advantage of provisions in the current rules that provide relief in the event earnings fall below prescribed thresholds. Verizon has been authorized to remove special access and dedicated transport services from price caps in 36 Metropolitan Statistical Areas (MSAs) in the former Bell Atlantic territory and in 17 additional MSAs in the former GTE territory. In addition, the FCC has found that in 20 MSAs Verizon has met the stricter standards to remove special access connections to end-user customers from price caps. Verizon also has an application pending that, if granted, would remove an additional three MSAs, and special access connections to end-user customers in two additional MSAs, from price cap regulation.

In November 1999, the FCC adopted a new mechanism for providing universal service support to high cost areas served by large local telephone companies. This funding mechanism provides additional support for local telephone services in several states served by Verizon. This system has been supplemented by the new FCC access charge plan described above. On July 31, 2001, the U.S. Court of Appeals for the Tenth Circuit reversed and remanded to the FCC for further proceedings. The court concluded that the FCC had failed to adequately explain some aspects of its decision and had failed to address any need for a state universal service mechanism. The current universal service mechanism remains in place pending the outcome of any FCC review as a result of these appeals.

Unbundling of Network Elements

In November 1999, the FCC announced its decision setting forth new unbundling requirements, eliminating elements that it had previously required to be unbundled, limiting the obligation to provide others and adding new elements.

In addition to the unbundling requirements released in November 1999, the FCC released an order in a separate proceeding in December 1999, requiring incumbent local exchange companies also to unbundle and provide to competitors the higher frequency portion of their local loop. This provides competitors with the ability to provision data services on top of incumbent carriers' voice services.

In July 2000, the U.S. Court of Appeals for the Eighth Circuit found that some aspects of the FCC's requirements for pricing UNEs were inconsistent with the 1996 Act. In particular, it found that the FCC was wrong to require incumbent

Table of Contents

Verizon New England Inc.

carriers to base these prices not on their real costs but on the imaginary costs of the most efficient equipment and the most efficient network configuration. This portion of the court's decision was stayed pending review by the U.S. Supreme Court. On May 13, 2002, the U.S. Supreme Court reversed that decision and upheld the FCC's pricing rules.

On May 24, 2002, the U.S. Court of Appeals for the D.C. Circuit released an order that overturned the most recent FCC decision establishing which network elements were required to be unbundled. In particular, the court found that the FCC did not adequately consider the limitations of the "necessary and impair" standards of the 1996 Act when it chose national rules for unbundling and that it failed to consider the relevance of competition from other types of service providers, including cable and satellite. The court also vacated a separate order that had authorized an unbundling requirement for "line sharing" where a competing carrier purchases only a portion of the copper connection to the end-user in order to provide high-speed broadband services using digital subscriber line (DSL) technology. Several parties, including the FCC, petitioned the court for rehearing of the court order. The court rejected the petitions that asked it to change its decision on September 4, 2002. The court did, however, stay its order vacating the FCC's rules until February 20, 2003, to provide the FCC time to complete an ongoing rulemaking to determine what elements should be unbundled. Several carriers have sought U.S. Supreme Court review of the underlying court decision. That request remains pending.

On October 25, 2002, the U.S. Court of Appeals for the D.C. Circuit released an order upholding the FCC's decisions that established interim limits on the availability of combinations of UNEs known as enhanced extended links or "EELs." EELs consist of unbundled loops and transport elements. The FCC decisions limited access to EELs to carriers that would use them to provide a significant amount of local traffic, and not just use them as substitutes for special access services.

Prior to the issuance of these orders from the U.S. Court of Appeals for the D.C. Circuit, the FCC had already begun a review of the scope of its unbundling requirement through a rulemaking referred to as the triennial review of UNEs. This rulemaking reopens the question of what network elements must be made available on an unbundled basis under the 1996 Act and will revisit the unbundling decisions made in the order overturned by the U.S. Court of Appeals for the D.C. Circuit. In this rulemaking, the FCC also will address other pending issues relating to unbundled elements, including the question of whether competing carriers may substitute combinations of unbundled loops and transport for already competitive special access services. On February 20, 2003, the FCC announced a decision in its triennial review of UNEs, but the order has not yet been released.

Compensation for Internet Traffic

On April 27, 2001, the FCC released an order addressing intercarrier compensation for dial-up connections for Internet-bound traffic. The FCC found that Internet-bound traffic is interstate and subject to the FCC's jurisdiction. Moreover, the FCC again found that Internet-bound traffic is not subject to reciprocal compensation under Section 251(b)(5) of the 1996 Act. Instead, the FCC established federal rates per minute for this traffic that decline from \$0.0015 to \$0.0007 over a three-year period. The FCC order also sets caps on the total minutes of this traffic that may be subject to any intercarrier compensation and requires that incumbent local exchange carriers must offer to both bill and pay reciprocal compensation for local traffic at the same rate as they are required to pay on Internet-bound traffic. On May 3, 2002, the U.S. Court of Appeals for the D.C. Circuit rejected part of the FCC's rationale for its April 27, 2001 order, but declined to vacate the order while it is on remand.

Several parties requested rehearing, asking the court to vacate the underlying order. Those requests were denied in a series of orders released on September 24, 2002 and September 25, 2002. One carrier has sought U.S. Supreme Court review of that denial. In the meantime, pending further action by the FCC, the FCC's underlying order remains in effect.

State Regulation of Rates and Services

Maine

In June 2001, the Maine Public Utilities Commission (PUC) ordered the continuation of an Alternative Form of Regulation (AFOR) for a second five-year term. Key aspects of the new plan:

- Eliminates annual filings to adjust rates of core services;
- Eliminates the 4.5% productivity factor applied in the initial AFOR term;
- Provides total pricing flexibility for all services except local service, operator services and directory assistance;

Table of Contents**Verizon New England Inc.**

- Allows an increase in local service rates that offsets (in whole or in part) a legislatively required access charge reduction;
- Rejects proposals to institute over 9,000 retail service quality measures and instead continues the current service quality plan with some modifications; and
- Requires monitoring of toll rate/revenue reductions to insure that toll users benefit from the access reductions, either in reduced toll rates from us, or in toll savings from alternative carriers. At the end of a two-year monitoring period that began December 31, 2000, our toll rates/revenues must be \$19.8 million lower, or additional cuts in toll rates will be required. Thereafter, toll rates are unrestricted. On February 6, 2003, we filed with the PUC proof that the required reduction in toll revenues had occurred and that no further regulation of toll prices is required. PUC consideration of our filing is pending.

The Maine Public Advocate appealed the PUC's AFOR decision to the Maine Supreme Judicial Court, claiming that any extension to the AFOR must be preceded by an investigation of our costs and earnings utilizing traditional rate of return principles. On February 28, 2003, the court ruled that while state law requires that telephone rates under an AFOR are no higher than under rate of return regulation, the PUC has broad discretion in making such a determination that would not necessarily require a full rate of return inquiry. However, the court vacated and remanded the decision to the PUC for its failure to expressly make such a determination, or in the alternative that if such a showing cannot be made, that it nonetheless remains in the best interest of ratepayers to proceed with an AFOR. No change in any of our rates is required by the court's decision while the remand proceeding is pending.

Massachusetts

In April 2001, we filed with the Massachusetts Department of Telecommunications and Energy (DTE) a proposed alternative regulatory plan to replace the price regulation plan that was to expire in August 2001. On May 8, 2002, the DTE issued its decision in Phase I of the case in which it found that we had demonstrated the existence of sufficient competition for most of its retail business services and granted us pricing flexibility on the services. Price increases are not constrained. Price decreases are subject to price floor requirements. In addition, the DTE ruled that we should reduce state switched access prices to interstate levels on a revenue neutral basis by increases in residence dial tone rates. With respect to residence services, the DTE tentatively concluded that we should have pricing flexibility for non-basic services but that increases in basic services should be limited. The DTE directed us to file proposals consistent with its findings. These proposals are under review by the DTE in Phase II of the case, and a decision is pending.

On July 11, 2002, the DTE issued a comprehensive order in which it ruled on the cost studies used for setting our prices for UNEs. Several parties, including us, filed motions for reconsideration of various portions of the order. On January 14, 2003, the DTE issued its ruling on the motions and directed us to file new cost studies consistent with the rulings within 30 days.

On December 20, 2002, the DTE issued its decision in response to a remand by the United States District Court for the Eastern District of Massachusetts in an appeal brought by WorldCom Inc. and Global NAPS Inc. related to several orders of the DTE dating back to May 1999. The court ruled in an August 2002 decision that DTE orders finding that reciprocal compensation was not owed on Internet-bound traffic did not comply with federal law because the DTE had not rested its rulings on the specific language of the interconnection agreements. In its latest decision, the DTE ruled that the plain terms of the agreements excluded Internet-bound traffic from the scope of the reciprocal compensation provisions, and therefore, we had no obligation to pay reciprocal compensation on such traffic. Global NAPS Inc. and WorldCom Inc. have appealed the DTE's decision to the United States District Court for the Eastern District of Massachusetts.

New Hampshire

Our operations in New Hampshire are currently subject to rate of return regulation.

Rhode Island

Pursuant to a directive of the Rhode Island Public Utilities Commission (RIPUC), we filed in July 2002 a proposal for a new alternative regulation plan to replace the existing price cap plan that was to expire in December 2002. Following the close of evidentiary hearings in the case, the Rhode Island Division of Public Utilities and Carriers (Division) and our company filed a stipulation on December 6, 2002 resolving all issues in the case. The principal components of the stipulated plan are:

Table of Contents**Verizon New England Inc.**

- No index or price cap formula;
- Pricing flexibility for all business services, subject to a long-run incremental cost (LRIC)-based price floor;
- The company may increase residential basic exchange rates by \$1 per year in years one and two. An additional \$1 increase in year three will be subject to RIPUC and Division review;
- The company may pass through exogenous changes, subject to a \$2.5 million annual cap, but must absorb the first \$1 million in exogenous changes in the year in which approval is sought;
- The company will continue its voluntary funding of a discount program for Internet access for schools and libraries at up to \$2 million per year until the earlier of December 31, 2004, or the implementation of an alternative funding mechanism (e.g., legislation);
- The current retail service quality plan is maintained with certain modifications; and
- The term of the plan is three years.

After further hearing and briefing, the RIPUC approved the stipulation at an open meeting on January 10, 2003, with two modifications. First, the RIPUC imposed limits on price increases for all other non-basic residential services as follows:

For services priced at \$5 or less, rates may increase 15% per year

For services priced at \$5.01 to \$10, rates may increase 10% per year

For services priced over \$10, rates may increase 5% per year

Second, the company is required to file quarterly reports showing for each wire center in the state the number of access lines served by the company and the number and type of access lines served by competitors. The RIPUC is expected to enter a written order shortly.

Vermont

In 2000, the Vermont Public Service Board approved a five-year incentive regulation plan that will provide us with increased flexibility to introduce and price new products and services. The plan also removes most restrictions on our earnings from Vermont operations during the life of the plan and contains no productivity adjustment. The plan limits our ability to raise prices on existing products and services, and requires revenue reductions of \$16.5 million at the outset of the plan, \$6.5 million during the first year of the plan and approximately \$6.0 million over the subsequent years of the plan. The plan also requires some service quality improvements subject to financial penalty.

COMPETITION

Current and potential competitors in telecommunication services include long distance companies, other local telephone companies, cable companies, wireless service providers, foreign telecommunications providers, electric utilities, Internet service providers and other companies that offer network services. Many of these companies have a strong market presence, brand recognition and existing customer relationships, all of which contribute to intensifying competition and may affect our future revenue growth.

Local Exchange Services

The ability to offer local exchange services has historically been subject to regulation by state regulatory commissions. Applications from competitors to provide and resell local exchange services have been approved in our jurisdictions. The 1996 Act has significantly increased the level of competition in our local exchange markets.

One of the purposes of the 1996 Act was to ensure, and accelerate, the emergence of competition in local exchange markets. Toward this end, the 1996 Act requires most existing local exchange carriers (incumbent local exchange carriers, or ILECs), including our company, to permit potential competitors (CLECs) to:

- purchase service from the ILEC for resale to CLEC customers;
- purchase UNEs from the ILEC; and/or
- interconnect the CLEC's network with the ILEC's network.

Table of Contents**Verizon New England Inc.**

As a result, competition in our local exchange markets continues to increase. We are generally required to sell our services to CLECs at discounts from the prices we charge our retail customers.

Long Distance Services

We offer intraLATA long distance services. IntraLATA toll calls originate and terminate within the same LATA, but generally cover a greater distance than a local call. State regulatory commissions rather than federal authorities generally regulate these services. Federal regulators have jurisdiction over interstate toll services. All of our state regulatory commissions permit other carriers to offer intraLATA toll services within our states.

Alternative Access Services

A substantial portion of our revenues from business and government customers is derived from a relatively small number of large, multiple-line subscribers.

We face competition from alternative communications systems, constructed by large end-users, interexchange carriers and alternative access vendors, which are capable of originating and/or terminating calls without the use of our plant. The FCC's orders requiring us to offer collocated interconnection for special and switched access services have enhanced the ability of such alternative access providers to compete with us.

Other potential sources of competition include cable television systems, shared tenant services and other noncarrier systems which are capable of bypassing our local plant, either partially or completely, through substitution of special access for switched access or through concentration of telecommunications traffic on fewer of our lines.

Wireless Services

Wireless services also constitute a significant source of competition to our wireline telecommunications services, especially as wireless carriers (including Verizon Wireless) expand and improve their network coverage and continue to lower their prices to end-users. As a result, more end-users are substituting wireless services for basic wireline service. Wireless telephone services can also be used for data transmission.

Public Telephone Services

The growth of wireless communications has significantly decreased usage of public telephones, as more customers are substituting wireless services for public telephone services. In addition, we face competition from other providers of public telephone services.

Operator Services

Our operator services product line faces competition from alternative operator services providers and Internet service providers.

Table of Contents**Verizon New England Inc.****Item 2. Properties****GENERAL**

Our principal properties do not lend themselves to simple description by character and location. Our investment in plant, property and equipment consisted of the following at December 31:

	2002	2001
Central office equipment	46%	45%
Outside communications plant	41	41
Land and buildings	6	6
Furniture, vehicles and other work equipment	5	5
Other	2	3
	<u>100%</u>	<u>100%</u>

“Central office equipment” consists of switching equipment, transmission equipment and related facilities. “Outside communications plant” consists primarily of aerial cable, underground cable, conduit and wiring, and telephone poles. “Land and buildings” consists of land and land improvements, and principally central office buildings. “Furniture, vehicles and other work equipment” consists of public telephone instruments and telephone equipment, furniture, office equipment, motor vehicles and other work equipment. “Other” property consists primarily of plant under construction, capital leases, capitalized computer software costs and leasehold improvements.

All of our properties, located in the states of Maine, Massachusetts, New Hampshire, Rhode Island and Vermont, are generally in good operating condition and are adequate to satisfy the needs of our business.

Our customers are served by electronic switching systems that provide a wide variety of services. Our network has full digital capability to furnish advanced data transmission and information management services.

CAPITAL EXPENDITURES

We continue to make significant capital expenditures to meet the demand for communications services and to further improve such services. Capital spending was approximately \$820 million in 2002, \$1,282 million in 2001 and \$1,383 million in 2000. Capital spending for those years excludes capitalized non-network software and additions under capital leases. Our total investment in plant, property and equipment was approximately \$17.3 billion at December 31, 2002, \$17.0 billion at December 31, 2001 and \$15.9 billion at December 31, 2000, including the effect of retirements, but before deducting accumulated depreciation.

Item 3. Legal Proceedings

There were no proceedings reportable under Item 3.

Item 4. Submission of Matters to a Vote of Security Holders

(Omitted pursuant to General Instruction I(2).)

Table of Contents

Verizon New England Inc.

PART II

Item 5. *Market for Registrant's Common Equity and Related Stockholder Matters*

Not applicable.

Item 6. *Selected Financial Data*

(Omitted pursuant to General Instruction I(2).)

Table of Contents**Verizon New England Inc.****Item 7. Management's Discussion and Analysis of Results of Operations**
(Abbreviated pursuant to General Instruction I(2).)

This discussion should be read in conjunction with the Financial Statements and Notes to Financial Statements listed in the index set forth on page F-1.

OVERVIEW**Description of Business**

Verizon New England Inc. is a wholly owned subsidiary of NYNEX Corporation (NYNEX), which is a wholly owned subsidiary of Verizon Communications Inc. (Verizon). We presently serve a territory consisting of Local Access and Transport Areas (LATAs) in Maine, Massachusetts, New Hampshire, Rhode Island and Vermont. We have one reportable segment which provides domestic wireline telecommunications services. We currently provide two basic types of telecommunications services:

- *Exchange telecommunication service* is the transmission of telecommunications among customers located within a local calling area within a LATA. Examples of exchange telecommunications services include switched local residential and business services, local private line voice and data services and Centrex services. We also provide toll services within a LATA (intraLATA long distance).
- *Exchange access service* links a customer's premises and the transmission facilities of other telecommunications carriers, generally interLATA carriers. Examples of exchange access services include switched access and special access services.

The communications services we provide are subject to regulation by the state regulatory commissions of Maine, Massachusetts, New Hampshire, Rhode Island and Vermont with respect to intrastate rates and services and other matters. The Federal Communications Commission (FCC) regulates rates that we charge long distance carriers and end-user subscribers for interstate access services. For a further discussion of the Company and our regulatory plans, see Item 1—"Description of Business."

Critical Accounting Policies

A summary of the critical accounting policies used in preparing our financial statements are as follows:

Most of our employees participate in Verizon's defined benefit pension plans and postretirement benefit plans. In the aggregate, the fair value of pension plan assets exceeds pension plan benefit obligations. Significant pension and postretirement benefit plan assumptions, including the discount rate used, the long-term rate of return on plan assets, and medical cost trend rates are periodically updated and impact the amount of pension plan results, assets and obligations. For more information on pension plan assumptions, see Note 8 to the financial statements.

Our current and deferred income taxes and associated valuation allowances (if any) are impacted by events and transactions arising in the normal course of business, as well as in connection with special and non-recurring items. Assessment of the appropriate amount and classification of income taxes is dependent on several factors, including estimates of the timing and realization of deferred income tax assets and the timing of income tax payments. Actual collections and payments may differ from these estimates as a result of changes in tax laws, as well as unanticipated future transactions impacting related income tax balances.

We compute depreciation on plant, property, and equipment principally on the composite group remaining life method and straight-line composite rates over estimated useful lives ranging from 3 to 50 years. This method provides for the recognition of the cost of the remaining net investment in telephone plant, less anticipated net salvage value (if any), over the remaining asset lives. This method requires the periodic revision of depreciation rates. For a discussion of a change in the accounting for the retirement of certain assets see "Other Matters—Recent Accounting Pronouncements—Asset Retirement Obligations" below. Changes in the estimated useful lives of plant, property, and equipment or depreciation methods could have a material effect on our results of operations.

Table of Contents**Verizon New England Inc.**

We recognize service revenues based upon usage of our local exchange network and facilities and contract fees. We recognize product and other service revenues when the products are delivered and accepted by the customers and when services are provided in accordance with contract terms.

In the course of conducting our business, we provide services to and purchase goods and services from affiliated companies. These transactions are supported by tariff rates or contractual agreements the terms of which require estimates and judgments to fairly value such transactions.

All of our significant accounting policies are described in Note 1 to the financial statements.

RESULTS OF OPERATIONS

We reported net income of \$233.2 million in 2002, compared to net income of \$294.9 million in 2001. Our reported results included the following special items:

Employee Terminations

The following table provides a summary of the special charges recorded in 2002 and 2001 related to employee terminations.

(Dollars in Millions)	Years ended December 31	
	2002	2001
Special termination benefits	\$ 1.3	\$ 114.0
Settlement loss	33.0	—
Curtailement loss	92.6	—
Subtotal	126.9	114.0
Employee severance	64.8	72.0
Total special charges	\$ 191.7	\$ 186.0

As part of a Verizon workforce reduction plan, we have continued to reduce our headcount as allowed under various management and associate employee benefit plans. As a result, we recorded \$1.3 million and \$114.0 million in 2002 and 2001, respectively, in connection with various pension and retirement benefit enhancements. Also during 2002, we recorded a \$33.0 million pension settlement loss as lump-sum payments exceeded the threshold of service and interest costs. Additionally, in the fourth quarter of 2002, we recorded a curtailment loss of \$92.6 million associated with a significant reduction of the expected years of future service of present employees, which was largely impacted by the involuntary employee terminations in December 2002. The special termination benefits, curtailment and settlement of pension obligations are recorded in accordance with Statement of Financial Accounting Standards (SFAS) No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Pension Plans and for Termination Benefits" and SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions."

Also during 2002 and 2001, we recorded special charges of \$64.8 million and \$72.0 million, respectively, for the voluntary and involuntary separation of management and associate employees in accordance with SFAS No. 112, "Employers' Accounting for Postemployment Benefits." As of December 31, 2002, a total of over 1,900 employees have been separated under the 2001 and 2002 severance programs. We expect to complete the termination of the employees within a year of when the respective charges were recorded. Employee benefit costs are recorded in operations and support expense in our statements of income.

See Note 8 to the financial statements for additional information about our employee benefits.

WorldCom Inc.

In 2002, we recorded an impairment charge of \$43.5 million driven by our financial statement exposure to WorldCom Inc. (WorldCom). This charge was recorded in operations and support expense in our statements of income.

WorldCom, including its affiliates, purchases dedicated local exchange capacity from us to support its private networks and we also charge WorldCom for access to our local network. In addition, we sell local wholesale interconnection services and

Table of Contents**Verizon New England Inc.**

provide billing and collection services to WorldCom. We purchase long distance and related services from WorldCom. On July 21, 2002, WorldCom filed for Chapter 11 bankruptcy protection.

During 2002, we recorded revenues earned from the provision of primarily network access services to WorldCom of \$187.1 million. If WorldCom terminates contracts with us for the provision of services, our operating revenues would be lower in future periods. Lower revenues as a result of canceling contracts for the provision of services could be partially offset, in some cases, by the migration of customers on the terminated facilities to us or other carriers who purchase capacity and/or interconnection services from us.

At December 31, 2002, accounts receivable from WorldCom, net of a provision for uncollectibles, was \$37.5 million. We continue to closely monitor our collections on WorldCom account balances. WorldCom is current with respect to its post-bankruptcy obligations. We believe that we are adequately reserved for the potential risk of non-payment of pre-bankruptcy receivables from WorldCom.

Extraordinary Items

During 2002, we recorded extraordinary charges that reduced net income by \$22.9 million (net of an income tax benefits of \$14.9 million) associated with early extinguishments of long-term debt. The extinguishments consisted of the following:

- Our \$175.0 million 6.3% notes due in 2012 were subject to a mandatory redemption at 100% of the principal amount plus accrued interest on December 16, 2002. The redemption price was 100% of face value plus accrued interest. During September 2002, we recorded an extraordinary charge associated with the buyout of the option to remarket these securities, which reduced net income by \$18.6 million (net of income tax benefits of \$12.1 million).
- In March 2002, we redeemed \$100.0 million of 6 1/8 % debentures due on October 1, 2006, \$125.0 million of 6 3/8 % debentures due on September 1, 2008 and \$75.0 million of 9% debentures due on August 1, 2031.

During 2001, we recorded an extraordinary charge associated with the early extinguishment of debt, which reduced net income by \$29,000 (net of an income tax benefit of \$18,800). We redeemed \$50.0 million 4 1/2 % debenture due on July 1, 2002.

Cumulative Effect of Change in Accounting Principle

In 2001, we recorded a credit to earnings of \$.3 million (net of income taxes of \$.1 million) for the cumulative effect of a change in accounting principle associated with the adoption of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," on January 1, 2001. For additional information, see Note 6 to the financial statements.

Transactions with Affiliates

Our financial statements include transactions with affiliates. The more significant affiliate transactions include revenues earned from Verizon Internet Services Inc., Verizon Advanced Data Inc., Verizon Services, Verizon Wireless Inc. and Verizon Long Distance for utilization of our network facilities and provision of services.

In addition, our operating revenues and expenses include transactions with other Verizon Operating Telephone Companies primarily for the rental of facilities and equipment and interconnection services.

Further, we recognize operating expenses in connection with contractual arrangements with affiliates, primarily Verizon Services, for the provision of various centralized services to us. We recognize interest income and interest expense in connection with contractual agreements with Verizon Network Funding Corporation, Verizon NSI Holdings Inc. and Bell Atlantic Administrative Services, Inc. for the provision of short-term financing and cash management services. We recognize equity income from our investment in Verizon Services Group. Through January 2003, we recognized equity losses from our investment in Verizon Ventures III Inc. (Ventures III). We also pay quarterly dividends to our parent, NYNEX.

See Note 10 to the financial statements for additional information about our transactions with affiliates.

Table of Contents**Verizon New England Inc.**

These and other items affecting the comparison of our results of operations for the years ended December 31, 2002 and 2001 are discussed in the following sections.

OPERATING REVENUES

(Dollars in Millions)

Years Ended December 31	2002	2001
Local services	\$ 2,290.1	\$ 2,471.2
Network access services	1,491.5	1,523.4
Long distance services	368.2	420.6
Other services	215.6	235.0
Total	<u>\$ 4,365.4</u>	<u>\$ 4,650.2</u>

LOCAL SERVICES

	(Decrease)	
2002—2001	\$ (181.1)	(7.3)%

Local service revenues are earned from the provision of local exchange, local private line, wire maintenance, voice messaging and value-added services. Value-added services are a family of services that expand the utilization of the network, including products such as Caller ID, Call Waiting and Return Call. The provision of local exchange services not only includes retail revenues, but also includes local wholesale revenues from unbundled network elements (UNEs), interconnection revenues from competitive local exchange carriers (CLECs), certain data transport revenues and wireless interconnection revenues.

Local service revenues declined in 2002 primarily due to the effect of lower demand and usage of some basic wireline services and price discounts on product bundling offers. Our switched access lines in service declined 5.2% from December 31, 2001 to December 31, 2002, primarily reflecting the impact of the economic slowdown and competition. Technology substitution has also affected local service revenue growth, as indicated by lower demand for residential access lines. In addition, the effect of lower billings to CLECs for the purchase of UNEs and for interconnection of their network with our network further contributed to the decrease in local service revenues in 2002.

NETWORK ACCESS SERVICES

	(Decrease)	
2002—2001	\$ (31.9)	(2.1)%

Network access service revenues are earned from end-user subscribers and from long distance and other competing carriers who use our local exchange facilities to provide usage services to their customers. Switched access revenues are derived from fixed and usage-based charges paid by carriers for access to our local network. Special access revenues originate from carriers and end-users that buy dedicated local exchange capacity to support their private networks. End-user access revenues are earned from our customers and from resellers who purchase dial-tone services.

The decrease in network access revenues in 2002 was mainly attributable to lower demand for switched access services due, in part, to the weakened economy and technology substitution. Network access revenues were also lower due to mandated price reductions on interstate and intrastate services and other regulatory decisions. These factors were partially offset by higher revenues from special access services, as more customers in the business market demand high-capacity, high-speed digital services.

Table of Contents**Verizon New England Inc.****LONG DISTANCE SERVICES**

	(Decrease)
2002—2001	\$ (52.4) (12.5)%

Long distance revenues are earned primarily from calls made to points outside a customer's local calling area, but within our service area (intraLATA toll). IntraLATA toll calls originate and terminate within the same LATA, but generally cover a greater distance than a local call. These services are regulated by state regulatory commissions except where they cross state lines. Other long distance services that we provide include 800 services and Wide Area Telephone Service (WATS).

Long distance service revenues declined in 2002 primarily due to the effects of competition and toll calling discount packages and product bundling offers of our intraLATA toll services. Technology substitution and lower access line growth due to the slowing economy also affected long distance service revenue growth.

OTHER SERVICES

	(Decrease)
2002—2001	\$ (19.4) (8.3)%

Our other services include such services as billing and collections for long distance carriers and affiliates, facilities rentals to affiliates and nonaffiliates, public (pay) telephone, customer premises equipment (CPE) and sales of materials and supplies to affiliates. Other service revenues also include fees paid by customers for nonpublication of telephone numbers and multiple white page listings and fees paid by an affiliate for usage of our directory listings.

Other service revenues decreased in 2002 primarily due to the effect of a one-time reclassification in 2001 associated with regulatory-related activities. In addition, lower facilities rental revenues also contributed to the decrease in other service revenues.

OPERATING EXPENSES

(Dollars in Millions)

OPERATIONS AND SUPPORT

	Increase
2002—2001	\$ 19.7 .7%

Operations and support expenses consist of employee costs and other operating expenses. Employee costs consist of salaries, wages and other employee compensation, employee benefits and payroll taxes. Other operating expenses consist of contract services including centralized services expenses allocated from affiliates, rent, network software costs, operating taxes other than income, the provision for uncollectible accounts receivable, reciprocal compensation, and other costs.

The increase in operations and support expenses was mainly attributable to increased costs of approximately \$62 million associated with uncollectible accounts receivable in 2002, as compared to 2001. Employee costs increased slightly in 2002 due to higher benefit costs and salary and wage increases, substantially offset by the effect of declining workforce levels. As described earlier, we recorded charges of \$191.7 million in 2002, compared to \$186.0 million in 2001, associated with employee termination costs and a charge of \$43.5 million associated with uncollectible accounts receivable from WorldCom. Pension income (after consideration of capitalized costs and excluding special termination charges) was \$167.2 million and \$186.7 million in 2002 and 2001, respectively.

These increases were substantially offset by lower spending for contracted and centralized services expenses principally as a result of lower volumes of business and cost containment measures.

Table of Contents**Verizon New England Inc.****DEPRECIATION AND AMORTIZATION**

	Increase	
2002—2001	\$38.0	3.4%

Depreciation and amortization expense increased in 2002, as compared to 2001, primarily due to growth in depreciable telephone plant. This increase was partially offset by the effect of lower rates of depreciation.

OTHER RESULTS

(Dollars in Millions)

OTHER INCOME AND (EXPENSE), NET

	Increase	
2002—2001	\$151.0	129.1%

Other income and (expense), net includes equity income (losses), interest income and other nonoperating income and expense items.

The increase in other income and (expense), net, was primarily attributable to lower equity losses in 2002, as compared to 2001, recognized from our investment in Verizon Ventures III Inc. (Ventures III).

INTEREST EXPENSE

	Increase	
2002—2001	\$.1	.1%

Interest expense includes costs associated with borrowing and capital leases, net of capitalized interest costs. We capitalize interest associated with the acquisition or construction of plant assets. Capitalized interest is reported as a cost of plant and a reduction in interest expense.

Interest expense increased in 2002, as compared to 2001, primarily due to the effect of higher levels of long-term debt and lower capitalized interest costs resulting from lower levels of average telephone plant under construction. These increases were substantially offset by lower interest rates on short-term and variable debt with an affiliate and the effect of lower average levels of short-term debt with an affiliate.

See Note 5 to the financial statements for additional information about our debt.

EFFECTIVE INCOME TAX RATES

For the Years Ended December 31

2002	37.4%
2001	51.0%

The effective income tax rate is the provision for income taxes as a percentage of income before provision for income taxes and extraordinary items. Our effective income tax rate was lower in 2002, as compared to 2001, primarily due to the effect of lower equity losses associated with our investment in Ventures III, for which we do not recognize income tax benefits, and an increase in non-taxable equity income from our investment in Verizon Services Group.

You can find a reconciliation of the statutory federal income tax rate to the effective income tax rate for each period in Note 9 to the financial statements.

Table of Contents**Verizon New England Inc.****OTHER MATTERS****In-Region Long Distance**

Under the Telecommunications Act of 1996, our ability to offer in-region long distance services (that is, services originating in the states where we operate as a local exchange carrier) is largely dependent on satisfying specified requirements. The requirements include a 14-point "competitive checklist" of steps which we must take to help competitors offer local services through resale, through purchase of UNEs, or by interconnecting their own networks to ours. We must also demonstrate to the FCC that entry into the in-region long distance market would be in the public interest.

On April 16, 2001, February 22, 2002, April 17, 2002, June 19, 2002, and September 25, 2002, the FCC released orders approving our applications for permission to enter the in-region long distance markets in Massachusetts, Rhode Island, Vermont, Maine and New Hampshire, respectively. The U.S. Court of Appeals has remanded the Massachusetts order to the FCC for further explanation on one issue, but left our long distance authority in effect. Since April 26, 2001, March 7, 2002, April 30, 2002, July 1, 2002 and October 23, 2002 in-region long distance service is being offered in Massachusetts, Rhode Island, Vermont, Maine and New Hampshire, respectively, by a separate non-regulated subsidiary of Verizon as required by law.

Recent Accounting Pronouncements*Accounting for Stock Options*

In December 2002, the Financial Accounting Standards Board (FASB) issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure." This standard amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this statement amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. This statement permits two additional transition methods (modified prospective and retroactive restatement) for entities that adopt the preferable method of accounting for stock-based employee compensation.

We participate in employee compensation plans sponsored by Verizon with awards of Verizon common stock. Effective January 1, 2003, Verizon adopted the fair value recognition provisions of SFAS No. 123, using the prospective method, for all new awards granted to employees after January 1, 2003. Under the prospective method, employee compensation expense in the first year will be recognized for new awards granted, modified, or settled. However, in subsequent years, the vesting of awards issued on or after January 1, 2003 may cause an increase in employee compensation expense.

Asset Retirement Obligations

On January 1, 2003, we adopted SFAS No. 143, "Accounting for Asset Retirement Obligations." This standard provides the accounting for the cost of legal obligations associated with the retirement of long-lived assets. SFAS No. 143 requires that companies recognize the fair value of a liability for asset retirement obligations in the period in which the obligations are incurred and capitalize that amount as part of the book value of the long-lived asset. We have determined that we do not have a material legal obligation to remove long-lived assets as described by this statement. However, we have included estimated removal costs in our group depreciation models. These costs have increased depreciation expense and accumulated depreciation for future removal costs for existing assets. These removal costs are recorded as a reduction to accumulated depreciation when the assets are retired and removal costs are incurred.

For some assets, such as telephone poles, the removal costs exceed salvage value. Under the provisions of SFAS No. 143, we are required to exclude costs of removal from our depreciation rates for assets for which the removal costs exceed salvage. Accordingly, in connection with the initial adoption of this standard on January 1, 2003, we have reversed accrued costs of removal in excess of salvage from our accumulated depreciation accounts for these assets. The adjustment was recorded as a cumulative effect of an accounting change, resulting in the recognition of a gain of approximately \$609 million (\$369 million after-tax). Effective January 1, 2003, we began expensing costs of removal in excess of salvage for these assets as incurred. The impact of this change in accounting will result in a decrease in depreciation expense and an increase in operations and support expense. We estimate the net impact in 2003, excluding the cumulative effect adjustment, will not be material to our results of operations.

Table of Contents**Verizon New England Inc.***Debt Extinguishment*

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 145, among other things, eliminates the requirement that all gains and losses on the extinguishment of debt must be classified as extraordinary items on the income statement, thereby permitting the classification of such gains and losses as extraordinary items only if the criteria of Accounting Principles Board (APB) No. 30 are met. We are required to adopt this provision of SFAS No. 145 effective January 1, 2003 and, upon adoption, we will reclassify in our statements of income previously reported extraordinary charges for the early extinguishment of debt to income from continuing operations.

Exit or Disposal Activities

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This standard addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." EITF Issue No. 94-3 required accrual of liabilities related to exit and disposal activities at a plan (commitment) date. SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. The provisions of this standard are effective for exit or disposal activities that are initiated after December 31, 2002.

Contractual Obligations

The following table provides a summary of our contractual obligations at December 31, 2002. Additional detail about these items is included in the notes to the financial statements.

Contractual Obligation	Payments Due by Period (Dollars in Millions)				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Long-term debt	\$3,054.8	\$425.0	\$ 60.0	\$125.0	\$2,444.8
Capital lease obligations	1.0	.1	.2	.2	.5
Operating leases	237.2	39.9	69.9	56.6	70.8
Total contractual cash obligations	\$3,293.0	\$465.0	\$130.1	\$181.8	\$2,516.1

Subsequent Events

On December 5, 2002, we declared a dividend in the amount of \$157.0 million. The dividend was paid to our parent, NYNEX on February 3, 2003.

On March 6, 2003, we redeemed the entire outstanding principal amount of our \$60.0 million 4 ⁵/₈% debentures, due July 1, 2005. This redemption will not result in a material charge to results of operations.

Table of Contents**Verizon New England Inc.****Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

We are exposed to interest rate risk in the normal course of our business. We employ risk management strategies including the use of interest rate swap agreements to manage this exposure. We do not hold derivatives for trading purposes. Our objective in managing interest rate risk is to maintain a mix of fixed and variable rate debt that will lower our overall borrowing costs within reasonable risk parameters. Our short-term borrowings from an affiliate expose our earnings to changes in short-term interest rates since the interest rate charged on such borrowings is typically fixed for less than one month. Our variable-rate medium-term borrowing from an affiliate exposes our earnings to changes in short-term interest rates since the interest rate charged is reset each quarter. We have entered into domestic interest rate swaps to achieve a targeted mix of fixed and variable rate debt.

The following table summarizes the fair values of our long-term debt and interest rate derivatives as of December 31, 2002 and 2001. The table also provides a sensitivity analysis of the estimated fair values of these financial instruments assuming 100-basis-point upward and downward parallel shifts in the yield curve. The sensitivity analysis did not include the fair values of our short-term borrowings from an affiliate or our variable-rate medium-term borrowing from an affiliate since they are not significantly affected by changes in market interest rates.

(Dollars in Millions)	December 31	
	2002	2001
Fair value of long-term debt and interest rate derivatives	\$ 2,974.0	\$ 2,871.1
Fair value assuming a +100-basis-point shift	2,793.1	2,718.1
Fair value assuming a -100-basis-point shift	3,142.9	3,014.3

It is our policy to enter into interest rate swap agreements only to the extent necessary to achieve the desired objectives of management in limiting our exposure to interest rate risk. We do not hedge all of our interest rate risk exposures in a manner that would completely eliminate the impact of changes in interest rates on our net income. We do not expect that our results of operations or liquidity will be materially affected by these risk management activities.

Item 8. Financial Statements and Supplementary Data

The information required by this Item is set forth on Pages F-1 through F-28.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

PART III**Item 10. Directors and Executive Officers of the Registrant**

(Omitted pursuant to General Instruction I(2).)

Item 11. Executive Compensation

(Omitted pursuant to General Instruction I(2).)

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

(Omitted pursuant to General Instruction I(2).)

Item 13. Certain Relationships and Related Transactions

(Omitted pursuant to General Instruction I(2).)

Table of Contents**Verizon New England Inc.****Item 14. Controls and Procedures****(a) Evaluation of Disclosure Controls and Procedures**

Our chief executive officer and chief financial officer have evaluated the effectiveness of the registrant's disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) of the Securities Exchange Act of 1934), as of a date within 90 days of the filing date of this annual report (Evaluation Date), that ensure that information relating to the registrant which is required to be disclosed in this report is recorded, processed, summarized and reported, within required time periods. They have concluded that as of the Evaluation Date, the registrant's disclosure controls and procedures were adequate and effective to ensure that material information relating to the registrant and its consolidated subsidiaries would be made known to them by others within those entities, particularly during the period in which this annual report was being prepared.

(b) Changes in Internal Controls

There were no significant changes in the registrant's internal controls or in other factors that could significantly affect these controls subsequent to the Evaluation Date, nor were there any significant deficiencies or material weaknesses in these controls requiring corrective actions.

PART IV**Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K****(a) The following documents are filed as part of this report:****(1) Financial Statements**

See Index to Financial Statements and Financial Statement Schedule appearing on Page F-1.

(2) Financial Statement Schedules

See Index to Financial Statements and Financial Statement Schedule appearing on Page F-1.

(3) Exhibits

Exhibits identified in parentheses below, on file with the Securities and Exchange Commission (SEC), are incorporated herein by reference as exhibits hereto.

- 3a Restated Certificate of Incorporation of Verizon New England Inc., dated August 19, 1988. (Exhibit No. (19)ii to Form 10-Q for the period ended March 31, 1989.)
- 3a(i) Certificate of Amendment of Certificate of Incorporation filed August 1, 2000. (Exhibit 3a(i) to Form 10-Q for the period ended June 30, 2000.)
- 3b By-Laws of the registrant, as amended October 1, 1997. (Exhibit 3b to Form 10-K for the year ended December 31, 2001.)
- 4 No instrument which defines the rights of holders of long-term debt of the registrant is filed herewith pursuant to Regulation S-K, Item 601(b)(4)(iii)(A). Pursuant to this regulation, the registrant hereby agrees to furnish a copy of any such instrument to the SEC upon request.
- 12 Computation of Ratio of Earnings to Fixed Charges.
- 23 Consent of Independent Auditors.

Table of Contents

Verizon New England Inc.

(b) Reports on Form 8-K:

A Current Report on Form 8-K was furnished on November 13, 2002, containing certification statements to the Securities and Exchange Commission relating to Exchange Act filings, signed by the Chairman of the Board, President and Chief Executive Officer and by the Chief Financial Officer and Controller.

Table of Contents**Verizon New England Inc.****CERTIFICATIONS**

I, Lawrence T. Babbio, Jr., certify that:

1. I have reviewed this annual report on Form 10-K of Verizon New England Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 19, 2003

/s/ L
AWRENCE
T. B
ABBIO, J
R.

**Lawrence
T. Babbio,
Jr.
Chairman
of the
Board and
Chief
Executive
Officer**

Table of Contents**Verizon New England Inc.****CERTIFICATIONS**

I, Lawrence R. Whitman, certify that:

1. I have reviewed this annual report on Form 10-K of Verizon New England Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 19, 2003

/s/ LAWRENCE
R. WHITMAN

Lawrence R. Whitman
Chief Financial
Officer

Table of Contents**Verizon New England Inc.****Index to Financial Statements and Financial Statement Schedule**

	<u>Page</u>
Report of Independent Auditors—Ernst & Young LLP	F-2
Statements of Income For the years ended December 31, 2002, 2001 and 2000	F-3
Balance Sheets—December 31, 2002 and 2001	F-4
Statements of Changes in Shareowner's Investment For the years ended December 31, 2002, 2001 and 2000	F-6
Statements of Cash Flows For the years ended December 31, 2002, 2001 and 2000	F-7
Notes to Financial Statements	F-8
Schedule II—Valuation and Qualifying Accounts For the years ended December 31, 2002, 2001 and 2000	F-28
Financial statement schedules other than those listed above have been omitted because such schedules are not required or applicable.	

Table of Contents**Verizon New England Inc.****REPORT OF INDEPENDENT AUDITORS**

The Board of Directors and Shareowner
Verizon New England Inc.

We have audited the accompanying balance sheets of Verizon New England Inc. (the Company) as of December 31, 2002 and 2001, and the related statements of income, changes in shareowner's investment, and cash flows for each of the three years in the period ended December 31, 2002. Our audits also included the financial statement schedule referenced in the index at Item 15(a). These financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and the financial statement schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Verizon New England Inc. at December 31, 2002 and 2001, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/Ernst & Young LLP

New York, New York
January 29, 2003

Table of Contents**Verizon New England Inc.****STATEMENTS OF INCOME
For the Years Ended December 31
(Dollars in Millions)**

	2002	2001	2000
OPERATING REVENUES (including \$193.2, \$273.2 and \$131.7 from affiliates)	\$4,365.4	\$4,650.2	\$4,722.3
Operations and support expense (exclusive of items shown below) (including \$835.9, \$777.3 and \$855.0 to affiliates)	2,672.0	2,652.3	2,571.1
Depreciation and amortization	1,154.4	1,116.4	1,034.6
	3,826.4	3,768.7	3,605.7
OPERATING INCOME	539.0	881.5	1,116.6
OTHER INCOME AND (EXPENSE), NET (including \$30.8, \$(135.9) and \$(33.8) from affiliates)	34.0	(117.0)	(27.5)
INTEREST EXPENSE (including \$9.7, \$49.6 and \$58.4 to affiliates)	163.7	163.6	173.5
INCOME BEFORE PROVISION FOR INCOME TAXES, EXTRAORDINARY ITEM AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	409.3	600.9	915.6
PROVISION FOR INCOME TAXES	153.2	306.3	376.9
INCOME BEFORE EXTRAORDINARY ITEM AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	256.1	294.6	538.7
EXTRAORDINARY ITEM			
Early extinguishment of debt, net of tax	(22.9)	—	—
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	—	.3	—
NET INCOME	\$ 233.2	\$ 294.9	\$ 538.7

See Notes to Financial Statements.

F-3

Table of Contents

Verizon New England Inc.

BALANCE SHEETS
(Dollars in Millions)**ASSETS**

	<u>December 31</u>	
	<u>2002</u>	<u>2001</u>
CURRENT ASSETS		
Short-term investments	\$ 284.2	\$ 266.9
Note receivable from affiliate	—	107.2
Accounts receivable:		
Trade and other, net of allowances for uncollectibles of \$231.9 and \$142.2	843.5	1,031.0
Affiliates	374.9	296.5
Material and supplies	33.0	38.3
Prepaid expenses	64.9	30.6
Deferred income taxes	61.8	33.4
Other	117.9	127.7
	<u>1,780.2</u>	<u>1,931.6</u>
PLANT, PROPERTY AND EQUIPMENT	17,259.2	16,953.4
Less accumulated depreciation	10,735.0	10,120.9
	<u>6,524.2</u>	<u>6,832.5</u>
INTANGIBLE ASSETS, NET	121.6	139.3
OTHER ASSETS	<u>575.7</u>	<u>367.5</u>
TOTAL ASSETS	<u>\$ 9,001.7</u>	<u>\$ 9,270.9</u>

See Notes to Financial Statements.

F-4

Table of Contents

Verizon New England Inc.

BALANCE SHEETS
(Dollars in Millions)**LIABILITIES AND SHAREOWNER'S INVESTMENT**

	December 31	
	2002	2001
CURRENT LIABILITIES		
Debt maturing within one year:		
Note payable to affiliate	\$ 345.2	\$ 574.4
Current portion of long-term debt:		
Affiliate	200.0	—
Other	225.1	176.3
Accounts payable and accrued liabilities:		
Affiliates	834.6	807.1
Other	804.0	829.5
Other current liabilities	156.2	162.2
	<u>2,565.1</u>	<u>2,549.5</u>
LONG-TERM DEBT		
Note payable to affiliate	—	200.0
Other	2,624.8	2,608.2
	<u>2,624.8</u>	<u>2,808.2</u>
EMPLOYEE BENEFIT OBLIGATIONS	1,730.5	1,297.0
DEFERRED CREDITS AND OTHER LIABILITIES		
Deferred income taxes	230.8	222.3
Unamortized investment tax credits	23.1	26.0
Other	185.0	199.9
	<u>438.9</u>	<u>448.2</u>
COMMITMENTS AND CONTINGENCIES (Notes 4 and 13)		
SHAREOWNER'S INVESTMENT		
Common stock-one share, without par value	1.0	1.0
Additional paid-in capital	1,520.1	1,497.4
Reinvested earnings	373.8	669.6
Accumulated other comprehensive loss	(252.5)	—
	<u>1,642.4</u>	<u>2,168.0</u>
TOTAL LIABILITIES AND SHAREOWNER'S INVESTMENT	<u>\$9,001.7</u>	<u>\$9,270.9</u>

See Notes to Financial Statements.

Table of Contents

Verizon New England Inc.

STATEMENTS OF CHANGES IN SHAREOWNER'S INVESTMENT
For the Years Ended December 31
(Dollars in Millions)

	2002	2001	2000
COMMON STOCK			
Balance at beginning of year	\$ 1.0	\$ 1.0	\$ 1.0
Balance at end of year	1.0	1.0	1.0
ADDITIONAL PAID-IN CAPITAL			
Balance at beginning of year	1,497.4	1,392.5	1,678.7
Distributions of additional paid-in capital to parent	—	(95.0)	(287.9)
Capital contribution from parent	10.0	198.3	—
Other	12.7		



**Verizon Communications Inc.
1095 Avenue of the Americas
New York, New York 10036**

March 14, 2003

To Our Shareholders:

On behalf of the Board of Directors, we cordially invite you to attend the 2003 Annual Meeting of Shareholders of Verizon Communications Inc. on Wednesday, April 23, 2003. The Annual Meeting will be held in the Grand Wayne Convention Center at the Fort Wayne Hilton, 120 West Jefferson Boulevard, Fort Wayne, Indiana. The Annual Meeting will begin at 10:00 a.m. and end no later than 12 noon Central Time. The formal Notice of Annual Meeting appears on the next page.

The attached Proxy Statement describes the matters that we expect to act upon at the Annual Meeting. Those attending the Annual Meeting will have the opportunity to ask questions of broad interest to Verizon's shareholders. You will need an admission ticket to attend the Annual Meeting. More specific information about obtaining your admission ticket can be found in the Notice of Annual Meeting. Directions to the Annual Meeting are printed on the admission ticket.

It is important that your views be represented whether or not you attend the Annual Meeting. The Board of Directors recommends that shareholders vote FOR Items 1 and 2 and AGAINST Items 3 through 10.

We appreciate your interest in Verizon and urge you to vote your shares either in person at the Annual Meeting or by returning your proxy as soon as possible.

Sincerely,

A handwritten signature in black ink that reads "Ivan Seidenberg".

President and Chief Executive Officer

A handwritten signature in black ink that reads "Chuck Lee".

Chairman of the Board



Notice of Annual Meeting of Shareholders of Verizon Communications Inc.

Date: April 23, 2003
Time: 10:00 a.m., Central Time
Place: Grand Wayne Convention Center
120 West Jefferson Boulevard
Fort Wayne, Indiana 46802

The purposes of the Annual Meeting are:

1. To elect Directors;
2. To ratify the appointment of the independent auditor; and
3. To act upon such other matters, including the eight shareholder proposals described on pages 8-16 of this Proxy Statement, as may properly come before the meeting.

Only shareholders of record at the close of business on February 24, 2003 will be entitled to vote at the Annual Meeting. To grant a proxy to vote your shares, you may complete and return the enclosed proxy card or grant your proxy by telephone or Internet. You may also vote in person at the Annual Meeting. Please vote promptly whether or not you expect to attend the Annual Meeting.

You will need an admission ticket to attend the meeting. If you are a registered shareholder, an admission ticket is attached to the proxy card. If your shares are not registered in your own name, you should ask the broker, bank or other institution that holds your shares to provide you with a copy of your account statement or a letter from the firm confirming that you owned shares of Verizon common stock on February 24, 2003. Please bring that documentation to the meeting in order to receive an admission ticket.

By Order of the Board of Directors

Marianne Drost
Senior Vice President,
Deputy General Counsel and
Corporate Secretary

March 14, 2003

The Grand Wayne Convention Center is accessible to all shareholders. If you would like a sign language interpreter at the meeting, please advise us in advance. Please direct your request to the Assistant Corporate Secretary, Verizon Communications Inc., 1095 Avenue of the Americas, 38th Floor, New York, NY 10036, so that we receive it no later than April 4, 2003.

PROXY STATEMENT

Beginning March 14, 2003, Verizon is mailing this Proxy Statement and proxy card to all holders of shares of Verizon Communications Inc. common stock. The Board of Directors is soliciting proxies in connection with the election of Directors and other actions to be taken at the Annual Meeting of Shareholders and at any adjournment or postponement of that Meeting. The proxy procedure permits all Verizon shareholders to vote at the Annual Meeting. The Board of Directors encourages you to read the Proxy Statement and to vote on the matters to be considered at the Annual Meeting.

TABLE OF CONTENTS

	Page
Voting Procedures	1
Corporate Governance	2
Report of the Audit and Finance Committee	4
Election of Directors (Item 1 on Proxy Card)	5
Ratification of Appointment of Independent Auditor (Item 2 on Proxy Card)	8
Shareholder Proposals regarding:	
Cumulative voting (Item 3 on Proxy Card)	8
Nomination of two candidates for each Board position (Item 4 on Proxy Card)	9
Composition of Board of Directors (Item 5 on Proxy Card)	10
Executive severance agreements (Item 6 on Proxy Card)	11
Cap on total CEO compensation (Item 7 on Proxy Card)	13
Indexed senior executive stock option grants (Item 8 on Proxy Card)	14
Prohibition of senior executive stock option grants (Item 9 on Proxy Card)	15
Prohibition of management consulting services by independent auditor (Item 10 on Proxy Card)	16
Executive Compensation:	
Report of the Human Resources Committee on Executive Compensation	18
Compensation Tables	22
Retirement Plans	24
Employment Agreements	26
Security Ownership of Directors and Officers	29
Stock Performance Graphs	31
Other Business	32
Audit and Finance Committee Charter	Appendix A

VOTING PROCEDURES

Your vote is very important. You can vote your shares at the Annual Meeting if you are present in person or represented by proxy. You may revoke your proxy at any time before it is voted by delivering written notice to the Corporate Secretary, by submitting a proxy bearing a later date, or by appearing in person and casting a ballot at the Annual Meeting. If a properly executed proxy is received before the Annual Meeting is adjourned, the Proxy Committee will vote the proxy in accordance with the directions provided. If you do not indicate how your shares are to be voted, the Proxy Committee will vote your shares as recommended by the Board of Directors. If you wish to give a proxy to someone other than the Proxy Committee named on the proxy card, you should cross out those names and insert the name(s) of the person(s) who holds your proxy.

Who can vote? Shareholders of record as of the close of business on February 24, 2003 are entitled to vote. On that day, approximately 2.7 billion shares of common stock were outstanding and eligible to vote. Each share is entitled to one vote on each matter presented at the Annual Meeting. A list of shareholders eligible to vote will be available at the Company's Corporate Headquarters, 1095 Avenue of the Americas, New York, New York 10036, beginning on April 11, 2003. Shareholders may examine this list during normal business hours for any purpose relating to the Annual Meeting.

How do I vote? You may attend the Annual Meeting and vote in person. Alternatively, a registered shareholder may vote shares by giving a proxy via mail, telephone or Internet.

To vote by mail, simply mark, sign and date your proxy card and return it in the postage-paid envelope provided. You may vote by telephone or Internet 24 hours a day, 7 days a week. The enclosed proxy card contains instructions for telephone and Internet voting.

If you hold your shares through a broker, bank or other nominee, that institution will send you separate instructions describing the procedure for voting your shares.

What shares are represented by the proxy card? The proxy card represents all the shares registered in your name. If you participate in the Verizon Communications Direct Invest Plan, the card also represents any full shares held in your account. If you are an employee who participates in any of the Verizon employee savings plans and you also hold shares in your own name, you will receive a single proxy card for the plan shares and the shares registered in your name.

How are votes counted? If you return a signed and dated proxy card but do not indicate how the shares are to be voted, the shares represented by your proxy card will be voted as recommended by the Board of Directors. A valid proxy also authorizes the

individuals named as proxies to vote your shares in their discretion on any other matters not described in the Proxy Statement which are properly presented for action at the Annual Meeting. If your proxy card is marked "abstain," your shares will not be voted on that item. Abstentions are not counted in determining the number of shares voted for or against any nominee for Director or any management or shareholder proposal, but will be counted to determine whether there is a quorum present.

If a broker or nominee who holds shares on behalf of a beneficial owner does not receive voting instructions from the beneficial owner at least ten days before the Annual Meeting, the nominee can, in its discretion, vote those shares on matters that the New York Stock Exchange has determined are routine. However, unless a nominee receives instructions from the beneficial owner, a nominee cannot vote shares on non-routine matters. This is referred to as a "broker non-vote." The shares in this category are counted in determining whether a quorum is present. If you are an employee who participates in any of the Verizon employee savings plans and you do not return a proxy card or otherwise give voting instructions for those shares, they will be voted in the same proportion as the shares for which the trustees of the plans receive voting instructions from other participants in the respective plans.

What vote is required? In order to have a quorum present at the Annual Meeting, a majority of the shares of Verizon common stock that are outstanding and entitled to vote at the meeting must be represented in person or by proxy. If a quorum is not present, the Annual Meeting will be rescheduled for a later date.

Directors must be elected by a plurality of the votes cast. Management and shareholder proposals in the Proxy Statement must be approved by a majority of the votes cast. In either case, broker non-votes and abstentions will have no effect on the outcome.

Who will count the vote? The Company's transfer agent, EquiServe Trust Company, N.A., will tally the vote, which will be certified by independent inspectors of election.

Is my vote confidential? It is the Company's policy to maintain the confidentiality of proxy cards, ballots and voting tabulations that identify individual shareholders, except where disclosure is mandated by law and in other limited circumstances.

Who is the proxy solicitor? Georgeson Shareholder Communications Inc. has been retained by the Company to assist in the distribution of proxy materials and solicitation of votes for a fee of \$17,500, plus reimbursement of out-of-pocket expenses.

CORPORATE GOVERNANCE

In accordance with the Delaware General Corporation Law and the Company's Certificate of Incorporation and Bylaws, the Company's business and affairs are managed under the direction of the Board of Directors. The Directors are regularly kept informed of the Company's business through written reports and documents and operating, financial and other reports presented at meetings of the Board of Directors and committees of the Board.

Corporate Governance Guidelines. The Board of Directors has revised its Corporate Governance Guidelines, based upon applicable laws and regulations and the proposed New York Stock Exchange listing standards. The Guidelines generally address the practices of the Board. In addition, the Guidelines specify criteria for determining a Director's independence. These criteria supplement the provisions of the New York Stock Exchange proposal and recently enacted legislation. The Guidelines also address business conduct and ethics for Directors. The revised Guidelines are posted on the Company's website at www.verizon.com/investor. To receive a copy of the Company's revised Corporate Governance Guidelines, contact the Assistant Corporate Secretary:

Verizon Communications Inc.
Assistant Corporate Secretary
1095 Avenue of the Americas
38th Floor
New York, New York 10036

Meetings of the Board. The Verizon Board of Directors has eight regularly scheduled meetings each year and special meetings are held as necessary. In addition, management and the Directors communicate informally. The Verizon Board met a total of 11 times in 2002. Each of the incumbent Directors attended at least 75% of the meetings of the Board and the committees to which the Director was assigned, with the exception of Edward H. Budd, whose schedule resulted in his attending 71% of the meetings. The Directors in the aggregate attended over 90% of the Board and their committee meetings.

Committees of the Board. The following is a description of the four standing committees of the Board. The Directors' committee memberships are included in their biographical information beginning on page 5.

Audit and Finance Committee — oversees management in the performance of its responsibility for the integrity of the Company's accounting and financial reporting and its systems of internal controls, the performance and qualifications of the independent auditor (including the independent auditor's independence), the performance of the Company's internal audit function, and the Company's compliance with legal and regulatory requirements. The committee is responsible for the appointment, compensation, removal, and oversight of the work of the independent auditor. The committee met seven times during 2002. The Board of Directors, in its business judgment, has determined that the members of the committee are "independent", as required by the listing standards of the New York Stock Exchange. The Audit and Finance Committee Charter is attached as Appendix A and contains a more detailed description of the committee's functions.

Human Resources Committee — is responsible for overseeing management in the development and implementation of human resources practices and policies, including succession planning, to support the Company's strategic objectives, and of competitive management compensation and benefit plans, including senior management plans. The committee also reviews, and recommends to the full Board, the compensation and benefits for non-employee Directors. The committee met five times in 2002.

Corporate Governance Committee — provides oversight and guidance to the Board of Directors to ensure that the membership, structure, policies, and processes of the Board and its committees facilitate the effective exercise of the Board's role in the governance of the Company. The committee reviews and evaluates the policies and practices with respect to the size, composition, independence and functioning of the Board and its committees and reflects those policies and practices in Corporate Governance Guidelines, and evaluates the qualifications of, and recommends to the full Board, candidates for election as Directors. The committee met three times in 2002.

Public Policy Committee — reviews and provides guidance to the Board of Directors on selected issues of significance to the Company and oversees management in the development and implementation of the Company's charitable contribution policies, pension fund management and policies related to the administration of pension benefits, selected social, environmental, regulatory and political matters, equal opportunity and diversity compliance and initiatives, and safety issues. The committee met twice in 2002.

Director Compensation. Non-employee Directors receive both cash and stock compensation. Verizon's non-employee Directors receive an annual retainer of \$60,000, and each Committee chairperson receives an additional \$5,000 annual retainer. In addition, the Directors have the choice of receiving an annual stock option grant valued at \$130,000 or a grant of options and share equivalents, each valued at half of that amount. Directors only receive a meeting fee of \$1,000 if a Board or committee meeting occurs on a day other than the day before or the day of the regularly scheduled Board meeting.

Directors may defer the receipt of all or part of their cash retainers and fees. Deferred accounts are held in either cash or Verizon share equivalents. These accounts are credited quarterly with interest at a long-term corporate bond rate in the case of cash accounts and with dividend equivalents in the case of share equivalent accounts.

Each new non-employee Director who joins the Board will receive a one-time grant of options to

purchase 10,000 shares of Verizon common stock at the market price on the date of his or her initial election to the Board.

Non-employee Directors are entitled to receive wireline and wireless telecommunications services and equipment. The total value of these telecommunications services and associated equipment for all non-employee Directors in 2002 was \$38,428. Non-employee Directors also are provided with business-related travel accident insurance coverage. The total amount of premiums paid by the Company for this insurance coverage for all non-employee Directors in 2002 was \$1,906.

Directors who were elected to the Board before 1992 participate in a charitable giving program. Upon the Director's death, the Company will contribute an aggregate of \$500,000 to one or more qualifying charitable or educational organizations designated by the Director. Directors who formerly served as Directors of NYNEX Corporation participate in a similar program for which the aggregate contribution is \$1,000,000, payable in ten annual installments commencing when a Director retires or attains age 65 (whichever occurs later) or dies. Directors who formerly served as Directors of GTE Corporation participate in a similar program for which the aggregate contribution is \$1,000,000, payable in five annual installments commencing upon the Director's death. The GTE and NYNEX programs are financed through the purchase of insurance on the life of each participant. Each of these charitable programs is closed to future participants.

Directors who are employees or former employees of Verizon are not compensated for their Board service.

Other matters. Under the Company's Bylaws, a Director who reaches age 70 must retire at the Board meeting that follows his or her 70th birthday.

Related transactions. From time to time, certain subsidiaries of the Company utilize the legal services of Thompson Hine LLP. Robert D. Storey, a Director of the Company, is a partner in that law firm.

REPORT OF THE AUDIT AND FINANCE COMMITTEE

In the performance of our oversight responsibilities, the Committee has reviewed and discussed with management and the independent auditor the Company's audited financial statements for the year ended December 31, 2002.

The Committee has discussed with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees.

The Committee has received the written disclosures and the letter from the independent auditor required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) and has discussed with the independent auditor the independent auditor's independence.

The Committee discussed with the internal auditors and the independent auditor the overall scope and plans for their respective audits. The Committee met with the internal auditors and the independent auditor, with and without management present, to discuss the results of their examinations, their evaluations of the Company's internal controls and the overall quality of the Company's financial reporting.

Based on the reviews and discussions referred to above, in reliance on management and the independent auditor, and subject to the limitations of our role, the Committee recommended to the Board of Directors, and the Board has approved, the inclusion of the financial statements referred to above in the Company's Annual Report on Form 10-K.

Following a review of the independent auditor's performance and qualifications, including consideration of management's recommendation, the Committee approved the reappointment of the independent auditor for the fiscal year 2003.

The Committee has undertaken a comprehensive review of its charter, practices and procedures in order to assure compliance with the provisions of the Sarbanes-Oxley Act of 2002 and related regulatory initiatives. Following that review, on January 23, 2003, the Committee approved changes to its policies and practices, and a revised charter which appears in Appendix A to the Proxy Statement.

Respectfully submitted,

Audit and Finance Committee

Thomas H. O'Brien, Chairperson
James R. Barker
Edward H. Budd
Helene L. Kaplan
Sandra O. Moose
Hugh B. Price
John R. Stafford
Robert D. Storey

Dated: March 6, 2003

ELECTION OF DIRECTORS ITEM 1 ON PROXY CARD

The Board has determined to fix the size of the Board at 12 Directors. Three of the incumbent Directors are reaching mandatory retirement age and will retire at the Annual Meeting, and the Board has nominated the 12 incumbent Directors listed below to serve for an additional one-year term. Each nominee has consented to stand for election and the Board does not anticipate that any nominee will be unavailable to serve. If any of the nominees should become unavailable to serve at the time of the Annual Meeting, the Proxy Committee will vote shares represented by proxies for the remaining nominees and substitute nominee(s), if any, designated by the Board.

Unless otherwise instructed, the Proxy Committee intends to vote for the nominees listed below and/or substitute nominees. If you wish to vote for, or withhold your vote from, all nominees, please mark the corresponding box on your proxy card or proceed as directed via telephone or Internet voting. If you do not wish your shares to be voted for a particular nominee, you should note that nominee's name in the exception space provided on the proxy card or proceed as directed via telephone or Internet voting.

The election of Directors is determined by a plurality of the votes cast.

The following biographies provide information about each nominee's principal occupation and business experience, age, and directorships held in other public corporations, as well as Verizon Board committee memberships, as of March 8, 2003.

The Board of Directors recommends a vote FOR each of the nominees.

DIRECTOR NOMINEES



JAMES R. BARKER, Chairman of Interlake Steamship Co. and Vice Chairman of Mormac Marine Group, Inc. and Moran Towing Corporation. Director of The Pittston Company. Director since June 2000 (Director of GTE Corporation 1976 - 2000); Chairperson of Public Policy Committee and member of Audit and Finance Committee. Age 67.



RICHARD L. CARRIÓN, Chairman, President and Chief Executive Officer, Popular, Inc. (bank holding company) and Chairman, President and Chief Executive Officer, Banco Popular de Puerto Rico. Director of Telecomunicaciones de Puerto Rico, Inc; Wyeth. Director since 1997 (Director of NYNEX Corporation 1995 - 1997); member of Human Resources Committee and Public Policy Committee. Age 50.



CHARLES R. LEE, Chairman of the Board since June 30, 2000; Chairman and Co-Chief Executive Officer (June 2000 - March 31, 2002). Chairman of the Board and Chief Executive Officer, GTE Corporation (1992 - 2000). Director of Marathon Oil Corporation; The Procter & Gamble Company; United States Steel Corporation; United Technologies Corporation. Director since June 2000 (Director of GTE Corporation 1989 - 2000). Age 63.



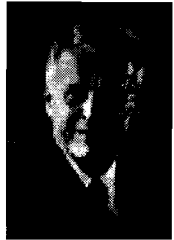
SANDRA O. MOOSE, Senior Vice President and Director of The Boston Consulting Group, Inc. Director of Rohm and Haas Company; CDC-IXIS Funds. Director since June 2000 (Director of GTE Corporation 1978 – 2000); member of Audit and Finance Committee and Corporate Governance Committee. Age 61.



JOSEPH NEUBAUER, Chairman and Chief Executive Officer, ARAMARK Corporation (managed services); President (1983 – 1997). Director of CIGNA Corporation; Federated Department Stores; Wachovia Corporation. Director since 1995; member of Public Policy Committee. Age 61.



THOMAS H. O'BRIEN, Retired Chairman and Chief Executive Officer, The PNC Financial Services Group, Inc. and PNC Bank, N.A. Director of BlackRock, Inc.; Hilb, Rogal and Hamilton Company; The PNC Financial Services Group, Inc.; USAirways Group, Inc. Director since 1987; Chairperson of Audit and Finance Committee and member of Public Policy Committee. Age 66.



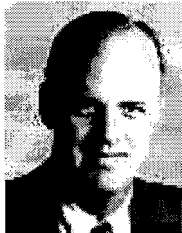
RUSSELL E. PALMER, Chairman and Chief Executive Officer, The Palmer Group (corporate investment firm). Director of Honeywell International Inc.; The May Department Stores Company; Safeguard Scientifics, Inc. Director since June 2000 (Director of GTE Corporation 1984 – 2000); Chairperson of Human Resources Committee and member of Corporate Governance Committee. Age 68.



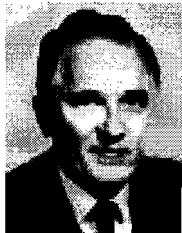
HUGH B. PRICE, President and Chief Executive Officer, National Urban League. Director of Metropolitan Life, Inc. and Metropolitan Life Insurance Company; Sears, Roebuck and Co. Director since 1997 (Director of NYNEX Corporation 1995 – 1997); member of Audit and Finance Committee and Corporate Governance Committee. Age 61.



IVAN G. SEIDENBERG, President and Chief Executive Officer since April 1, 2002; President and Co-Chief Executive Officer (June 2000 – March 31, 2002); Chairman of the Board (December 1998 – June 2000) and Chief Executive Officer (June 1998 – June 2000); Vice Chairman, President and Chief Operating Officer (1997 – 1998). Chairman and Chief Executive Officer, NYNEX Corporation (1995 – 1997). Director of Boston Properties, Inc.; CVS Corporation; Honeywell International Inc.; Viacom, Inc.; Wyeth. In keeping with the spirit of the Company's revised Corporate Governance Guidelines, Mr. Seidenberg has decided to reduce the number of his outside directorships. Accordingly, he will not stand for reelection at the 2003 annual meetings of Boston Properties, Inc. and CVS Corporation. Director since 1997 (Director of NYNEX Corporation 1991 – 1997). Age 56.



WALTER V. SHIPLEY, Retired Chairman, The Chase Manhattan Corporation; Chairman and Chief Executive Officer (1983 – 1992; 1994 – 1999). Director of Exxon Mobil Corporation; Wyeth. Director since 1997 (Director of NYNEX Corporation 1983 – 1997); Chairperson of Corporate Governance Committee and member of Human Resources Committee. Age 67.



JOHN R. STAFFORD, Consultant; Retired Chairman of the Board (1986 – 2002) and Chief Executive Officer (1986 – April 2001), Wyeth (pharmaceutical and healthcare products). Director of Honeywell International Inc.; J.P. Morgan Chase & Co. Director since 1997 (Director of NYNEX Corporation 1989 – 1997); member of Audit and Finance Committee and Human Resources Committee. Age 65.



ROBERT D. STOREY, Partner, law firm of Thompson Hine LLP. Director of The Procter & Gamble Company. Director since June 2000 (Director of GTE Corporation 1985 – 2000); member of Corporate Governance Committee and Public Policy Committee. Age 66.

**RATIFICATION OF APPOINTMENT OF
INDEPENDENT AUDITOR
ITEM 2 ON PROXY CARD**

The Audit and Finance Committee of the Board of Directors considered the performance and qualifications of Ernst & Young LLP, certified public accountants, and has reappointed the firm as independent auditor to examine the financial statements of Verizon for the fiscal year 2003.

Fees billed to the Company by Ernst & Young for services rendered during fiscal year 2002 and 2001 were as follows:

	<u>2002</u>	<u>2001</u>
Audit fees:	\$8.8 million	\$8.4 million
Audit-related fees*:	\$4.8 million	\$2.2 million
Tax fees*:	\$3.0 million	\$5.6 million
All other fees*:	\$2.3 million	\$2.2 million

*Audit-related fees include regulatory audits, audits of subsidiaries and benefit plan audits. Tax fees primarily consist of state and local and international tax consultations. All other fees primarily consist of support services to certain Verizon expatriate employees and other advisory services. The Audit and Finance Committee considered, in reliance on management and the independent auditor, whether the provision of these services is compatible with maintaining the independence of Ernst & Young.

The affirmative vote of a majority of eligible shares present at the Annual Meeting, in person or by proxy, and voting on the matter is required to ratify the appointment of Ernst & Young. If this appointment is not ratified by the shareholders, the Audit and Finance Committee will reconsider its decision.

One or more representatives of Ernst & Young will be at the Annual Meeting. They will have an opportunity to make a statement and will be available to respond to appropriate questions.

The Board of Directors recommends a vote FOR ratification.

**SHAREHOLDER PROPOSALS
ITEMS 3 — 10 ON PROXY CARD**

The shareholders named below have told us that they intend to have the following proposals presented at the Annual Meeting. Approval of a shareholder proposal requires the affirmative vote of a majority of eligible shares present at the Annual Meeting, in person or by proxy, and voting on the matter. The Board of Directors has concluded that it cannot support these proposals for the reasons given.

Item 3 on Proxy Card:

Mrs. Evelyn Y. Davis, Watergate Office Building, 2600 Virginia Avenue, N.W., Suite 215, Washington, DC 20037, owner of 424 shares of the Company's common stock, proposes the following:

“Resolved: That the stockholders of Verizon, assembled in Annual Meeting in person and by proxy, hereby request the Board of Directors to take the necessary steps to provide for cumulative voting in the election of directors, which means each stockholder shall be entitled to as many votes as shall equal the number of shares he or she owns multiplied by the number of directors to be elected, and he or she may cast all of such votes for a single

candidate, or any two or more of them as he or she may see fit.

Reasons: Many states have mandatory cumulative voting, so do National Banks. In addition, many corporations have adopted cumulative voting. A Director elected by cumulative voting, might be able to vote for a BETTER annual meeting date. In the last few years, Verizon has met on one of the busiest days of the year. Last year the owners of 519,554,375 shares, representing approximately 31% of shares voting voted FOR this proposal.

If you **AGREE**, please mark your proxy FOR this resolution.”

BOARD OF DIRECTORS' POSITION:

Verizon, like most other major corporations, provides for the election of directors by allowing each share of common stock one vote. The Board of Directors firmly believes that the present system of electing directors, in which directors elected are those receiving a plurality of the votes cast by the shareholders as a whole, best assures that the directors will represent the interests of all shareholders, and not just a particular group. Most states do not have mandatory cumulative voting and the Revised Model Business Corporation Act recommends that state laws not mandate cumulative voting. Nine out of ten S&P 500 companies do not provide for cumulative voting.

The Board of Directors opposes cumulative voting because it permits special interest groups to leverage their voting power. Cumulative voting would make it possible for such a group to elect one or more Directors representing that group's narrow interest. Directors elected by such a narrow "special interest" constituency may have difficulty fulfilling their fiduciary duty of loyalty to the Company and its shareholders due to inherent conflicts between the Company and its shareholders' interests, on the one hand, and the Director and his or her constituency, on the other. The Board of Directors believes that these potential conflicts create factionalism and undermine the ability of the Board members to work together effectively as a whole.

The Board of Directors believes that cumulative voting is not in the best interest of Verizon and its shareholders.

The Board of Directors recommends a vote AGAINST this proposal.

Item 4 on Proxy Card:

Richard A. Dee, 115 East 89th Street, New York, New York, 10128, owner of 200 shares of the Company's common stock, proposes the following:

"Stockholders of publicly-owned corporations do not 'elect' directors. Directors are 'selected' by incumbent directors and managements — stockholders merely 'ratify' or approve director selections much as they ratify selections of auditors.

"The term 'Election of Directors' is misused in corporate proxy materials to refer to the process by which directors are empowered. The term is inappropriate — and it is misleading. **With no choice of candidates, there is no election.**

"Incumbent directors are anxious to protect their absolute power over corporate activities. The root of

that power is control of Corporate Governance — which is assured by control of board composition. Unfortunately, the 'Elective process rights' of stockholders are being ignored.

"Approval of this Corporate Governance proposal will provide Verizon Communications stockholders with a choice of director candidates — an opportunity to vote for those whose qualifications and views they favor. Approval will provide stockholders with 'duly elected' representatives.

"In a democracy, those who govern are duly elected by those whom they represent — and they are accountable to those who elect them. Continuing in public office requires satisfying constituents, not only nominators. Corporate directors, who often divide their time between many companies, take office unopposed — and answer only to fellow directors.

"It is hereby requested that the Board of Directors adopt promptly a resolution requiring that the Corporate Governance Committee nominate two candidates for each directorship to be filled by voting of stockholders at annual meetings. In addition to customary personal background information, Proxy Statements shall include a statement by each candidate as to why he or she believes they should be elected.

"As long as incumbents are permitted to select and propose only the number of so-called "candidates" as there are directorships to be filled — and as long as it is impossible, realistically, for stockholders to utilize successfully what is supposed to be their right to nominate and elect directors — no practical means will exist for stockholders to bring about director turnover — until this or a similar proposal is adopted. Turnover reduces the possibility of inbreeding and provides sources of new ideas, viewpoints, and approaches.

"The 'pool' from which corporate directors are selected must be expanded from the current preponderance of chairmen and CEO's to include younger executives, including many more women, whose particular backgrounds qualify them well to oversee the company's business and to represent shareholder interests properly.

"Although Delaware law provides for director nominees to be selected by incumbents, approval of this proposal will enable Verizon Communications stockholders to replace any or all directors if they become dissatisfied with them — or with the results of corporate policies and/or performance. Not a happy prospect even for those able to nominate their successors!

“The benefits that will accrue to Verizon Communications stockholders by having Directors that have been democratically-elected, and who are willing to have their respective qualifications reviewed and considered carefully by stockholders, far outweigh arguments raised by those accustomed to being “selected” — and who are determined to maintain their absolute power over the Corporate Governance process.

“Please vote FOR this proposal.”

BOARD OF DIRECTORS’ POSITION:

The Company fully complies with Delaware law, and the Company’s shareholders have all appropriate voting rights as prescribed by Delaware law, including the power to elect Directors. Nothing in law requires, however, that an election provide a choice of candidates, or that shareholders have a “right” to nominate candidates; the Company’s proxy materials are not misleading. The Board of Directors provides the shareholders with a slate of Director candidates which the Board believes, in its best judgment, includes the most qualified individuals who are ready, willing and able to oversee the management of the affairs of the Company. The law does not require, and the Board does not believe, that its role is to create a political environment in which nominees compete with each other for the available directorships. In the Board’s judgment, this Proposal would foster an environment where many well-qualified persons would not be willing to participate in the type of contested election that the Proposal would produce.

The Board views the present nominating process as the most effective means of ensuring that appropriately qualified candidates are identified. The Corporate Governance Committee of the Board is responsible for identifying annually the best candidates for election to the Board. The Committee only recommends nominees who have the experience and skills that best serve the Company and its shareholders. If the Board were to recommend two “rival” candidates for each position, it would be difficult to predict which individuals would be elected. Accordingly, it would be more difficult to ensure that the appropriate skills, experience and diversity were represented on the Board. There are, in fact, appropriate procedures in place for shareholders who wish to suggest qualified candidates, as set forth on page 17 of this Proxy Statement.

The Board of Directors believes that the Company should continue to follow the present nominating process, which complies with law and is used by

virtually all public companies. The procedure advocated in the Proposal would not be an efficient or effective means of selecting the best Directors for the Company. Accordingly, approval of the Proposal is not in the best interest of the Company and its shareholders.

The Board of Directors recommends a vote AGAINST this proposal.

Item 5 on Proxy Card:

John A. Parente, 2805 Granville Avenue, Schenectady, New York 12306, owner of 7,514 shares of the Company’s common stock, and John Sellen, 285 Boulevard/Box 457, New Milford, New Jersey 07646, owner of 1,350 shares of the Company’s common stock, propose the following:

“RESOLVED: The shareholders urge the Board of Directors to take the steps necessary to amend the By-Laws to provide that the Board (a) shall nominate director candidates such that, if elected, a substantial majority of directors would be independent, and (b) shall appoint only independent directors to serve on the Board’s compensation and nominating committees.

For this purpose, the definition of “independent” shall be no less strict than the listing standard proposed by the New York Stock Exchange, which provides that except for stock ownership: “No director qualifies as ‘independent’ unless the board of directors affirmatively determines that the director has no material relationship with the listed company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the company),” including a “five-year look-back on compensation committee interlocks.” [NYSE, “Corporate Accountability and Listing Standards Committee,” proposal submitted to the SEC for approval, August 12, 2002.]

SUPPORTING STATEMENT: At least nine of Verizon’s 16 directors (60%) have or recently had financial relationships, directly or through their firms, with the Company, or its officers. Although the New York Stock Exchange proposed standard leaves the determination of financial materiality to the Company board, we believe that these relationships render the board less than independent. Amending the By-Laws is the best way to ensure that a majority of the Board will at all times be more accountable to stockholders than beholden to management.

In addition to two inside directors (CEO Seidenberg and Chairman Lee), Verizon’s proxy statements for

2002 and 2001 disclose, in our view, material relationships among five outside directors:

- Helene Kaplan is of counsel to a firm providing legal services to Verizon;
- Sandra Moose is Senior Vice President of a firm receiving at least \$3.5 million for consulting services since 1999;
- John Snow is CEO of a company receiving substantial and ongoing licensing fees;
- Robert Storey is partner in a firm providing legal services to Verizon;
- Joseph Neubauer is CEO of a company where Verizon Vice Chairman and President Lawrence Babbio determines his compensation as a member of the board compensation committee.

Two additional outside directors have, in our opinion, substantial material relationships according to other information made public by the Company:

- Richard Carrion is the CEO of a bank that is Verizon's co-investor in Puerto Rico Telephone, in which Verizon owns a majority (52%) interest;
- Hugh Price is CEO of a nonprofit that received millions of dollars in grants from Verizon and which includes Verizon CEO Seidenberg on its governing board.

Seidenberg also has an interlocking directorship with yet another outside director, John Stafford, chairman and former CEO of Wyeth.

A minority of independent directors is unusual for a large U.S. company. Among S&P 500 companies, 88% have a majority of independent directors, according to the impartial Investor Responsibility Research Center. In its 1998 statement of core principles, the Council of Institutional Investors noted, "the effect created by a conflict of interest on an individual director is almost impossible to detect, either by shareholders or by other board members."

Because the proposed NYSE rule gives companies 24 months to comply, we believe it is important shareholders urge the Board to nominate a truly independent majority as soon as feasible.

We urge shareholders to vote FOR this resolution."

BOARD OF DIRECTORS' POSITION:

The Board's Corporate Governance Guidelines have consistently required that a substantial majority of the Directors be independent and that the members

of the audit, compensation and governance committees be independent Directors.

In 2003, the Board revised its Guidelines, based on the proposed New York Stock Exchange listing standards and applicable laws and regulations. The Guidelines now provide that the Board will make a finding as to each Director's independence. The Guidelines further specify objective standards for making that determination. Those standards generally go beyond the NYSE's proposed standards and the applicable laws and regulations. Generally, the Guidelines provide that, in addition to the NYSE independence criteria, a Director will not be independent if the Director or the Director's firm has a relationship or business arrangement with the Company which represents more than one percent of the firm's revenues, or, in the case of a customer relationship with the Company, more than one percent of the Company's revenues.

The Board has carefully considered the qualifications, affiliations and relationships of each Director. It is confident that a substantial majority of the Board is independent under the new standards and that the relationships cited by the proponents do not impair the independence of the individual Directors. The Board strongly disagrees with the proponents' characterization that the Board is "less than independent."

The Board believes that it has adopted stringent requirements for independence in its Corporate Governance Guidelines that further reinforce the Board's commitment to ensure and safeguard its independence. Accordingly, the Board has concluded that it cannot support this Proposal.

The Board of Directors recommends a vote AGAINST this proposal.

Item 6 on Proxy Card:

The Association of BellTel Retirees, 181 Main Street, P.O. Box 33, Cold Spring Harbor, New York 11724, owner of 214 shares of the Company's common stock, and Robert A. Rehm, 5 Erie Court, Jericho, New York 11753, owner of 4,418 shares of the Company's common stock, propose the following:

"RESOLVED: The shareholders of Verizon urge the Board of Directors to seek shareholder approval for future severance agreements with senior executives, including so-called "golden parachute" and "golden good-bye" severance agreements, that provide benefits exceeding 2.99 times the sum of the executive's base salary plus bonus.

We define “golden parachutes” as severance provisions in employment agreements triggered when executives are terminated, or resign, after a change in corporate control; and “golden good-byes” are defined as severance payments made to executives who terminate voluntarily, including early retirement, or who are terminated without good cause. “Benefits” include lump-sum cash payments and the estimated present value of periodic retirement payments, fringe benefits and consulting fees to be paid to the executive.

SUPPORTING STATEMENT: We believe overly generous “golden parachute” and “golden good-bye” agreements are among the most costly, wasteful and counter-productive forms of executive compensation.

Because it is not always practical to obtain prior shareholder approval, under this proposal the Company has the option to seek shareholder approval after the material terms are agreed upon. Nevertheless, we believe that shareholders should at least be given a chance to ratify such agreements, providing valuable feedback to the Board. Indeed, the knowledge that shareholders will be scrutinizing and voting on these agreements may encourage restraint and strengthen the hand of the Board’s compensation committee.

Verizon’s post-merger severance agreements are unjustifiably costly and create potential conflicts of interest in our view. Executive officers can resign and receive the liquidated value of their multi-year employment agreements — tens of millions of dollars in the case of CEO Ivan Seidenberg and Chairman Charles Lee — if there is a “change of control” that is defined to include situations where another person or entity acquires as little as 20% of the Company’s voting stock and never makes a tender offer or takes control.

We believe the severance packages promised to the Company’s Chairman and CEO are indefensible since these executives would receive nearly the same compensation whether they decide to stay or leave. For example, if Seidenberg is terminated or “constructively discharged” under this broad “change of control” definition, the 2002 proxy statement indicates that he would receive most of his pay package for a period of three years — a payout well in excess of \$50 million.

Compare this to the treatment of Company retirees, many with 30 or more years of loyal service. In a break with company tradition, most retirees have not received a pension cost-of-living adjustment in over a

decade, allowing inflation to steadily erode the purchasing power of their fixed pension income. Although the lump sum payments to some retirees in 2000 (which was not a pension increase, nor inflation-related) were a step in the right direction, the Company’s retirement benefits policy as a whole is inadequate and unfair to most retirees.

Last year nearly 545 million shares (31% of the votes cast) supported this proposal, while similar proposals at companies including Bank of America and Norfolk Southern received majority support from stockholders last year.

Please **VOTE FOR** this resolution.”

BOARD OF DIRECTORS’ POSITION:

The Board of Directors continues to believe that use of employment and severance agreements for a limited group of key employees is reasonable and appropriate. Most major corporations use these types of agreements because they promote shareholders’ interests by enabling the Company to employ and retain the most qualified executives. The number and type of agreements that Verizon has with its executives are consistent with industry practice.

The Company seeks to recruit and retain talented executives with a track record of success to lead Verizon’s business in an evolving and highly competitive industry. There is intense competition for individuals of this caliber. The Board firmly believes that if the Company were required to seek shareholder approval of these types of agreements, it would be at a severe disadvantage compared with other companies who are seeking to attract the same talented individuals. Given the time and expense involved, it is not practical to call a special meeting of shareholders to approve an agreement prior to signing with the executive. Alternatively, Verizon would be required to present the agreement to shareholders at the next annual meeting. This course of action would mean that Verizon would be unable to assure the executive that the agreement would be approved or ratified. As a result of this uncertainty, a candidate could not be sure of the terms of employment and would be likely to accept a competing offer that provided final terms.

The Board has concluded that, in order to attract talented leaders, it is important to retain the flexibility to use employment agreements without requiring shareholder approval.

The Board of Directors recommends a vote AGAINST this proposal.

Item 7 on Proxy Card:

Louis Scinaldi, 230 W. Tazewell St., Unit 302, Norfolk, Virginia, 23510, owner of approximately 5,000 shares of the Company's common stock, proposes the following:

"RESOLVED, that the shareholders of Verizon Inc. ("Verizon") ask the board of directors to 1) establish a cap on the total compensation that may be paid to the CEO in a given year equal to 50 times the average compensation paid to employees who are not exempt from coverage under the Fair Labor Standards Act in the prior year, including salary, bonus, the grant-date present value of stock options, the grant-date present value of restricted stock, payments under long-term incentive plans, and "other annual" and "all other compensation," and 2) report to shareholders on the policy prior to the 2004 annual shareholders' meeting.

SUPPORTING STATEMENT:

The compensation of chief executive officers of U.S. public companies has soared in recent years, from a median of \$1.8 million in 1992 to \$6.1 million in 2000, according to a report of the Conference Board. Verizon's co-CEOs made far more than that amount in 2001. Including all compensation other than stock options, Charles Lee received \$14,573,500 and Ivan Seidenberg received \$13,448,200. In addition, Mr. Lee and Mr. Seidenberg received stock options for which Verizon reports potential values of \$32,375,900 and \$27,751,300, respectively (assuming a 5% return for five years). Verizon does not report the grant-date present value of stock options.

The explosion in CEO pay has far outstripped gains realized by the majority of workers. According to a Business Week article (May 6, 2002), CEOs of large corporations in 2001 made 411 times as much as the average factory worker. In the past decade, according to the same article, while the wages of rank-and-file workers increased by 36%, the compensation of CEOs climbed 340%.

There is evidence that large pay disparities can have a negative effect on worker productivity. A 1992 study by Cowherd and Levine in Administrative Science Quarterly found that pay differentials between managers and blue collar workers, as well as within the management group, tends to reduce product quality. A study by Stanford professor Charles O'Reilly and others found that disparity between the CEO's pay and that of lower level managers was associated with higher manager turnover.

According to Business Week, in the mid-1980s, Peter Drucker argued that no CEO should earn more than

20 times the company's lowest-paid employee to ensure that the contributions of all employees are recognized. Drucker believes that the growing CEO-worker pay differential damages the authority of corporate leaders.

In a September 2002 report, a commission of the Conference Board lamented the "widespread perception of a lack of fairness since certain executives have garnered substantial compensation even as their companies and the retirement savings of their employees has collapsed." To restore public confidence, the commission urged compensation committees to "be mindful of the differences in compensation levels throughout the corporation in setting senior executive compensation levels."

I believe this proposal is necessary to bringing more balance to the differential between senior executive and employee pay. I urge shareholders to vote for this proposal."

BOARD OF DIRECTORS' POSITION:

The Human Resources Committee of the Board of Directors annually determines the Chief Executive Officer's compensation and ensures that it is competitive with the market and consistent with his responsibilities as the head of one of the largest companies in the world. Unlike the compensation of non-exempt employees, the major portion of the CEO's compensation is directly linked to the Corporation's financial goals and to the sustained growth of shareholder value over time.

The Proposal would limit the CEO's compensation based on an arbitrary mathematical formula that does not take into account achieving financial and other business goals. In setting the CEO's compensation, the Human Resources Committee looks at a number of factors including individual performance, company performance and market data to develop a mix of base and incentive compensation that is appropriate. The Committee also determines appropriate performance measures for determining incentive compensation.

The Proposal would severely limit the Committee's ability to establish appropriate performance-based compensation for the CEO and would limit the Corporation's ability to remain competitive in a market for executive leadership. Accordingly, the Board does not agree with the supporting statement and has concluded that it cannot support the Proposal.

The Board of Directors recommends a vote AGAINST this proposal.

Item 8 on Proxy Card:

The Central Laborers' Pension Fund, P.O. Box 1267, Jacksonville, Illinois 62651, owner of approximately 71,992 shares of the Company's common stock, proposes the following:

"Resolved, that the shareholders of Verizon Communications (the "Company") request that the Board of Directors adopt an executive compensation policy that all future stock option grants to senior executives shall be performance-based. For the purposes of this resolution, a stock option is performance-based if the option exercise price is indexed or linked to an industry peer group stock performance index so that the options have value only to the extent that the Company's stock price performance exceeds the peer group performance level.

Statement of Support: As long-term shareholders of the Company, we support executive compensation policies and practices that provide challenging performance objectives and serve to motivate executives to achieve long-term corporate value maximization goals. While salaries and bonuses compensate management for short-term results, the grant of stock and stock options has become the primary vehicle for focusing management on achieving long-term results. Unfortunately, stock option grants can and do often provide levels of compensation well beyond those merited. It has become abundantly clear that stock option grants without specific performance-based targets often reward executives for stock price increases due solely to a general stock market rise, rather than to extraordinary company performance.

Indexed stock options are options whose exercise price moves with an appropriate peer group index composed of a company's primary competitors. The resolution requests that the Company's Board ensure that future senior executive stock option plans link the options exercise price to an industry performance index associated with a peer group of companies selected by the Board, such as those companies used in the Company's proxy statement to compare 5 year stock price performance.

Implementing an indexed stock option plan would mean that our Company's participating executives would receive payouts only if the Company's stock price performance was better than that of the peer group average. By tying the exercise price to a

market index, indexed options reward participating executives for outperforming the competition. Indexed options would have value when our Company's stock price rises in excess of its peer group average or declines less than its peer group average stock price decline. By downwardly adjusting the exercise price of the option during a downturn in the industry, indexed options remove pressure to reprice stock options. In short, superior performance would be rewarded.

At present, stock options granted by the Company are not indexed to peer group performance standards. As long-term owners, we feel strongly that our Company would benefit from the implementation of a stock option program that rewarded superior long-term corporate performance. In response to strong negative public and shareholder reactions to the excessive financial rewards provided executives by non-performance based option plans, a growing number of shareholder organizations, executive compensation experts, and companies are supporting the implementation of performance-based stock option plans such as that advocated in this resolution. We urge your support for this important governance reform."

BOARD OF DIRECTORS' POSITION:

The Company's long-term incentive compensation program is designed to align the interests of Verizon's executives with those of its shareholders. The long-term incentive plan focuses the executives on their goal of growing Verizon's business and in turn increasing shareholder value. Stock options are a key feature of Verizon's long-term incentive program because they are inherently performance-based. Options only increase in value if the Company's stock price increases. However, if the Company's stock price does not increase, the stock options will have no value. In addition, the use of indexed stock options is not consistent with competitive market practices. Also, given that stock options already have a built-in performance measure (*i.e.* the appreciation of Company stock), an additional layer of performance measures for stock options required by this Proposal is unnecessary and would unduly limit the Company's ability to design a competitive long-term compensation program to meet market demands.

The Board of Directors recommends a vote AGAINST this proposal.

Item 9 on Proxy Card:

The American Federation of Labor and Congress of Industrial Organizations (AFL-CIO) Reserve Fund, 815 Sixteenth Street, N.W., Washington, D.C. 20006, owner of 1,600 shares of the Company's common stock, proposes the following:

“RESOLVED: The shareholders of Verizon Communications Inc. (the “Company”) urge the Board of Directors (the “Board”) to adopt a policy prohibiting future stock option grants to senior executives. The Board shall implement this policy in a manner that does not violate any existing employment agreement or equity compensation plan.

Supporting Statement:

Since the accounting scandals at Enron, Worldcom, and other companies, the role of stock options in executive compensation has become controversial. Critics of stock options have argued that they can be a powerful incentive for executives to manipulate earnings or engage in accounting fraud. By timing their stock option exercises, executives can also inappropriately trade on inside information.

Stock options provide incentives to executives that significantly differ from the interests of shareholders. Stock option grants promise executives all of the gain of share price increases with none of the risk of share price declines. For this reason, they can encourage excessive risk taking by executives. In contrast to direct stock holdings, stock options also discourage executives from increasing dividends because option holders are not entitled to dividends.

Stock options at our Company allow executives to exercise a portion of their stock option grants after just one year following their grant date. For this reason, senior executives can gain substantial windfalls from the proceeds of their stock option exercises even if the share price later falls under their watch. Executives at our Company can also receive stock option “reloads” if they use stock to cover the exercise price of their options.

We are concerned that the Company's annual stock option grants to senior executives are excessive. In 2001, the Company awarded its six most highly paid executives stock options potentially worth over \$100 million if the Company's stock price appreciates just 5 percent per year over the life of these options.

Banning stock options for senior executives will decouple executive pay from short-term price movements and the temptation for executives to inappropriately manipulate our Company's stock price in order to exercise their stock options. In our opinion, other forms of compensation, such as restricted stock and long term incentive plans, will

better focus senior executives on building the sustained profitability of our Company.

Leading investors and regulators have questioned the appropriateness of using stock options in executive compensation. Portfolio manager Bill Miller, whose Legg Mason Value Trust is the only mutual fund to beat the S&P 500 Index 11 years in a row, has said “I support the banning of stock options because anything that can be accomplished with options can be accomplished by giving stock directly. And it has none of the downsides of options.”

Former Federal Reserve Chairman Paul Volker has stated that “Given both the very large capricious element inherent in the returns from fixed price stock options and the distorted incentives for management, I believe the use of such options should be strongly discouraged for public companies. There are far better alternatives for seeking and achieving an appropriate alignment of shareholder and management interests.”

BOARD OF DIRECTORS' POSITION:

Stock options reward employees for the long-term growth of the Company. They are an important component of Verizon's executive compensation structure because they directly link the interests of employees with those of the Company's shareholders. Stock options only provide value to the extent that the Company's stock increases over the long-term. When the value of the stock increases, both shareholders and employees benefit. However, if the stock price does not increase, the employee's options are worthless.

Verizon's options vest over a period of three years and have a term of ten years. The graduated vesting schedule limits an employee's ability to exercise an entire grant and profit from a short-term spike in the stock price early in the life of the option. The ten-year term focuses on the long term nature of the options.

The Human Resources Committee is responsible for ensuring the Company's executive compensation program provides reasonable and appropriate compensation to all senior executives in a manner that is competitive in the marketplace in which Verizon competes for talented executives. This Proposal would put the Company at a competitive disadvantage because it is contrary to generally established compensation practices. The Committee must retain its discretion to determine the appropriate mix of long-term compensation awards now and in the future, including the ability to grant stock options.

The Board of Directors recommends a vote AGAINST this proposal.

Item 10 on Proxy Card:

The Massachusetts Carpenters Pension & Annuity Funds, 350 Fordham Road, Wilmington, Massachusetts, 01887, owner of approximately 80,706 shares of the Company's common stock, proposes the following:

“Resolved, that the shareholders of Verizon Communications, Inc. (“Company”) request that the Board of Directors adopt a policy stating that the public accounting firm retained by our Company to provide audit services, or any affiliated company, should not also be retained to provide any management consulting services to our Company.

Statement of Support: The role of independent auditors in ensuring the integrity of the financial statements of public corporations is fundamentally important to the efficient and effective operation of the financial markets. The U.S. Securities and Exchange Commission recently stated:

Independent auditors have an important public trust. Investors must be able to rely on issuers' financial statements. It is the auditor's opinion that furnishes investors with critical assurance that the financial statements have been subjected to a rigorous examination by an objective, impartial, and skilled professional, and that investors, therefore, can rely on them. If investors do not believe that an auditor is independent of a company, they will derive little confidence from the auditor's opinion and will be far less likely to invest in that public company's securities. Final Rule: Revision of the Commission's Auditor Independence Requirements, Release No. 33-7919, Feb. 5, 2001.

We believe that today investors seriously question whether auditors are independent of the company and corporate management that retain them. A major reason for this skepticism, we believe, is that management of once admired companies such as Enron, Tyco, and WorldCom have misled investors and their auditors have either been complicit or simply inept. Over the last year hundreds of billions of dollars in market value have vanished as investors have lost confidence in the integrity of our markets. A key reason for this lack of confidence is the distrust investors have in companies' financial statements.

The U.S. Congress has attempted to respond to this crisis of confidence through passage of the Sarbanes-Oxley Act of 2002 (the “Sarbanes Act”). The Sarbanes Act prohibits a company's auditors from performing a wide range of defined non-audit services. These prohibitions, in turn, track the defined

non-audit services in Rule 2-01(c)(4) of the SEC's Final Rule: Revision of the Commission's Auditor Independence Requirements, Release No. 33-7919, Feb. 5, 2001.

However, the Sarbanes Act fails to prohibit auditors from providing management consulting services, which we believe represents a significant loophole. While the Act does require that the audit committee of the board preapprove these non-audit services, we do not believe that is enough. We believe that management consulting represents a significant source of potential revenue to auditors and poses serious conflict of interest issues. For this reason, we think the better course is for companies not to engage their auditors to perform any management consulting services.

Many companies, including ours, either continue to engage their auditors to provide management consulting or provide inadequate disclosure in their proxy statements to ascertain whether they continue to engage their auditors for management consulting services. We urge your support for this resolution asking the board to cease engaging auditors for management consulting.”

BOARD OF DIRECTORS' POSITION:

Last year, Congress enacted sweeping reform legislation known as the Sarbanes-Oxley Act. Certain provisions of the new law are designed to ensure that auditors remain independent and that there is appropriate scrutiny prior to the auditor providing any non-audit services. This Act expands the types of services that a company's independent auditors are prohibited from performing for the company. The new law also permits the auditor to perform certain other services, but requires that the company's audit committee pre-approve the fees to be paid to the independent auditors. These restrictions, along with changes to the proxy rules requiring disclosure of the amount and types of fees paid to the independent auditors, provide shareholders with assurance that the company's independent auditors retain their independence both in fact and appearance.

The Proposal is fundamentally flawed in that it asks the Board to adopt a policy restricting the Corporation's outside auditors from providing “management consulting services,” which are not defined, described or otherwise explained in the Proposal. The term has no generally accepted definition or meaning under the Sarbanes-Oxley Act or the securities laws or regulations. The Proposal is further flawed in that it is not clear whether the

requested prohibition is intended to apply to services to “any affiliated company” of the Corporation or services by “any affiliated company” of the independent auditor. The Proposal provides no objective standard for the Board to determine the scope of the requested prohibitions. Verizon has

pointed out these serious ambiguities to the Proponent. The Board cannot support the Proposal.

The Board of Directors recommends a vote AGAINST this proposal.

The Board’s Human Resources Committee determines incentive compensation for executives based on pre-established targets. Management reports the financial impact of pension and post-retirement benefits on operating results before the Committee makes its determination. The Committee has clarified its practices for determining incentive compensation and decided to exclude, beginning in 2003, the net impact of pension and post-retirement benefits on the Corporation’s operating results. Mr. C. William Jones and Joseph and Ann Ristuccia submitted a shareholder proposal requesting that the Board of Directors adopt a policy that determines future awards of performance-based compensation for executive officers using a measure of earnings per share that does not include “accounting rule income, particularly ‘pension credits.’” After Verizon discussed the Committee’s decision with the proponents, they agreed to withdraw their proposal.

SUBMISSION OF SHAREHOLDER PROPOSALS AND DIRECTOR NOMINATIONS

A shareholder who would like to have a proposal included in the Company’s 2004 Proxy Statement must submit the proposal to the Company so that it is received no later than November 14, 2003. SEC rules set standards for the types of shareholder proposals that must be included in a proxy statement. For other shareholder proposals, SEC rules specify that the Company’s Bylaws need to be followed. The Bylaws require that any shareholder who would like to nominate an individual for election as a Director or who wishes to introduce a proposal or other business at the Company’s 2004 Annual Meeting of Shareholders must give the Company advance written notice thereof no later than 90 days prior to the anniversary date of the 2003 Annual Meeting, or January 24, 2004. Shareholders may request a copy of the Bylaws from the Assistant Corporate Secretary, Verizon Communications Inc., 1095 Avenue of the Americas, 38th Floor, New York, New York 10036.

EXECUTIVE COMPENSATION

REPORT OF THE HUMAN RESOURCES COMMITTEE ON EXECUTIVE COMPENSATION

The Human Resources Committee of the Board, referred to as the Committee, is responsible for establishing and administering the policies and plans related to compensation and benefits for senior managers, including the executives listed in the Summary Compensation Table beginning on page 22 of this Proxy Statement. The individuals listed in that table are referred to as the named executive officers.

This report summarizes the philosophy, structure, and compensation levels of the Company's executive compensation programs for 2002.

PHILOSOPHY

The Committee has established the following objectives for the Company's executive compensation program:

- To attract and retain high-performing executive talent;
- To achieve key operational and financial goals;
- To reward key performers who achieve superior returns for shareholders; and
- To align the financial interests of the senior management group with those of shareholders.

Accordingly, the total compensation of the senior management group has been set at levels that are intended to be competitive with other large global public companies with whom we compete for executive talent. The Committee evaluates and approves each component of compensation (base salary, annual incentives, and long-term incentives) and also reviews and approves the individual total compensation for key executives. In considering the mix of elements comprising total compensation, the Committee has emphasized long-term pay and performance to stress the importance of achieving Verizon's long-term strategies. The Committee has determined that the aggregate of Verizon's base pay and short-term compensation should fall within the 50th percentile and that its long-term incentive opportunities should fall within the 75th percentile for comparable companies. To ensure that Verizon's senior management compensation is consistent with these levels, the Committee annually compares Verizon's total compensation and component pay levels to those of competitors for executive talent. In November 2002, the Committee performed its annual review of the compensation levels for the senior management group and found that the long-term incentive opportunity was generally below the targeted 75th percentile. However, at this time the Committee has determined that no changes are necessary with respect to the long-term compensation program.

The Company's compensation policies and practices, emphasizing a pay-for-performance philosophy,

provide challenging performance objectives that serve to both motivate and retain executives. Each of our 2002 incentive compensation plans is designed to reflect both individual and Company performance, each serving a unique role in reinforcing our key business objectives. The Verizon Short-Term Incentive Plan is designed to reward the attainment of certain internal business goals that are primarily financial and operational in nature. The Verizon Long-Term Incentive Plan is designed to reward the creation of sustainable shareholder value and more closely align the interests of the Company's senior management group with that of its shareholders. For 2002, all of the compensation provided under the Verizon Long-Term Incentive Plan was in the form of non-qualified stock options. Beginning in 2003, as discussed below, Verizon will begin expensing the fair market value of stock options granted on or after January 1, 2003. In addition, for 2003 the Committee has determined that, given the changing market environment, the senior management group's long-term incentive compensation will consist of a mix of non-qualified stock options and performance stock units.

The Company maintains stock ownership guidelines to encourage each executive to achieve and maintain an appropriate ownership stake in the Company. The ownership levels are based on a multiple of base salary. The guidelines suggest a multiple of five times base salary for the CEO and a multiple of one to four times for other executives. These guidelines apply to all senior management employees. All named executive officers are currently in compliance with the stock ownership guidelines, as set forth by the Company. The Security Ownership of Directors and Officers table, on page 29, displays the current ownership levels of these named officers.

The Committee also recognizes that, from time to time, it is appropriate to enter into agreements with certain key executives to ensure that Verizon continues to retain their services. The agreements with the named executive officers are described beginning on page 26 of this Proxy Statement.

COMPONENTS OF COMPENSATION

There are three components of the compensation structure for the senior management group: salary; a short-term incentive award paid in cash; and a long-term incentive award, which in 2002 was entirely in the form of non-qualified stock options.

Because the majority of an executive's total compensation is performance-based and, therefore, at risk, the value of such compensation (short-term and long-term incentives) depends largely on the degree of success in attaining both Company and individual performance objectives.

Salary. The Company's executive salary structure is based on broad salary bands. Verizon periodically evaluates this structure by comparing it to a group of other large global public companies. In keeping with Verizon's overall executive compensation philosophy, base pay is set at the 50th percentile for comparable companies. In 2002, the senior management group generally received salary increases based upon individual performance, market changes in the value of that position, and the economic and business conditions affecting Verizon at the time of the evaluation. This was the first salary increase that the senior management group has received since the close of the merger on June 30, 2000. The salaries earned by the named executives for 2002 are shown in column (c) of the Summary Compensation Table.

Short-Term Incentive. Senior managers are eligible to receive annual cash incentives under the Verizon Short-Term Incentive Plan. The plan is designed to support achieving Verizon's business and performance goals by placing a sizable percentage of compensation at risk. For 2002, the amount of awards was based upon actual performance as measured against pre-established performance objectives. These objectives are based primarily upon financial measures, particularly earnings per share and revenue. A portion of the award is also based upon two additional non-financial measures: customer service and diversity. Depending on Verizon's and the individual's performance, the awards can range from zero to a pre-established maximum performance percentage. In 2002, Verizon substantially outperformed all of its peers in virtually every relevant financial category. In addition, Verizon was able to (i) improve earnings per share over 2001 despite the economic and regulatory pressures, (ii) improve its market position and (iii) reduce its overall debt liability. As a result, the short-term incentive bonuses for the 2002 plan year are generally greater than those paid in the 2001 plan year (as a percentage of salary) but lower than the expected target payout levels. The amounts shown

under "Bonus" in column (d) of the Summary Compensation Table represent the short-term incentive payments awarded to each of the named executive officers for 2002.

Long-Term Incentive. The Company provides long-term incentive opportunities under the Verizon Long-Term Incentive Plan. These long-term incentives may include non-qualified stock options, incentive stock options, performance units, restricted stock grants and stock appreciation rights. For 2002, only non-qualified stock options were granted. Non-qualified stock options reward participants only to the extent that the value of Verizon's common stock increases, thus creating greater shareholder value. This closely aligns the interests of the Company's senior management group with the interests of its shareholders.

Individual stock option grants are generally based on the recipient's actual base salary multiplied by a percentage applicable to the recipient's compensation band. The percentage is determined based on the level of responsibilities and on comparable positions within a group of other large global public companies. All stock options are granted with an exercise price equal to the fair market value of Verizon's stock on the date of the grant and are not transferable during the recipient's lifetime. The number of stock options granted to each of the named executive officers is shown in column (g) of the Summary Compensation Table.

Changes in Compensation Practices for 2003. The Committee has decided to explicitly exclude, beginning in 2003, the net impact of pension and post-retirement benefits from Verizon's operating results in determining the senior management group's short-term incentive awards. As noted above, in 2003, Verizon also began expensing the fair market value of employee stock options granted on or after January 1, 2003. In addition, for 2003 the Committee has determined that, given the changing market environment, the senior management group's long-term incentive compensation will consist of a mix of non-qualified stock options and performance stock units. This will not change the value of the long-term incentive compensation paid and will result in the Company granting fewer stock options to its executives. Performance stock units represent shares of Verizon stock that will become payable after the completion of a three-year performance cycle. Actual payment of the performance stock units will be determined based on Verizon's Total Shareholder Return (TSR) relative to the TSR of the companies

that make up the Standard & Poor's 500 and to the TSR of a group of companies included in Verizon's telecom peer group. If Verizon's relative TSR position does not meet a specific minimum threshold percentage, no units will be payable under the program. The value of the award will increase or decrease to the extent that Verizon's relative TSR position increases or decreases compared to that of the companies in the Standard & Poor's 500 and the companies in Verizon's telecom peer group. The value of each performance stock unit is equal to the fair market value of a share of Verizon's common stock on the date of the grant and will change as the value of Verizon's common stock changes. All units that become payable under the program will be paid in shares of Verizon common stock. This combination of non-qualified stock options and performance stock units will continue to align the interests of its executives with that of Verizon's shareholders.

2002 COMPENSATION FOR IVAN SEIDENBERG AND CHARLES R. LEE

The 2002 employee compensation of Ivan Seidenberg, President and Chief Executive Officer, and Charles R. Lee, who resigned as Co-Chief Executive Officer in April of 2002 and continues as non-employee Chairman, was determined in accordance with the plans and policies discussed in this report. Their annual salaries are shown in column (c) of the Summary Compensation Table, and their respective short-term incentive awards are shown under "Bonus" in column (d) of this table.

In 2002, Messrs. Seidenberg and Lee did not receive increases to their respective base salaries. At their recommendation, neither Mr. Seidenberg nor Mr. Lee has received a salary increase since the creation of Verizon in June 2000. In 2002, Messrs. Seidenberg and Lee received short-term incentive awards of \$2,700,000 and \$1,575,000, respectively. For Mr. Seidenberg, the range of his short-term incentive award was \$0 to \$3,750,000. As a result of Mr. Lee's retirement, the range of his short-term incentive award was prorated, in accordance with the Verizon Short-Term Incentive Plan guidelines, to reflect active employment service with the Company through June 30, 2002. Accordingly, the prorated range of Mr. Lee's short-term incentive award was \$0 to \$2,187,500.

In 2001, Messrs. Seidenberg and Lee each received payment of 60% of the special long-term performance incentive award that had been previously established under their employment agreements prior to the merger. On December 31, 2002, an additional 20% of Mr. Seidenberg's total

award, covering the 2002 performance period, became payable. The Committee approved paying the award for Mr. Seidenberg at target due to the superior performance of Verizon as measured against its peers and the improvement in earnings per share over 2001 despite the economic and regulatory pressures. As a result of his retirement during 2002, Mr. Lee became eligible for the remaining 40% of his special long-term performance incentive award. The Committee approved paying the award for Mr. Lee at target. Messrs. Seidenberg and Lee received \$2,000,000 and \$4,000,000, respectively, and their awards are reflected in column (h) of the Summary Compensation Table.

In January of 2002, Messrs. Seidenberg and Lee received non-qualified stock option grants of 752,900 and 878,300, respectively. These grants were awarded under the Verizon Long-Term Incentive Plan and are reported in column (g) of the Summary Compensation Table. In addition, Mr. Lee was eligible in 2002 to receive a performance bonus award previously granted under the GTE Long-Term Incentive Plan for the last remaining award cycle from 2000 through 2002. Originally, the actual amount of the award was to be determined based on GTE's performance in attaining certain pre-established performance targets over the performance period. However, the operations of Bell Atlantic and GTE were integrated following the merger. Therefore, the Committee determined that, based on GTE performance up to the date of the merger, the performance bonus award for the 2000-2002 award cycle would be paid at target for Mr. Lee and all other eligible former GTE executives. In accordance with the GTE Long-Term Incentive Plan guidelines, Mr. Lee's performance bonus award of \$1,901,660 was prorated to reflect active employment service with the Company through June 30, 2002. This amount for Mr. Lee is included in column (h) of the Summary Compensation Table.

Sensitive to the current market conditions, Mr. Seidenberg recommended to the Committee that he forego a salary increase in 2003 and asked that his base salary be maintained at the same level as that since the merger. In addition, he also recommended a reduction to his 2003 long-term incentive award by more than 10% from its 2002 and 2001 levels. The Committee reviewed and approved these recommendations in January 2003.

APPLICABLE TAX CODE PROVISION

Under the Omnibus Budget Reconciliation Act of 1993, provisions were added to the Internal Revenue Code under Section 162(m) that limit the tax deduction for compensation in excess of one million

dollars paid to certain executive officers. However, companies may exclude performance-based compensation from the limit if that compensation meets certain requirements. The Committee believes that the short and long-term plans are performance driven and therefore satisfy the requirements for exemption under Internal Revenue Code Section 162(m).

Respectfully submitted,

Human Resources Committee

Russell E. Palmer, Chairperson

Richard L. Carrión

Robert F. Daniell

Joseph Neubauer

Walter V. Shipley

Dated: March 6, 2003

**COMPENSATION COMMITTEE INTERLOCKS
AND INSIDER PARTICIPATION**

Mr. Babbio, Vice Chairman and President of the Company, serves on the Board of Directors of ARAMARK Corporation and, until February 2003, served on its compensation committee.

Mr. Neubauer, Chief Executive Officer and Chairman of the Board of Directors of ARAMARK Corporation, serves on Verizon's Board of Directors and, until March 2003, served on its Human Resources Committee.

COMPENSATION TABLES

Summary Compensation Table

(a) Name and Principal Position	(b) Year	Annual Compensation			Long-Term Compensation			(i) All Other Compensation (\$000s)
		(c) Salary (\$000s)	(d) Bonus ² (\$000s)	(e) Other Annual Compensation (\$000s)	Awards		Payouts	
					(f) Restricted Stock Award(s) (\$000s)	(g) Securities Underlying Options/SARs Granted(#)	(h) LTIP Payouts (\$000s)	
Charles R. Lee ¹ Chairman	2002	1,951.9 ³	1,575.0	878.0 ⁶		878,300	7,111.0 ⁸	4,082.3 ⁹
	2001	1,750.0	2,844.0	292.8		915,700	9,316.0	370.7
	2000	1,490.4	2,620.8 ⁵	87.9	6,614.2 ⁷	988,672		4,304.9
Ivan G. Seidenberg President & CEO	2002	1,500.0	2,700.0	147.5 ⁶		752,900	2,289.7 ⁸	2,877.2 ⁹
	2001	1,500.0	2,437.5	190.0		784,900	6,188.3	3,132.4
	2000	1,350.0	2,577.0	148.7	6,562.5 ⁷	1,179,420		5,096.3
Lawrence T. Babbio, Jr. Vice Chairman & President	2002	1,033.7	1,470.0	624.6 ⁶		324,700		1,778.8 ⁹
	2001	1,000.0	1,320.0	132.9		419,727		18,245.1
	2000	912.5	1,297.0	115.7	4,375.0 ⁷	1,016,806		2,966.4
Dennis F. Strigl Executive Vice President & President & CEO Verizon Wireless Joint Venture	2002	800.0	1,200.0	135.6 ⁶		251,000		704.6 ⁹
	2001	750.0	915.0	189.2		245,300		6,016.7
	2000	712.5	1,212.0	124.4	3,500.0 ⁷	527,060		3,490.8
Michael T. Masin ¹ Vice Chairman & President (Retired)	2002	1,000.6 ³	718.5	106.8 ⁶		300,600	1,100.9 ⁸	788.0 ⁹
	2001	925.0	1,332.0	139.9		302,500	1,107.0	6,516.6
	2000	928.9 ⁴	1,343.0 ⁵	130.2	4,411.5 ⁷	612,016		2,920.2
William P. Barr Executive Vice President & General Counsel	2002	724.0	783.0	51.3 ⁶		193,400	646.1 ⁸	733.6 ⁹
	2001	700.0	682.5	56.8		194,600	619.5	47.2
	2000	615.9	678.0 ⁵	45.4	2,640.4 ⁷	390,768		1,571.3
Doreen A. Toben Executive Vice President & CFO	2002	553.0	840.0	78.1 ⁶		124,300		517.7 ⁹
	2001	441.3	495.0	59.1		128,211		352.5
	2000	420.5	485.0	54.4	1,312.5 ⁷	212,800		286.3

¹ As of December 31, 2002, Mr. Lee and Mr. Masin were no longer employees of Verizon. Mr. Lee resigned as Co-CEO on April 1, 2002 and retired from Verizon on June 30, 2002. However, Mr. Lee continues as the non-employee Chairman of the Board. Mr. Masin retired from Verizon on October 4, 2002.

² Generally, the performance percentage for the short-term bonuses was 72% for 2002; 65% for 2001; and 79.5% for 2000.

³ The column also reflects payments of \$908,654 and \$217,019 to Messrs. Lee and Masin, respectively, resulting from their retirements and in lieu of previously accrued banked vacation. This benefit was provided under a program offered by GTE but is not offered by Verizon.

⁴ The data includes fees received by Mr. Masin for serving as a director of BC TELECOM Inc., a Canadian company in which GTE owned a 50.8% interest during January of 1999, and TELUS Corporation, formerly BCT.TELUS Communications Inc., a successor company to BC TELECOM Inc., in which Verizon owns a 25.9% voting interest. In 2000, Mr. Masin received deferred stock units of this company valued at \$35,651, which is included in this column. Although Mr. Masin continued to serve as a director of TELUS Corporation through October 4, 2002, he did not receive fees for such service after 2000.

⁵ For year 2000, the data reflects the amounts these executive officers received under both the Verizon Short-Term Incentive Plan and the GTE Executive Incentive Plan. Under GTE's Equity Participation Program which was part of the GTE Executive Incentive Plan, a portion of this amount has been deferred into restricted stock units payable at maturity (generally, a minimum of three years).

⁶ For 2002 the column "Other Annual Compensation" includes: incremental costs for personal use of Company aircraft by Messrs. Seidenberg, Strigl, and Masin in the amounts of: \$90,590; \$83,493; and \$77,644, respectively; imputed income for the personal use of Company apartment and related tax reimbursements for Mr. Babbio of \$251,850 and \$224,397, respectively; imputed income of \$16,540 for financial planning services provided to Mr. Barr; flexible spending allowances for Mr. Barr and Ms. Toben in the amounts of: \$31,000 and \$26,000, respectively. The amount shown for Mr. Lee includes imputed interest of \$36,959 and tax reimbursements of \$33,305 related to aggregate home equity bridge loans of \$2.5 million provided by the Company in connection with the relocation from Texas to Connecticut following the merger. Under the terms of the Company's relocation program, which applies to all management employees, home equity bridge loans are interest-free. Mr. Lee repaid the balance of the loans in 2002, in the net amount of \$2,094,700, after offsets for reimbursement for other relocation-related transactions.

⁷ The data reflects the dollar value of the one-time grant of restricted stock units based on the closing price of Verizon common stock on the grant date, September 7, 2000. These units vest over the next three years subject to meeting certain

performance and time measures. On each dividend payment date, additional restricted units are credited to the participant's account. The number of restricted stock units is determined by dividing the dividend that would have been paid on the shares represented by the restricted stock units in the participant's account by the closing price of the Company's common stock on the New York Stock Exchange Composite Transaction Tape on the dividend payment date. Messrs. Lee, Seidenberg, Babbio, Strigl, and Barr and Ms. Toben hold a total of: 161,690; 161,690; 107,794; 86,235; 64,676; and 32,338 restricted stock units, respectively, which had a dollar value of: \$6,265,499; \$6,265,499; \$4,176,999; \$3,341,599; \$2,506,200; and \$1,253,100, respectively, based upon the closing price of Verizon common stock on December 31, 2002. Restricted units previously held by Mr. Masin were forfeited, per the terms and conditions of the grant, upon his voluntary retirement from Verizon. In addition, the data also reflects the value of the matching restricted stock units under GTE's Equity Participation Plan for Messrs. Lee, Masin, and Barr.

⁸ Mr. Lee's 2002 LTIP payout included the payment of 40% of his special long-term incentive award. Mr. Lee's award was \$5,209,372, including earnings based on investment elections. Mr. Seidenberg's 2002 LTIP payout included the payment of 20% of his special long-term incentive award. Mr. Seidenberg's award was \$2,289,680, including earnings based on investment elections. In addition, Messrs. Lee, Masin, and Barr, as former GTE executives, received payments for the 2000 to 2002 award cycle, under the GTE Long-Term Incentive Plan, of \$1,901,660; \$1,100,930; and \$646,000, respectively.

⁹ For 2002, the column "All Other Compensation" includes: Company contributions to qualified plans for Messrs. Lee, Seidenberg, Babbio, Strigl, Masin, and Barr and Ms. Toben in the amounts of: \$12,257; \$10,000; \$10,000; \$15,400; \$14,603; \$16,142; and \$9,641, respectively; contributions by the Company and its related companies to the non-qualified Income Deferral Plan Accounts of Messrs. Lee, Seidenberg, Babbio, Strigl, Masin, and Barr and Ms. Toben in the amounts of: \$1,783,722; \$1,382,875; \$1,026,309; \$572,207; \$773,368; \$477,366; and \$458,050, respectively; the value of premiums paid by the Company for executive life insurance policies for Messrs. Seidenberg, Babbio, Strigl, and Barr and Ms. Toben in the amounts of \$115,221; \$138,570; \$116,972; \$29,568; and \$50,053, respectively. As disclosed in previous proxy statements, Mr. Seidenberg waived his right to receive his deferred merger retention bonus in exchange for the Company's entering into a split-dollar insurance arrangement for his benefit. Pursuant to the terms of Mr. Lee's employment agreement, the Company entered into a split-dollar insurance arrangement for Mr. Lee. In addition, Messrs. Babbio and Barr waived their rights to receive deferred bonuses in exchange for the Company's entering into split-dollar insurance arrangements for their benefit. Under all of these arrangements, the insurance premiums paid by the Company will be ultimately returned to the Company. The present value after-tax costs of these arrangements to the Company are designed to be equivalent to the after-tax costs to the Company of these waived deferred compensation obligations. For 2002, the value of premiums paid by the Company for these split-dollar arrangements for Messrs. Lee, Seidenberg, Babbio, and Barr are \$714,105; \$1,369,113; \$603,947; and \$210,485, respectively. As of July 2002, the Company suspended premium payments towards these executive life insurance policies and split-dollar insurance arrangements pending further evaluation of the status of these policies and arrangements. This column also includes other compensation provided to Mr. Lee during the period following his retirement date of June 30, 2002: consulting fees of \$1,500,000; costs of \$1,230 for personal use of a company-owned apartment; and \$71,010 for personal use of company aircraft and other transportation.

The following table provides information as to options and stock appreciation rights (referred to as SARs) exercised by each of the named executive officers during 2002. The table sets forth the value of options and stock appreciation rights held by such officers at year-end measured in terms of the closing price of Verizon common stock on December 31, 2002.

**Aggregated Option/SAR Exercises
in Last Fiscal Year and FY-End Option/SAR Values**

(a) Name	(b) Shares Acquired on Exercise (#)	(c) Value Realized (\$000s)	(d) Number of Securities Underlying Options/SARs at FY-End (#)		(e) Value of Unexercised In-the-Money Options/SARs at FY-End (\$000s)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Charles R. Lee	—	—	4,580,586	—	7,638.5	—
Ivan G. Seidenberg	—	—	2,042,307	2,102,675	3,362.3	—
Lawrence T. Babbio, Jr.	—	—	1,410,546	1,087,949	530.8	—
			13,500 ¹	8,650 ¹	—	—
Dennis F. Strigl	—	—	448,891	856,896	14.0	—
Michael T. Masin	—	—	1,543,028	—	1,758.1	—
William P. Barr	—	—	534,810	653,390	—	—
Doreen A. Toben	—	—	285,690	365,300	33.7	—

¹ Options to purchase Class V Common Stock of Grupo Iusacell, S.A. de C.V.

Although Verizon has outperformed its peers, 88.6% of both the exercisable and unexercisable options, for the above named officers, were granted with exercise prices above the current price of Verizon common stock as of December 31, 2002; therefore, these options have no current value.

The following table shows all grants of options to the named executive officers during 2002. Pursuant to SEC rules, the table also shows the value of the options granted at the end of the option terms if the stock price were to appreciate annually by 5% and 10%, respectively. There is no assurance that the stock price will appreciate at the rates shown in the table. The table also indicates that, if the stock price does not appreciate, the potential realized value of the options granted would be zero.

Option/SAR Grants in Last Fiscal Year

(a)	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term (\$000s)		
	(b) # of Securities Underlying Options/SARs Granted	(c) % of Total Options/SARs Granted to Employees in Fiscal Year	(d) Exercise or Base Price (\$/Sh)	(e) Expiration Date	(f)	(g)	(h)
					0%	5%	10%
Charles R. Lee	878,300 ²	2.8%	48.6700	1/23/2012	—	26,883.3	68,127.5
Ivan G. Seidenberg	752,900 ¹	2.4%	48.6700	1/23/2012	—	23,045.0	58,400.5
Lawrence T. Babbio, Jr.	324,700 ¹	1.1%	48.6700	1/23/2012	—	9,938.5	25,186.1
Dennis F. Strigl	251,000 ¹	0.8%	48.6700	1/23/2012	—	7,682.7	19,469.4
Michael T. Masin	300,600 ³	1.0%	48.6700	10/4/2007	—	4,686.9	10,547.6
William P. Barr	193,400 ¹	0.6%	48.6700	1/23/2012	—	5,919.6	15,001.5
Doreen A. Toben	124,300 ¹	0.4%	48.6700	1/23/2012	—	3,804.6	9,641.6

¹ One-third of the options are exercisable on January 24, 2003; two thirds are exercisable on January 24, 2004; and the balance is exercisable on January 24, 2005.

² Options became fully exercisable on June 30, 2002, with full 10-year term remaining per employment agreement.

³ Options became fully exercisable on October 4, 2002, with 5-year term remaining per retirement provisions.

RETIREMENT PLANS

Effective January 1, 2002, Verizon merged the management pension plans of the predecessor companies to form the Verizon Management Pension Plan. The plan is a noncontributory, tax-qualified pension plan for salaried employees that provides for distribution of benefits in a lump sum or an annuity, at the participant's election. Pension benefits under this plan are calculated for all participants using a cash balance formula that provides for pay credits equal to 4 to 7 percent (depending on age and service) of annual eligible pay up to the statutory limit on compensation (\$200,000 in 2002), for each year of service following the conversion to cash balance. Messrs. Lee, Seidenberg, Babbio, Masin, and Barr and Ms. Toben and other Verizon executive officers, began participating in the Verizon Management Pension Plan as of January 1, 2002. Mr. Lee retired on June 30, 2002, and Mr. Masin retired on October 4, 2002. Mr. Strigl is not eligible to participate in the Verizon Management Pension Plan.

In general, eligible pay includes base salary, commissions and short-term incentives, exclusive of certain senior manager or other incentive compensation, and other similar types of payments. Additionally, monthly interest credits are made to the participant's account balance based upon the prevailing market yields on certain U.S. Treasury obligations. In order to record these pay and interest credits, the plan administrator maintains a hypothetical account balance for each participant. However, as part of the transition to a cash balance formula, participants with at least 10 years of service with the Company as of January 1, 2002, receive benefits under an alternative formula, referred to as the "highest average pay formula," if that formula provides a higher benefit than the cash balance formula. Under this formula, pensions are computed until 2008 on 1.35% of eligible pay for average annual salary for the five highest consecutive years up to the statutory limit on compensation (\$200,000 in 2002), for each year of service. In 2008, the Verizon Management Pension Plan shifts from this highest average pay formula to a career average pay formula under which an employee's pension is computed on 1.35% of eligible pay for average annual salary over the remainder of the employee's career with the Company up to the statutory limit on compensation, for each year of service. As of December 31, 2002, or the

executive's date of retirement in 2002, the actual years of service credited under the Verizon Management Pension Plan for Messrs. Lee, Seidenberg, Babbio, Masin, and Barr and Ms. Toben were 19, 36, 36, 9, 8, and 30, respectively.

The following table illustrates the estimated annual benefits payable pursuant to the highest average pay formula under the Verizon Management Pension Plan based on a maximum compensation limit of \$200,000. The table assumes normal retirement at age 65 and is calculated on a single life annuity basis, based upon final average earnings and years of service:

Pension Plan Table

Final Average Earnings	Years of Service					
	15	20	25	30	35	40
\$200,000	\$40,500	\$54,000	\$67,500	\$81,000	\$94,500	\$108,000

Employees who do not have at least 10 years of service generally do not qualify for the highest average pay formula under the plan. Accordingly, Messrs. Barr's and Masin's cash balance accounts were \$107,765 and \$147,960, respectively, as of December 31, 2002. Mr. Lee's pension under the Verizon Management Pension Plan is based on a variant of the highest average pay formula described above. This formula, covering all former GTE employees with at least 10 years of service, provided a benefit that was integrated with social security. For compensation under \$37,200, which is the limit under the Federal Social Security Act, the formula was based on 1.15% of eligible pay, while the formula for pay above that amount was based on 1.45% of eligible pay. Mr. Lee's annual joint and survivor annuity (which is the form of distribution that he has elected) from the Verizon Management Pension Plan is \$49,261.

Section 415 of the Internal Revenue Code places certain limitations on pension benefits that may be paid from the trusts of tax-qualified plans, such as the Verizon Management Pension Plan. Pension amounts for certain executive officers that exceed such Section 415 limitations will be paid from the Company's assets under the Verizon Income Deferral Plan. Messrs. Lee, Seidenberg, Babbio, Strigl, Masin, and Barr and Ms. Toben and other Verizon executive officers, began participating in the Verizon Income Deferral Plan as of January 1, 2002. This plan is a nonqualified, unfunded, supplemental retirement and deferred compensation plan under which an individual account is maintained for each participant. The plan allows the participants to defer voluntarily the receipt of up to 100% of their eligible compensation, and also provides retirement and other benefits to certain executives through Company credits to the participant's account under the plan. Eligible compensation consists of:

- I. a participant's base salary in excess of the Internal Revenue Code limit on compensation for qualified retirement plans (\$200,000 in 2002);
- II. all of the participant's short-term incentive award; and
- III. other bonuses that the plan administrator determines are eligible for deferral.

If a participant elects to defer eligible income, the Company provides a matching contribution equal to the rate of match under the qualified savings plan for management employees. That rate is 100% of the first 4% of eligible compensation deferred and 50% of the next 2% of eligible compensation deferred. In addition, for the first 20 years of participation in the plan for certain executives of the Company, the Company makes retirement contributions to a participant's account equal to 32% of the base salary, in excess of \$200,000, and short-term incentive award components of the participant's eligible compensation. Thereafter, the Company makes retirement contributions equal to 7% of such eligible compensation.

The following table shows the aggregate portion of each participating named executive officer's account attributable to the Company's contributions as of December 31, 2002. In 2002, Messrs. Lee, Masin, Barr, and all other former GTE executives, had their Verizon Supplemental Executive Retirement Plan benefit converted to a present value and transferred to the Verizon Income Deferral Plan. As a result, Messrs. Lee, Masin and Barr are no longer entitled to receive a benefit under the Verizon Supplemental Executive Retirement Plan and instead began participating in the Verizon Income Deferral Plan along with all other Verizon executives effective

January 1, 2002. Generally, the Verizon Income Deferral Plan provides a benefit at retirement comparable to the benefit provided under the Verizon Supplemental Executive Retirement Plan.

Executive	Aggregate Account Balance
Mr. Lee	\$27,308,803*
Mr. Seidenberg	\$10,762,561
Mr. Babbio	\$ 9,677,371
Mr. Strigl	\$ 2,909,493
Mr. Masin	\$11,556,174*
Mr. Barr	\$ 5,612,787*
Ms. Toben	\$ 1,656,396

*Includes \$23,411,561; \$9,329,714; and \$4,542,326 for Messrs. Lee, Masin and Barr, respectively, representing a present value conversion and transfer of their earned benefits from the Verizon Supplemental Executive Retirement Plan.

The actual annual Company contribution for 2002 has been reflected in column (i) of the Summary Compensation Table.

EMPLOYMENT AGREEMENTS

Because of the highly competitive environment in the telecommunications industry, the Human Resources Committee recognizes that, from time to time, it is appropriate to enter into employment agreements with key members of management to ensure that Verizon continues to retain their services. In 2000, the Company entered into agreements with Messrs. Seidenberg, Lee, Babbio, Strigl, Masin, and Barr and Ms. Toben. In exchange for the benefits offered under the agreements, these executives have agreed not to engage in competitive activities or to interfere with Verizon's business relations for a specified period of time following the termination of their employment. The agreements provide that each of these executives will receive certain additional benefits, including a flexible spending account, financial planning services, use of Company aircraft and automobile, and certain housing arrangements. As previously noted, Mr. Masin retired from Verizon effective as of October 4, 2002. He did not receive any severance pay or other special benefits as a result of his retirement.

The executives will receive the compensation and benefits outlined below for the term of their agreements. If an executive resigns or retires, he or she will be entitled only to the benefits that would be provided to a similarly situated senior executive upon termination. Generally, if an executive's employment terminates following a change in control of Verizon, or due to a good reason, or as a result of death or disability, the executive will generally receive the same benefits if he or she were involuntarily terminated without cause. However, if the termination is due to disability, the lump sum payment will be offset by amounts payable to the executive under any Company-sponsored disability plan. Except as indicated below, if an executive's employment is involuntarily terminated without cause, his or her outstanding stock options will vest and will be exercisable until the earlier of five years after the date of termination or the maximum term of the option. In addition, the portion of the one-time grant of restricted stock units that was due to vest based upon a continuous employment requirement will become payable on the scheduled date, and the remaining unvested portions of that grant will become payable only if Verizon attains the applicable performance goals. If an executive is terminated for cause or voluntarily resigns, he or she will no longer receive any salary or benefits and will forfeit the unvested portion of the one-time year 2000 grant of stock options and the unvested portion of the one-time year 2000 grant of restricted stock units. All separation payments provided to the named executive officers under their employment agreements are in lieu of any Company-sponsored severance.

The individual agreements of the other named executive officers are summarized below.

Charles R. Lee. Mr. Lee retired as an employee from Verizon on June 30, 2002. His agreement provides that from June 30, 2002 until June 30, 2004, he will serve as the non-employee Chairman of the Board. His agreement also provides that he will serve as a consultant to Verizon from June 30, 2002 through June 30, 2004. During this period, Mr. Lee will be an independent contractor and, except for certain continuing medical and life insurance coverage, will not be entitled to the benefits generally provided to Verizon employees. He will receive a consulting fee of \$250,000 per month and will be provided office space and support, financial services and use of Company aircraft and other transportation.

In addition, for one year after his retirement date, he will be provided with the non-exclusive use of a Company apartment. All of his outstanding stock options are exercisable until the tenth anniversary of their grant date. Mr. Lee will receive financial planning services for two years and will be provided with office space and administrative support for five years after the end of the term of his agreement.

Ivan G. Seidenberg. Mr. Seidenberg's agreement provides that he will continue to be employed through June 30, 2004. On April 1, 2002, he became the sole Chief Executive Officer. His agreement currently provides for:

- an annual base salary of not less than \$1,500,000;
- an annual short-term bonus between 0 and 2.5 times base salary;
- annual long-term bonus opportunities of at least 8 times base salary; and
- the remainder of a long-term performance incentive opportunity in a target amount of approximately \$2 million that is subject to a vesting schedule.

If Mr. Seidenberg's employment is involuntarily terminated without cause or if he is constructively discharged, he will receive the following benefits for the period ending three years after his termination:

- monthly payments based on his base salary increased by at least 5% annually;
- annual payments equal to the short-term bonus he would have been entitled to receive;
- vested rights in the remainder of his long-term performance incentive award;
- an annual grant of stock options equal to 8 times his annual base salary increased by at least 5% annually; and
- the excess, if any, of the compensation earned by the Company's Chief Executive Officer during this period over the amounts paid to Mr. Seidenberg pursuant to his agreement.

If Mr. Seidenberg's employment is terminated as a result of his death or disability, he will generally receive the same benefits that he would receive if he were involuntarily terminated without cause. However, no payments will be made after June 30, 2004.

Lawrence T. Babbio, Jr. Mr. Babbio's agreement renews automatically so that the agreement always has a term of at least two years. His agreement currently provides for:

- an annual base salary of not less than \$1,000,000;
- an annual short-term bonus between 0 and 2 times base salary; and
- annual long-term bonus opportunities of at least 5 times base salary.

If Mr. Babbio's employment is involuntarily terminated without cause, he will receive a lump sum payment equal to two times (i) his base salary, (ii) the greater of 50% or the percentage of his maximum short-term bonus opportunity awarded in the year immediately preceding the termination of his employment, and (iii) 100% of his long-term bonus opportunity. In addition, all of his outstanding stock options will vest immediately and will be exercisable for five years or, if the term of the option extends beyond that date, until June 30, 2008 (subject to the maximum term of the option).

Dennis F. Strigl. Mr. Strigl's agreement renews automatically so that the agreement always has a term of at least two years. His agreement currently provides for:

- an annual base salary of not less than \$800,000;
- an annual short-term bonus between 0 and 2 times base salary; and
- annual long-term bonus opportunities of at least 5 times base salary.

If Mr. Strigl's employment is involuntarily terminated without cause, he will receive a lump sum payment equal to two times (i) his base salary, (ii) 50% of his maximum short-term bonus opportunity, and (iii) 100% of his long-term bonus opportunity.

William P. Barr. Mr. Barr's agreement provides that he will continue to be employed through June 30, 2003.

His agreement currently provides for:

- an annual base salary of not less than \$700,000;
- an annual short-term bonus between 0 and 1.5 times base salary;
- annual long-term bonus opportunities of at least 4.25 times base salary; and
- vested rights to his special retention account under the Verizon Income Deferral Plan in an amount equal to approximately \$3.6 million (plus earnings or losses), if he remains continuously employed by Verizon through June 30, 2003.

In addition, the Human Resources Committee of Verizon's Board of Directors has approved the renewal of Mr. Barr's agreement to be effective as of July 1, 2003. The new agreement will renew automatically so that the agreement always has a term of at least two years and his special retention account will not be offset against any other severance payment he is otherwise eligible to receive under his agreement. All other terms and conditions of his agreement will remain the same.

Doreen A. Toben. Ms. Toben's agreement provides for a two-year term that ends on June 30, 2004. Thereafter, the term of employment will automatically renew for successive two-year terms unless Verizon provides advance written notice.

Her agreement currently provides for:

- an annual base salary of not less than \$700,000;
- an annual short-term bonus between 0 and 1.5 times base salary; and
- annual long-term bonus opportunities of at least 4.25 times base salary.

If Ms. Toben's employment is involuntary terminated without cause, she will receive a lump sum payment equal to two times (i) her base salary and (ii) 50% of her maximum short-term bonus opportunity.

SECURITY OWNERSHIP OF DIRECTORS AND OFFICERS

The Human Resources Committee of the Board has approved stock ownership guidelines for all executive officers. Under these guidelines, by the end of a five-year period, the Chief Executive Officer is encouraged to acquire and hold Company shares with a value of five times the base salary then in effect; other executive officers, depending upon their position, are encouraged to acquire and hold shares having a value of one to four times salary. The Committee reviews stock ownership on an annual basis. The Board's Corporate Governance Guidelines encourage Directors of the Company to hold a minimum of 5,000 shares, to be acquired over a period of up to five years.

On January 31, 2003, there were approximately 2.7 billion shares of Verizon Communications Inc. common stock outstanding. The table below sets forth information as of January 31, 2003 regarding: (a) the shares of Verizon common stock beneficially owned (including shares held in the Company's employee savings plans) by the named executive officers, each Director and all executive officers and Directors as a group; (b) the total Verizon stock-based holdings of the named individuals and the group; and (c) the shares which may be acquired within 60 days pursuant to the exercise of stock options by the named individuals and the group. The shares shown in this table, in the aggregate, represent less than one percent of the total outstanding shares of Verizon. Except as otherwise noted, each individual and/or his or her family member(s) have sole or shared voting and/or investment power with respect to the securities.

The middle column of the table combines beneficial ownership of shares of Verizon common stock through holdings of (i) deferred stock units by non-employee Directors (which are payable in cash or shares of Verizon common stock at the election of the Director and are accrued under deferred compensation plans) and by executive officers (which are payable in cash pursuant to deferrals under the Verizon Income Deferral Plan); and (ii) restricted stock units by executive officers (which are payable in shares of Verizon common stock under agreements).

Name	Shares Beneficially Owned	Other Stock-Based Holdings ³	Options Exercisable within 60 Days
Named Executive Officers:			
Charles R. Lee*	175,903 ¹	418,708	4,580,586
Ivan G. Seidenberg*	97,855	514,055	2,729,030
Lawrence T. Babbio, Jr.	227,219	113,220	1,713,689
Dennis F. Strigl	45,750	118,235	651,687
Michael T. Masin	3,019	46,304	1,422,330
William P. Barr	12,271	90,878	694,399
Doreen A. Toben	17,476	36,630	396,426
Other Directors:			
James R. Barker	5,124	130,358	12,580
Richard L. Carrión	2,648	7,449	32,908
Sandra O. Moose	696 ²	14,483	12,580
Joseph Neubauer	563	24,624	73,658
Thomas H. O'Brien	3,163	36,741	53,329
Russell E. Palmer	2,684	13,774	12,580
Hugh B. Price	1,378	6,517	28,830
Walter V. Shipley	13,440	—	32,908
John R. Stafford	13,652	7,374	28,830
Robert D. Storey	854	18,082	8,329
All of the above and other Executive Officers as a group	655,787	1,750,625	13,427,513

* Also serves as a Director.

¹ Excludes 71,427 shares held in a family trust as to which Mr. Lee disclaims beneficial ownership.

² Excludes 800 shares held in a family trust as to which Ms. Moose disclaims beneficial ownership.

³ Shares held under deferred compensation plans may not be voted or transferred.

Grupo Iusacell Stock

Verizon, through three indirect subsidiaries, owns an aggregate of 68.45% of the outstanding Class A Common Shares of Grupo Iusacell, S.A. de C.V., and the remaining Class A Common Shares of Grupo Iusacell are owned by Vodafone Americas, B.V. The following table indicates the number of Class V Common Shares of Grupo Iusacell beneficially owned as of January 31, 2003, by the named executive officers, each Director and all executive officers and Directors as a group. Two indirect subsidiaries of the Company own an aggregate of 8.45% of the outstanding Class V Common Shares of Grupo Iusacell, and the remaining Class V Common Shares of Grupo Iusacell are owned by Vodafone Americas, B.V., a Grupo Iusacell employee benefit plan and the public. The amounts shown in the following table represent less than 1% of the outstanding Class V Common Shares of Grupo Iusacell as of January 31, 2003.

Name	Grupo Iusacell Class V Common Shares Beneficially Owned¹
Lawrence T. Babbio, Jr.	13,500 ²
Dennis F. Strigl	15,000
All Directors and Executive Officers as a group	28,500

¹ All of the following Class V Common Shares of Grupo Iusacell are owned in the form of American Depositary Shares, each representing 10 Class V Common Shares of Grupo Iusacell.

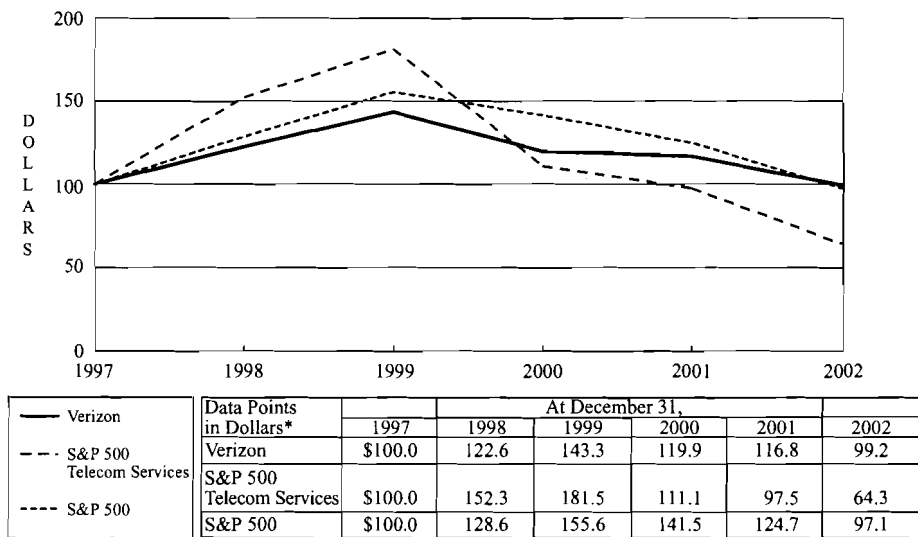
² Options to purchase Class V Common Shares exercisable within 60 days.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

SEC rules require the Company to disclose late filings of stock transaction reports by its executive officers and Directors. Based solely on a review of reports filed by the Company on these individuals' behalf, all Section 16(a) filing requirements have been met during calendar year 2002.

STOCK PERFORMANCE GRAPHS

COMPARISON OF FIVE-YEAR TOTAL RETURN AMONG VERIZON, S&P 500 TELECOM SERVICES INDEX, AND S&P 500 STOCK INDEX

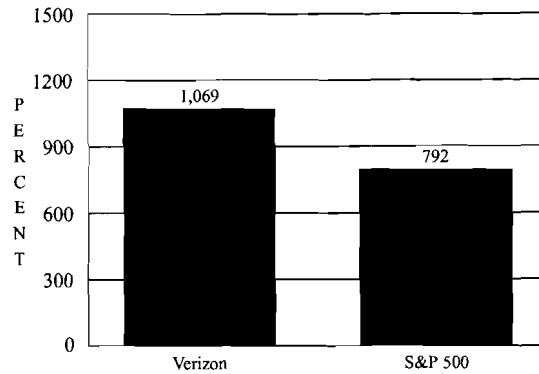


* Assumes \$100 invested on December 31, 1997

The graph compares the cumulative total returns of Verizon, the S&P 500 Telecommunications Services Index, and the S&P 500 Stock Index over a five-year period. It assumes \$100 was invested on December 31, 1997, with dividends reinvested.

The following supplemental table presents a comparison of the Company's stock performance with that of the S&P 500 Stock Index since the Company commenced operations. None of the elements of executive compensation reported above were determined on the basis of this comparison.

**COMPARISON OF CUMULATIVE TOTAL RETURN
OF VERIZON AND S&P 500 STOCK INDEX
FROM DIVESTITURE THROUGH DECEMBER 31, 2002**



OTHER BUSINESS

The Company is not aware of any other matters that will be presented at the Annual Meeting. If other matters are properly introduced, the Proxy Committee will vote the shares it represents in accordance with its judgment.

By Order of the Board of Directors

Marianne Drost
Senior Vice President,
Deputy General Counsel and
Corporate Secretary

March 14, 2003

CHARTER OF THE AUDIT AND FINANCE COMMITTEE OF THE BOARD OF DIRECTORS

Role

The Audit Committee is appointed by the Board of Directors to oversee (1) management in the performance of its responsibility for the integrity of the Corporation's accounting and financial reporting, and its systems of internal controls, (2) the performance and qualifications of the independent auditor (including the independent auditor's independence), (3) the performance of the Corporation's internal audit function, and (4) the Corporation's compliance with legal and regulatory requirements. Consistent with this oversight function, the Audit Committee shall authorize investigations into any matters within the Committee's responsibilities and, in doing so, have full access to the Corporation's records, employees, and independent auditor (with or without the presence of management).

The Audit Committee shall have the authority, to the extent it deems necessary or appropriate, to retain legal, accounting or other advisors for advice and assistance. The Corporation shall pay the costs of retaining any advisors selected by the Committee.

The Audit Committee shall meet at least four times each year or more frequently as circumstances dictate. The Committee shall meet, separately, with each of the internal auditors and the independent auditor at least quarterly.

The Audit Committee shall review and reassess the adequacy of this Charter at least annually. Any proposed changes shall be submitted to the Board of Directors for its approval. The Audit Committee shall annually evaluate the processes, activities and effectiveness of the Audit Committee, including the composition, expertise, and availability of the Audit Committee members.

Structure/Member Qualifications

The Audit Committee shall have at least three members and shall consist solely of independent Directors, consistent with the listing standards of the New York Stock Exchange and applicable legal requirements. All members of the Audit Committee shall be financially literate. In addition, the Audit Committee Chair must have accounting or related financial management expertise, consistent with the

listing standards of the New York Stock Exchange. If the Board of Directors determines, at least one member of the Committee shall be a financial expert, as defined by Securities and Exchange Commission rules.

The Board of Directors will assess and determine the qualifications of the Audit Committee members set forth in this Charter. The members of the Audit Committee shall be annually appointed by the Board of Directors, on the recommendation of the Corporate Governance Committee, and may be replaced by the Board of Directors according to the Corporation's Bylaws.

The Board of Directors shall select the Audit Committee Chair. If a Chair is not designated or present, a Chair may be designated by a majority vote of the Audit Committee members present.

Director's compensation is the only compensation which members of the Audit Committee may receive from the Corporation.

A Director who is serving on the audit committee of three or more other public companies shall not be appointed to the Audit Committee unless the Board of Directors determines that such simultaneous service would not impair the Director's ability to serve effectively on the Audit Committee.

Responsibilities and Duties

The Audit Committee recognizes that the Corporation's management is responsible for the completeness and accuracy of the Corporation's financial statements and disclosures and for maintaining effective internal controls. The Committee also recognizes that the independent auditor is responsible for auditing the Corporation's financial statements. Accordingly, management and the independent auditor have more knowledge and more detailed information about the Corporation than do Audit Committee members and the Audit Committee's primary responsibility is oversight. In carrying out its oversight responsibilities, the Audit Committee will be relying, in part, on the expertise of management and the independent auditor.

The Internal Audit department shall report functionally to the Audit Committee.

The Audit Committee shall be responsible for the appointment, compensation, removal, and oversight of the work of the independent auditor (subject, if applicable, to shareholder ratification of the appointment of the auditor). The independent auditors shall report directly to the Audit Committee and the Audit Committee shall oversee the resolution of disagreements between management and the independent auditors in the event that they arise.

To fulfill this oversight responsibility, the Audit Committee should receive reports from management and the independent auditor, as appropriate, to:

Risk Management and Controls

- Assess the Corporation's business risk management process and the adequacy of the overall control environment, including controls in selected areas representing financial reporting, disclosure, compliance, and significant financial or business risk.
- Receive reports from the CEO and CFO on any fraud, whether or not material, that involves management or other employees who have a significant role in the Corporation's internal controls.
- Assess the annual scope and plans of the independent and internal auditors.
- Report on the activities of the Corporation's Management Audit Committee.

Financial Reporting and Disclosure Matters

- Review and discuss with management and the independent auditor the annual audited financial statements, related footnotes, disclosures made in Management's Discussion and Analysis of Financial Condition and Results of Operations, and the opinion of the independent auditor with respect to the financial statements.
- Review and discuss with management and the independent auditor the quarterly financial statements, related footnotes, disclosures made in Management's Discussion and Analysis of Financial Condition and Results of Operations, and the results of the independent auditor's quarterly review of the financial statements.

- Review and discuss with management and the independent auditor any significant events, transactions, changes in accounting estimates, changes in important accounting principles and their application, and any major issues as to the adequacy of internal controls affecting the quality of the Corporation's financial reporting. The Audit Committee Chair may represent the entire Audit Committee for this purpose.
- Review, in conjunction with the Audit Committee's review of the quarterly and annual reports, the process for the CEO and CFO certifications with respect to the financial statements and the Corporation's disclosure and internal controls.
- Receive reports from the CEO and CFO on all significant deficiencies in the design or operation of internal controls which could adversely affect the Corporation's ability to record, process, summarize, and report financial data.
- Review and discuss with management any proposed public release of earnings or guidance information, as well as financial information and earnings guidance provided to analysts and rating agencies and delegate to the Audit Committee Chair the authority, at the Chair's discretion, to review any such release, information and guidance.

Internal Audit Oversight Responsibilities

- Receive reports on the proposed scope of the audit plan and the process to develop the plan, as well as the program for integration of the independent and internal audit efforts.
- Receive reports on the status of significant findings, recommendations, and management's responses.
- Review the charter, reporting relationship, activities, organizational structure, and credentials of the Internal Audit department.

Independent Auditor Oversight Responsibilities

- Based upon a report from the independent auditor at least annually, review (a) the auditor's internal quality-control procedures, (b) any material issues raised by the most recent quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm and (c) any steps taken to address any such issues.

- Ensure that the independent auditor submits, on a periodic basis, a formal written statement delineating all relationships between the independent auditor and the Corporation, as required by the Independence Standards Board, Standard Number One; discuss the statement with the independent auditor and evaluate the relationships and services that may affect the auditor's objectivity and independence; take appropriate action to satisfy itself of the auditor's independence.
- Ensure that the independent auditor has established a procedure for the rotation, no less frequently than every five years, of the lead (or coordinating) audit partner and of the audit partner responsible for reviewing the audit.
- Consider, periodically, the rotation of the independent auditor itself.
- Review matters related to the conduct of the annual audit, which are required to be communicated by AICPA Statement of Auditing Standards 61 and other generally accepted auditing standards.
- Conduct the annual discussion with the independent auditor on the quality and acceptability of the Corporation's accounting principles and all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, the potential impact of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor.
- Review the independent auditor's management letter.
- Review with the independent auditor any audit problems or difficulties and management's response.
- Preapprove all audit and non-audit services to be provided by, and all fees to be paid to, the independent auditor or devise policies delegating pre-approval authority to one or more members of the Committee.
- Recommend to the Board policies for the Corporation's hiring of employees or former employees of the independent auditor who were engaged on the Corporation's account.

Ethical, Legal and Regulatory Compliance Matters

- Assess the Corporation's processes regarding compliance with applicable laws, regulations and its Code of Business Conduct and Ethics, including those matters that could have a significant impact on the financial statements, compliance with policies, reports from regulators and the provisions of the Code of Business Conduct and Ethics applicable to the CEO and the Corporation's senior financial officers as defined by the Securities and Exchange Commission rules.
- Assess the Corporation's policies and procedures with respect to Executive Officers' expense accounts and perquisites, including their use of corporate assets (consider the results of any review of these areas by the internal auditors).
- Assess the Committee's procedures for (a) the receipt, retention, and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters, and (b) the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
- Review reports and disclosures of significant conflicts of interest and related-party transactions.

Reports

The Audit Committee shall report to the Board with respect to its activities as promptly as practicable following each meeting of the Committee. The Committee shall report to shareholders in the Corporation's proxy statement for its annual meeting, whether the Committee has satisfied its responsibilities under this Charter.



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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark one)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2002

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 1-1150

VERIZON NEW ENGLAND INC.

A New York Corporation

I.R.S. Employer Identification No. 04-1664340

185 Franklin Street, Boston, Massachusetts 02110

Telephone Number (617) 743-9800

Securities registered pursuant to Section 12(b) of the Act: See attached Schedule A.

Securities registered pursuant to Section 12(g) of the Act: None.

THE REGISTRANT MEETS THE CONDITIONS SET FORTH IN GENERAL INSTRUCTION I(1)(a) AND (b) OF FORM 10-K AND IS THEREFORE FILING THIS FORM WITH REDUCED DISCLOSURE FORMAT PURSUANT TO GENERAL INSTRUCTION I(2).

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes No

Table of Contents

Verizon New England Inc.

SCHEDULE A

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Thirty year 7 ⁷ / ₈ % Debentures, due September 1, 2022	New York Stock Exchange
Thirty year 6 ⁷ / ₈ % Debentures, due October 1, 2023	“
Forty year 7 ⁷ / ₈ % Debentures, due November 15, 2029	“
Ten year 6 ¹ / ₄ % Notes, due March 15, 2003	“
7% Debentures, Series B, due May 15, 2042	“

Table of Contents

Verizon New England Inc.

TABLE OF CONTENTS

	Page
PART I	
Item 1. <u>Business</u> (Abbreviated pursuant to General Instruction I(2).)	1
Item 2. <u>Properties</u>	7
Item 3. <u>Legal Proceedings</u>	7
Item 4. <u>Submission of Matters to a Vote of Security Holders</u> (Omitted pursuant to General Instruction I(2).)	7
PART II	
Item 5. <u>Market for Registrant's Common Equity and Related Stockholder Matters</u>	8
Item 6. <u>Selected Financial Data</u> (Omitted pursuant to General Instruction I(2).)	8
Item 7. <u>Management's Discussion and Analysis of Results of Operations</u> (Abbreviated pursuant to General Instruction I(2).)	9
Item 7A. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	17
Item 8. <u>Financial Statements and Supplementary Data</u>	17
Item 9. <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	17
PART III	
Item 10. <u>Directors and Executive Officers of the Registrant</u> (Omitted pursuant to General Instruction I(2).)	17
Item 11. <u>Executive Compensation</u> (Omitted pursuant to General Instruction I(2).)	17
Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u> (Omitted pursuant to General Instruction I(2).)	17
Item 13. <u>Certain Relationships and Related Transactions</u> (Omitted pursuant to General Instruction I(2).)	17
Item 14. <u>Controls and Procedures</u>	18
PART IV	
Item 15. <u>Exhibits, Financial Statement Schedules, and Reports on Form 8-K</u>	18
<u>SIGNATURES</u>	20
<u>CERTIFICATIONS</u>	21

UNLESS OTHERWISE INDICATED, ALL INFORMATION IS AS OF MARCH 14, 2003.

Table of Contents

Verizon New England Inc.

RTI

Item 1. *Business*

(Abbreviated pursuant to General Instruction I (2).)

GENERAL

Verizon New England Inc. is incorporated under the laws of the State of New York. We are a wholly owned subsidiary of NYNEX Corporation (NYNEX), which is a wholly owned subsidiary of Verizon Communications Inc. (Verizon).

We presently serve a territory consisting of Local Access and Transport Areas (LATAs) in Maine, Massachusetts, New Hampshire, Rhode Island and Vermont. These LATAs are generally centered on a city or based on some other identifiable common geography.

We currently provide two basic types of telecommunications services:

- *Exchange telecommunication service* is the transmission of telecommunications among customers located within a local calling area within a LATA. Examples of exchange telecommunications services include switched local residential and business services, local private line voice and data services and Centrex services. We also provide toll services within a LATA (intraLATA long distance).
- *Exchange access service* links a customer's premises and the transmission facilities of other telecommunications carriers, generally interLATA carriers. Examples of exchange access services include switched access and special access services.

As of December 31, 2002, we had approximately 15,300 employees. Approximately 85% of our employees (associates) are covered by collective bargaining agreements. Collective bargaining agreements with the unions expire in August 2003.

REGULATION

Telecommunications Act of 1996

We face increasing competition in all areas of our business. The Telecommunications Act of 1996 (1996 Act), regulatory and judicial actions and the development of new technologies, products and services have created opportunities for alternative telecommunication service providers, many of which are subject to fewer regulatory constraints.

In-Region Long Distance

Under the 1996 Act, our ability to offer in-region long distance services (that is, services originating in the states where we operate as a local exchange carrier) is largely dependent on satisfying specified requirements. The requirements include a 14-point "competitive checklist" of steps which we must take to help competitors offer local services through resale, through purchase of unbundled network elements (UNEs), or by interconnecting their own networks to ours. We must also demonstrate to the Federal Communications Commission (FCC) that entry into the in-region long distance market would be in the public interest.

On April 16, 2001, February 22, 2002, April 17, 2002, June 19, 2002, and September 25, 2002, the FCC released orders approving our applications for permission to enter the in-region long distance markets in Massachusetts, Rhode Island, Vermont, Maine and New Hampshire, respectively. The U.S. Court of Appeals has remanded the Massachusetts order to the FCC for further explanation on one issue, but left our long distance authority in effect. Since April 26, 2001, March 7, 2002, April 30, 2002, July 1, 2002 and October 23, 2002 in-region long distance service is being offered in Massachusetts, Rhode Island, Vermont, Maine and New Hampshire, respectively, by a separate non-regulated subsidiary of Verizon as required by law.

Table of Contents

Verizon New England Inc.

C Regulation and Interstate Rates

We are subject to the jurisdiction of the FCC with respect to interstate services and related matters. In 2002, the FCC continued to implement reforms to the interstate access charge system and to implement the "universal service" and other requirements of the 1996 Act.

Access Charges and Universal Service

On May 31, 2000, the FCC adopted the Coalition for Affordable Local and Long Distance Services (CALLS) plan as a comprehensive five-year plan for regulation of interstate access charges. The CALLS plan has three main components. First, it establishes a portable interstate access universal service support of \$650 million for the industry. This explicit support replaces implicit support embedded in interstate access charges. Second, the plan simplifies the patchwork of common line charges into one subscriber line charge (SLC) and provides for de-averaging of the SLC by zones and class of customers in a manner that will not undermine comparable and affordable universal service. Third, the plan sets into place a mechanism to transition to a set target of \$0.0055 per minute for switched access services. Once that target rate is reached, local exchange carriers are no longer required to make further annual price cap reductions to their switched access prices. The annual reductions leading to the target rate, as well as annual reductions for the subset of special access services that remain subject to price cap regulation was set at 6.5% per year.

On September 10, 2001, the U.S. Court of Appeals for the Fifth Circuit ruled on an appeal of the FCC order adopting the plan. The court upheld the FCC on several challenges to the order, but remanded two aspects of the decision back to the FCC on the grounds that they lacked sufficient justification. The court remanded back to the FCC for further consideration its decision setting the annual reduction factor at 6.5% minus an inflation factor and the size of the new universal service fund at \$650 million. The entire plan (including these elements) will continue in effect pending the FCC's further consideration of its justification of these components. As a result of tariff adjustments which became effective in July 2002, we reached the \$0.0055 benchmark.

The FCC has adopted rules for special access services that provide for pricing flexibility and ultimately the removal of services from price cap regulation when prescribed competitive thresholds are met. In order to use these rules, carriers must forego the ability to take advantage of provisions in the current rules that provide relief in the event earnings fall below prescribed thresholds. Verizon has been authorized to remove special access and dedicated transport services from price caps in 36 Metropolitan Statistical Areas (MSAs) in the former Bell Atlantic territory and in 17 additional MSAs in the former GTE territory. In addition, the FCC has found that in 20 MSAs Verizon has met the stricter standards to remove special access connections to end-user customers from price caps. Verizon also has an application pending that, if granted, would remove an additional three MSAs, and special access connections to end-user customers in two additional MSAs, from price cap regulation.

In November 1999, the FCC adopted a new mechanism for providing universal service support to high cost areas served by large local telephone companies. This funding mechanism provides additional support for local telephone services in several states served by Verizon. This system has been supplemented by the new FCC access charge plan described above. On July 31, 2001, the U.S. Court of Appeals for the Tenth Circuit reversed and remanded to the FCC for further proceedings. The court concluded that the FCC had failed to adequately explain some aspects of its decision and had failed to address any need for a state universal service mechanism. The current universal service mechanism remains in place pending the outcome of any FCC review as a result of these appeals.

Unbundling of Network Elements

In November 1999, the FCC announced its decision setting forth new unbundling requirements, eliminating elements that it had previously required to be unbundled, limiting the obligation to provide others and adding new elements.

In addition to the unbundling requirements released in November 1999, the FCC released an order in a separate proceeding in December 1999, requiring incumbent local exchange companies also to unbundle and provide to competitors the higher frequency portion of their local loop. This provides competitors with the ability to provision data services on top of incumbent carriers' voice services.

In July 2000, the U.S. Court of Appeals for the Eighth Circuit found that some aspects of the FCC's requirements for pricing UNEs were inconsistent with the 1996 Act. In particular, it found that the FCC was wrong to require incumbent

Table of Contents

Verizon New England Inc.

riers to base these prices not on their real costs but on the imaginary costs of the most efficient equipment and the most efficient network configuration. This portion of the court's decision was stayed pending review by the U.S. Supreme Court. On May 13, 2002, the U.S. Supreme Court reversed that decision and upheld the FCC's pricing rules.

On May 24, 2002, the U.S. Court of Appeals for the D.C. Circuit released an order that overturned the most recent FCC decision establishing which network elements were required to be unbundled. In particular, the court found that the FCC did not adequately consider the limitations of the "necessary and impair" standards of the 1996 Act when it chose national rules for unbundling and that it failed to consider the relevance of competition from other types of service providers, including cable and satellite. The court also vacated a separate order that had authorized an unbundling requirement for "line sharing" where a competing carrier purchases only a portion of the copper connection to the end-user in order to provide high-speed broadband services using digital subscriber line (DSL) technology. Several parties, including the FCC, petitioned the court for rehearing of the court order. The court rejected the petitions that asked it to change its decision on September 4, 2002. The court did, however, stay its order vacating the FCC's rules until February 20, 2003, to provide the FCC time to complete an ongoing rulemaking to determine what elements should be unbundled. Several carriers have sought U.S. Supreme Court review of the underlying court decision. That request remains pending.

On October 25, 2002, the U.S. Court of Appeals for the D.C. Circuit released an order upholding the FCC's decisions that established interim limits on the availability of combinations of UNEs known as enhanced extended links or "EELs." EELs consist of unbundled loops and transport elements. The FCC decisions limited access to EELs to carriers that would use them to provide a significant amount of local traffic, and not just use them as substitutes for special access services.

Prior to the issuance of these orders from the U.S. Court of Appeals for the D.C. Circuit, the FCC had already begun a review of the scope of its unbundling requirement through a rulemaking referred to as the triennial review of UNEs. This rulemaking reopens the question of what network elements must be made available on an unbundled basis under the 1996 Act and will revisit the unbundling decisions made in the order overturned by the U.S. Court of Appeals for the D.C. Circuit. In this rulemaking, the FCC also will address other pending issues relating to unbundled elements, including the question of whether competing carriers may substitute combinations of unbundled loops and transport for already competitive special access services. On February 20, 2003, the FCC announced a decision in its triennial review of UNEs, but the order has not yet been released.

Compensation for Internet Traffic

On April 27, 2001, the FCC released an order addressing intercarrier compensation for dial-up connections for Internet-bound traffic. The FCC found that Internet-bound traffic is interstate and subject to the FCC's jurisdiction. Moreover, the FCC again found that Internet-bound traffic is not subject to reciprocal compensation under Section 251(b)(5) of the 1996 Act. Instead, the FCC established federal rates per minute for this traffic that decline from \$0.0015 to \$0.0007 over a three-year period. The FCC order also sets caps on the total minutes of this traffic that may be subject to any intercarrier compensation and requires that incumbent local exchange carriers must offer to both bill and pay reciprocal compensation for local traffic at the same rate as they are required to pay on Internet-bound traffic. On May 3, 2002, the U.S. Court of Appeals for the D.C. Circuit rejected part of the FCC's rationale for its April 27, 2001 order, but declined to vacate the order while it is on remand.

Several parties requested rehearing, asking the court to vacate the underlying order. Those requests were denied in a series of orders released on September 24, 2002 and September 25, 2002. One carrier has sought U.S. Supreme Court review of that denial. In the meantime, pending further action by the FCC, the FCC's underlying order remains in effect.

State Regulation of Rates and Services

Maine

In June 2001, the Maine Public Utilities Commission (PUC) ordered the continuation of an Alternative Form of Regulation (AFOR) for a second five-year term. Key aspects of the new plan:

- Eliminates annual filings to adjust rates of core services;
- Eliminates the 4.5% productivity factor applied in the initial AFOR term;

- Provides total pricing flexibility for all services except local service, operator services and directory assistance;

Table of Contents

Verizon New England Inc.

- Allows an increase in local service rates that offsets (in whole or in part) a legislatively required access charge reduction;
- Rejects proposals to institute over 9,000 retail service quality measures and instead continues the current service quality plan with some modifications; and
- Requires monitoring of toll rate/revenue reductions to insure that toll users benefit from the access reductions, either in reduced toll rates from us, or in toll savings from alternative carriers. At the end of a two-year monitoring period that began December 31, 2000, our toll rates/revenues must be \$19.8 million lower, or additional cuts in toll rates will be required. Thereafter, toll rates are unrestricted. On February 6, 2003, we filed with the PUC proof that the required reduction in toll revenues had occurred and that no further regulation of toll prices is required. PUC consideration of our filing is pending.

The Maine Public Advocate appealed the PUC's AFOR decision to the Maine Supreme Judicial Court, claiming that any extension to the AFOR must be preceded by an investigation of our costs and earnings utilizing traditional rate of return principles. On February 28, 2003, the court ruled that while state law requires that telephone rates under an AFOR are no higher than under rate of return regulation, the PUC has broad discretion in making such a determination that would not necessarily require a full rate of return inquiry. However, the court vacated and remanded the decision to the PUC for its failure to expressly make such a determination, or in the alternative that if such a showing cannot be made, that it nonetheless remains in the best interest of ratepayers to proceed with an AFOR. No change in any of our rates is required by the court's decision while the remand proceeding is pending.

Massachusetts

In April 2001, we filed with the Massachusetts Department of Telecommunications and Energy (DTE) a proposed alternative regulatory plan to replace the price regulation plan that was to expire in August 2001. On May 8, 2002, the DTE issued its decision in Phase I of the case in which it found that we had demonstrated the existence of sufficient competition for most of its retail business services and granted us pricing flexibility on the services. Price increases are not constrained. Price decreases are subject to price floor requirements. In addition, the DTE ruled that we should reduce state switched access prices to interstate levels on a revenue neutral basis by increases in residence dial tone rates. With respect to residence services, the DTE tentatively concluded that we should have pricing flexibility for non-basic services but that increases in basic services should be limited. The DTE directed us to file proposals consistent with its findings. These proposals are under review by the DTE in Phase II of the case, and a decision is pending.

On July 11, 2002, the DTE issued a comprehensive order in which it ruled on the cost studies used for setting our prices for UNEs. Several parties, including us, filed motions for reconsideration of various portions of the order. On January 14, 2003, the DTE issued its ruling on the motions and directed us to file new cost studies consistent with the rulings within 30 days.

On December 20, 2002, the DTE issued its decision in response to a remand by the United States District Court for the Eastern District of Massachusetts in an appeal brought by WorldCom Inc. and Global NAPS Inc. related to several orders of the DTE dating back to May 1999. The court ruled in an August 2002 decision that DTE orders finding that reciprocal compensation was not owed on Internet-bound traffic did not comply with federal law because the DTE had not rested its rulings on the specific language of the interconnection agreements. In its latest decision, the DTE ruled that the plain terms of the agreements excluded Internet-bound traffic from the scope of the reciprocal compensation provisions, and therefore, we had no obligation to pay reciprocal compensation on such traffic. Global NAPS Inc. and WorldCom Inc. have appealed the DTE's decision to the United States District Court for the Eastern District of Massachusetts.

New Hampshire

Our operations in New Hampshire are currently subject to rate of return regulation.

Rhode Island

In pursuant to a directive of the Rhode Island Public Utilities Commission (RIPUC), we filed in July 2002 a proposal for a new alternative regulation plan to replace the existing price cap plan that was to expire in December 2002. Following the close of evidentiary hearings in the case, the Rhode Island Division of Public Utilities and Carriers (Division) and our company filed a

stipulation on December 6, 2002 resolving all issues in the case. The principal components of the stipulated plan are:

4

Table of Contents

Verizon New England Inc.

- No index or price cap formula;
- Pricing flexibility for all business services, subject to a long-run incremental cost (LRIC)-based price floor;
- The company may increase residential basic exchange rates by \$1 per year in years one and two. An additional \$1 increase in year three will be subject to RIPUC and Division review;
- The company may pass through exogenous changes, subject to a \$2.5 million annual cap, but must absorb the first \$1 million in exogenous changes in the year in which approval is sought;
- The company will continue its voluntary funding of a discount program for Internet access for schools and libraries at up to \$2 million per year until the earlier of December 31, 2004, or the implementation of an alternative funding mechanism (e.g., legislation);
- The current retail service quality plan is maintained with certain modifications; and
- The term of the plan is three years.

After further hearing and briefing, the RIPUC approved the stipulation at an open meeting on January 10, 2003, with two modifications. First, the RIPUC imposed limits on price increases for all other non-basic residential services as follows:

For services priced at \$5 or less, rates may increase 15% per year

For services priced at \$5.01 to \$10, rates may increase 10% per year

For services priced over \$10, rates may increase 5% per year

Second, the company is required to file quarterly reports showing for each wire center in the state the number of access lines served by the company and the number and type of access lines served by competitors. The RIPUC is expected to enter a written order shortly.

Vermont

In 2000, the Vermont Public Service Board approved a five-year incentive regulation plan that will provide us with increased flexibility to introduce and price new products and services. The plan also removes most restrictions on our earnings from Vermont operations during the life of the plan and contains no productivity adjustment. The plan limits our ability to raise prices on existing products and services, and requires revenue reductions of \$16.5 million at the outset of the plan, \$6.5 million during the first year of the plan and approximately \$6.0 million over the subsequent years of the plan. The plan also requires some service quality improvements subject to financial penalty.

COMPETITION

Current and potential competitors in telecommunication services include long distance companies, other local telephone companies, cable companies, wireless service providers, foreign telecommunications providers, electric utilities, Internet service providers and other companies that offer network services. Many of these companies have a strong market presence, brand recognition and existing customer relationships, all of which contribute to intensifying competition and may affect our future revenue growth.

Local Exchange Services

The ability to offer local exchange services has historically been subject to regulation by state regulatory commissions. Applications from competitors to provide and resell local exchange services have been approved in our jurisdictions. The 1996 Act has significantly increased the level of competition in our local exchange markets.

One of the purposes of the 1996 Act was to ensure, and accelerate, the emergence of competition in local exchange markets. Toward this end, the 1996 Act requires most existing local exchange carriers (incumbent local exchange carriers, or ILECs), including our company, to permit potential competitors (CLECs) to:

- purchase service from the ILEC for resale to CLEC customers;
- purchase UNEs from the ILEC; and/or
- interconnect the CLEC's network with the ILEC's network.

Table of Contents

Verizon New England Inc.

As a result, competition in our local exchange markets continues to increase. We are generally required to sell our services to CLECs at discounts from the prices we charge our retail customers.

Long Distance Services

We offer intraLATA long distance services. IntraLATA toll calls originate and terminate within the same LATA, but generally cover a greater distance than a local call. State regulatory commissions rather than federal authorities generally regulate these services. Federal regulators have jurisdiction over interstate toll services. All of our state regulatory commissions permit other carriers to offer intraLATA toll services within our states.

Alternative Access Services

A substantial portion of our revenues from business and government customers is derived from a relatively small number of large, multiple-line subscribers.

We face competition from alternative communications systems, constructed by large end-users, interexchange carriers and alternative access vendors, which are capable of originating and/or terminating calls without the use of our plant. The FCC's orders requiring us to offer collocated interconnection for special and switched access services have enhanced the ability of such alternative access providers to compete with us.

Other potential sources of competition include cable television systems, shared tenant services and other noncarrier systems which are capable of bypassing our local plant, either partially or completely, through substitution of special access for switched access or through concentration of telecommunications traffic on fewer of our lines.

Wireless Services

Wireless services also constitute a significant source of competition to our wireline telecommunications services, especially as wireless carriers (including Verizon Wireless) expand and improve their network coverage and continue to lower their prices to end-users. As a result, more end-users are substituting wireless services for basic wireline service. Wireless telephone services can also be used for data transmission.

Public Telephone Services

The growth of wireless communications has significantly decreased usage of public telephones, as more customers are substituting wireless services for public telephone services. In addition, we face competition from other providers of public telephone services.

Operator Services

Our operator services product line faces competition from alternative operator services providers and Internet service providers.

Table of Contents

Verizon New England Inc.

em 2. *Properties*

GENERAL

Our principal properties do not lend themselves to simple description by character and location. Our investment in plant, property and equipment consisted of the following at December 31:

	2002	2001
Central office equipment	46%	45%
Outside communications plant	41	41
Land and buildings	6	6
Furniture, vehicles and other work equipment	5	5
Other	2	3
	100%	100%

“Central office equipment” consists of switching equipment, transmission equipment and related facilities. “Outside communications plant” consists primarily of aerial cable, underground cable, conduit and wiring, and telephone poles. “Land and buildings” consists of land and land improvements, and principally central office buildings. “Furniture, vehicles and other work equipment” consists of public telephone instruments and telephone equipment, furniture, office equipment, motor vehicles and other work equipment. “Other” property consists primarily of plant under construction, capital leases, capitalized computer software costs and leasehold improvements.

All of our properties, located in the states of Maine, Massachusetts, New Hampshire, Rhode Island and Vermont, are generally in good operating condition and are adequate to satisfy the needs of our business.

Our customers are served by electronic switching systems that provide a wide variety of services. Our network has full digital capability to furnish advanced data transmission and information management services.

CAPITAL EXPENDITURES

We continue to make significant capital expenditures to meet the demand for communications services and to further improve such services. Capital spending was approximately \$820 million in 2002, \$1,282 million in 2001 and \$1,383 million in 2000. Capital spending for those years excludes capitalized non-network software and additions under capital leases. Our total investment in plant, property and equipment was approximately \$17.3 billion at December 31, 2002, \$17.0 billion at December 31, 2001 and \$15.9 billion at December 31, 2000, including the effect of retirements, but before deducting accumulated depreciation.

Item 3. *Legal Proceedings*

There were no proceedings reportable under Item 3.

Item 4. *Submission of Matters to a Vote of Security Holders*

(Omitted pursuant to General Instruction I(2).)

Table of Contents

Verizon New England Inc.

ART II

Item 5. *Market for Registrant's Common Equity and Related Stockholder Matters*

Not applicable.

Item 6. *Selected Financial Data*

(Omitted pursuant to General Instruction I(2).)

Table of Contents

Verizon New England Inc.

Item 7. Management's Discussion and Analysis of Results of Operations

(Abbreviated pursuant to General Instruction I(2).)

This discussion should be read in conjunction with the Financial Statements and Notes to Financial Statements listed in the index set forth on page F-1.

OVERVIEW

Description of Business

Verizon New England Inc. is a wholly owned subsidiary of NYNEX Corporation (NYNEX), which is a wholly owned subsidiary of Verizon Communications Inc. (Verizon). We presently serve a territory consisting of Local Access and Transport Areas (LATAs) in Maine, Massachusetts, New Hampshire, Rhode Island and Vermont. We have one reportable segment which provides domestic wireline telecommunications services. We currently provide two basic types of telecommunications services:

- *Exchange telecommunication service* is the transmission of telecommunications among customers located within a local calling area within a LATA. Examples of exchange telecommunications services include switched local residential and business services, local private line voice and data services and Centrex services. We also provide toll services within a LATA (intraLATA long distance).
- *Exchange access service* links a customer's premises and the transmission facilities of other telecommunications carriers, generally interLATA carriers. Examples of exchange access services include switched access and special access services.

The communications services we provide are subject to regulation by the state regulatory commissions of Maine, Massachusetts, New Hampshire, Rhode Island and Vermont with respect to intrastate rates and services and other matters. The Federal Communications Commission (FCC) regulates rates that we charge long distance carriers and end-user subscribers for interstate access services. For a further discussion of the Company and our regulatory plans, see Item 1—"Description of Business."

Critical Accounting Policies

A summary of the critical accounting policies used in preparing our financial statements are as follows:

Most of our employees participate in Verizon's defined benefit pension plans and postretirement benefit plans. In the aggregate, the fair value of pension plan assets exceeds pension plan benefit obligations. Significant pension and postretirement benefit plan assumptions, including the discount rate used, the long-term rate of return on plan assets, and medical cost trend rates are periodically updated and impact the amount of pension plan results, assets and obligations. For more information on pension plan assumptions, see Note 8 to the financial statements.

Our current and deferred income taxes and associated valuation allowances (if any) are impacted by events and transactions arising in the normal course of business, as well as in connection with special and non-recurring items. Assessment of the appropriate amount and classification of income taxes is dependent on several factors, including estimates of the timing and realization of deferred income tax assets and the timing of income tax payments. Actual collections and payments may differ from these estimates as a result of changes in tax laws, as well as unanticipated future transactions impacting related income tax balances.

We compute depreciation on plant, property, and equipment principally on the composite group remaining life method and straight-line composite rates over estimated useful lives ranging from 3 to 50 years. This method provides for the recognition of the cost of the remaining net investment in telephone plant, less anticipated net salvage value (if any), over the remaining asset lives. This method requires the periodic revision of depreciation rates. For a discussion of a change in the accounting for the retirement of certain assets see "Other Matters—Recent Accounting Pronouncements—Asset Retirement Obligations" below. Changes in the estimated useful lives of plant, property, and equipment or depreciation methods could have a material effect on our results of operations.

Table of Contents

Verizon New England Inc.

We recognize service revenues based upon usage of our local exchange network and facilities and contract fees. We recognize product and other service revenues when the products are delivered and accepted by the customers and when services are provided in accordance with contract terms.

In the course of conducting our business, we provide services to and purchase goods and services from affiliated companies. These transactions are supported by tariff rates or contractual agreements the terms of which require estimates and judgments to fairly value such transactions.

All of our significant accounting policies are described in Note 1 to the financial statements.

RESULTS OF OPERATIONS

We reported net income of \$233.2 million in 2002, compared to net income of \$294.9 million in 2001. Our reported results included the following special items:

Employee Terminations

The following table provides a summary of the special charges recorded in 2002 and 2001 related to employee terminations.

(Dollars in Millions)	Years ended December 31	
	2002	2001
Special termination benefits	\$ 1.3	\$ 114.0
Settlement loss	33.0	—
Curtailement loss	92.6	—
Subtotal	126.9	114.0
Employee severance	64.8	72.0
Total special charges	\$ 191.7	\$ 186.0

As part of a Verizon workforce reduction plan, we have continued to reduce our headcount as allowed under various management associate employee benefit plans. As a result, we recorded \$1.3 million and \$114.0 million in 2002 and 2001, respectively, in connection with various pension and retirement benefit enhancements. Also during 2002, we recorded a \$33.0 million pension settlement loss as lump-sum payments exceeded the threshold of service and interest costs. Additionally, in the fourth quarter of 2002, we recorded a curtailment loss of \$92.6 million associated with a significant reduction of the expected years of future service of present employees, which was largely impacted by the involuntary employee terminations in December 2002. The special termination benefits, curtailment and settlement of pension obligations are recorded in accordance with Statement of Financial Accounting Standards (SFAS) No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Pension Plans and for Termination Benefits" and SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions."

Also during 2002 and 2001, we recorded special charges of \$64.8 million and \$72.0 million, respectively, for the voluntary and involuntary separation of management and associate employees in accordance with SFAS No. 112, "Employers' Accounting for Postemployment Benefits." As of December 31, 2002, a total of over 1,900 employees have been separated under the 2001 and 2002 severance programs. We expect to complete the termination of the employees within a year of when the respective charges were recorded. Employee benefit costs are recorded in operations and support expense in our statements of income.

See Note 8 to the financial statements for additional information about our employee benefits.

WorldCom Inc.

In 2002, we recorded an impairment charge of \$43.5 million driven by our financial statement exposure to WorldCom Inc. (WorldCom). This charge was recorded in operations and support expense in our statements of income.

WorldCom, including its affiliates, purchases dedicated local exchange capacity from us to support its private networks and we also charge WorldCom for access to our local network. In addition, we sell local wholesale interconnection services and

Table of Contents

Verizon New England Inc.

provide billing and collection services to WorldCom. We purchase long distance and related services from WorldCom. On July 21, 2002, WorldCom filed for Chapter 11 bankruptcy protection.

During 2002, we recorded revenues earned from the provision of primarily network access services to WorldCom of \$187.1 million. If WorldCom terminates contracts with us for the provision of services, our operating revenues would be lower in future periods. Lower revenues as a result of canceling contracts for the provision of services could be partially offset, in some cases, by the migration of customers on the terminated facilities to us or other carriers who purchase capacity and/or interconnection services from us.

At December 31, 2002, accounts receivable from WorldCom, net of a provision for uncollectibles, was \$37.5 million. We continue to closely monitor our collections on WorldCom account balances. WorldCom is current with respect to its post-bankruptcy obligations. We believe that we are adequately reserved for the potential risk of non-payment of pre-bankruptcy receivables from WorldCom.

Extraordinary Items

During 2002, we recorded extraordinary charges that reduced net income by \$22.9 million (net of an income tax benefits of \$14.9 million) associated with early extinguishments of long-term debt. The extinguishments consisted of the following:

- Our \$175.0 million 6.3% notes due in 2012 were subject to a mandatory redemption at 100% of the principal amount plus accrued interest on December 16, 2002. The redemption price was 100% of face value plus accrued interest. During September 2002, we recorded an extraordinary charge associated with the buyout of the option to remarket these securities, which reduced net income by \$18.6 million (net of income tax benefits of \$12.1 million).
- In March 2002, we redeemed \$100.0 million of 6 1/8 % debentures due on October 1, 2006, \$125.0 million of 6 3/8 % debentures due on September 1, 2008 and \$75.0 million of 9% debentures due on August 1, 2031.

During 2001, we recorded an extraordinary charge associated with the early extinguishment of debt, which reduced net income by \$29,000 (net of an income tax benefit of \$18,800). We redeemed \$50.0 million 4 1/2 % debenture due on July 1, 2002.

Cumulative Effect of Change in Accounting Principle

In 2001, we recorded a credit to earnings of \$.3 million (net of income taxes of \$.1 million) for the cumulative effect of a change in accounting principle associated with the adoption of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," on January 1, 2001. For additional information, see Note 6 to the financial statements.

Transactions with Affiliates

Our financial statements include transactions with affiliates. The more significant affiliate transactions include revenues earned from Verizon Internet Services Inc., Verizon Advanced Data Inc., Verizon Services, Verizon Wireless Inc. and Verizon Long Distance for utilization of our network facilities and provision of services.

In addition, our operating revenues and expenses include transactions with other Verizon Operating Telephone Companies primarily for the rental of facilities and equipment and interconnection services.

Further, we recognize operating expenses in connection with contractual arrangements with affiliates, primarily Verizon Services, for the provision of various centralized services to us. We recognize interest income and interest expense in connection with contractual agreements with Verizon Network Funding Corporation, Verizon NSI Holdings Inc. and Bell Atlantic Administrative Services, Inc. for the provision of short-term financing and cash management services. We recognize equity income from our investment in Verizon Services Group. Through January 2003, we recognized equity losses from our investment in Verizon Ventures III Inc. (Ventures III). We also pay quarterly dividends to our parent, NYNEX.

See Note 10 to the financial statements for additional information about our transactions with affiliates.

Table of Contents

Verizon New England Inc.

These and other items affecting the comparison of our results of operations for the years ended December 31, 2002 and 2001 are discussed in the following sections.

OPERATING REVENUES

(Dollars in Millions)

Years Ended December 31	2002	2001
Local services	\$ 2,290.1	\$ 2,471.2
Network access services	1,491.5	1,523.4
Long distance services	368.2	420.6
Other services	215.6	235.0
Total	\$ 4,365.4	\$ 4,650.2

LOCAL SERVICES

	(Decrease)
2002—2001	\$ (181.1) (7.3)%

Local service revenues are earned from the provision of local exchange, local private line, wire maintenance, voice messaging and value-added services. Value-added services are a family of services that expand the utilization of the network, including products such as Caller ID, Call Waiting and Return Call. The provision of local exchange services not only includes retail revenues, but also includes local wholesale revenues from unbundled network elements (UNEs), interconnection revenues from competitive local exchange carriers (CLECs), certain data transport revenues and wireless interconnection revenues.

Local service revenues declined in 2002 primarily due to the effect of lower demand and usage of some basic wireline services and price discounts on product bundling offers. Our switched access lines in service declined 5.2% from December 31, 2001 to December 31, 2002, primarily reflecting the impact of the economic slowdown and competition. Technology substitution has also affected local service revenue growth, as indicated by lower demand for residential access lines. In addition, the effect of lower billings to CLECs for the purchase of UNEs and for interconnection of their network with our network further contributed to the decrease in local service revenues in 2002.

NETWORK ACCESS SERVICES

	(Decrease)
2002—2001	\$ (31.9) (2.1)%

Network access service revenues are earned from end-user subscribers and from long distance and other competing carriers who use our local exchange facilities to provide usage services to their customers. Switched access revenues are derived from fixed and usage-based charges paid by carriers for access to our local network. Special access revenues originate from carriers and end-users that buy dedicated local exchange capacity to support their private networks. End-user access revenues are earned from our customers and from resellers who purchase dial-tone services.

The decrease in network access revenues in 2002 was mainly attributable to lower demand for switched access services due, in part, to the weakened economy and technology substitution. Network access revenues were also lower due to mandated price reductions on interstate and intrastate services and other regulatory decisions. These factors were partially offset by higher revenues from special access services, as more customers in the business market demand high-capacity, high-speed digital services.

Table of Contents

Verizon New England Inc.

LONG DISTANCE SERVICES

		(Decrease)	
2002—2001	\$	(52.4)	(12.5)%

Long distance revenues are earned primarily from calls made to points outside a customer's local calling area, but within our service area (intraLATA toll). IntraLATA toll calls originate and terminate within the same LATA, but generally cover a greater distance than a local call. These services are regulated by state regulatory commissions except where they cross state lines. Other long distance services that we provide include 800 services and Wide Area Telephone Service (WATS).

Long distance service revenues declined in 2002 primarily due to the effects of competition and toll calling discount packages and product bundling offers of our intraLATA toll services. Technology substitution and lower access line growth due to the slowing economy also affected long distance service revenue growth.

OTHER SERVICES

		(Decrease)	
2002—2001	\$	(19.4)	(8.3)%

Our other services include such services as billing and collections for long distance carriers and affiliates, facilities rentals to affiliates and nonaffiliates, public (pay) telephone, customer premises equipment (CPE) and sales of materials and supplies to affiliates. Other service revenues also include fees paid by customers for nonpublication of telephone numbers and multiple white page listings and fees paid by an affiliate for usage of our directory listings.

~~Other service revenues decreased in 2002 primarily due to the effect of a one-time reclassification in 2001 associated with regulatory-related activities. In addition, lower facilities rental revenues also contributed to the decrease in other service revenues.~~

OPERATING EXPENSES

(Dollars in Millions)

OPERATIONS AND SUPPORT

		Increase	
2002—2001	\$	19.7	.7%

Operations and support expenses consist of employee costs and other operating expenses. Employee costs consist of salaries, wages and other employee compensation, employee benefits and payroll taxes. Other operating expenses consist of contract services including centralized services expenses allocated from affiliates, rent, network software costs, operating taxes other than income, the provision for uncollectible accounts receivable, reciprocal compensation, and other costs.

The increase in operations and support expenses was mainly attributable to increased costs of approximately ~~\$62 million associated with uncollectible accounts receivable in 2002~~, as compared to 2001. Employee costs increased slightly in 2002 due to higher benefit costs and salary and wage increases, substantially offset by the effect of declining workforce levels. As described earlier, we recorded charges of \$191.7 million in 2002, compared to ~~\$186.0 million in 2001 associated with employee termination costs and a charge of \$43.5 million associated with uncollectible accounts receivable from WorldCom~~. Pension income (after consideration of capitalized costs and excluding special termination charges) was \$167.2 million and \$186.7 million in 2002 and 2001, respectively.

These increases were substantially offset by lower spending for contracted and centralized services expenses principally as a result of lower volumes of business and cost containment measures.

Table of Contents

Verizon New England Inc.

DEPRECIATION AND AMORTIZATION

	Increase	
2002—2001	\$38.0	3.4%

Depreciation and amortization expense increased in 2002, as compared to 2001, primarily due to growth in depreciable telephone plant. This increase was partially offset by the effect of lower rates of depreciation.

OTHER RESULTS

(Dollars in Millions)

OTHER INCOME AND (EXPENSE), NET

	Increase	
2002—2001	\$151.0	129.1%

Other income and (expense), net includes equity income (losses), interest income and other nonoperating income and expense items.

The increase in other income and (expense), net, was primarily attributable to lower equity losses in 2002, as compared to 2001, recognized from our investment in Verizon Ventures III Inc. (Ventures III).

INTEREST EXPENSE

	Increase	
2002—2001	\$.1	.1%

Interest expense includes costs associated with borrowing and capital leases, net of capitalized interest costs. We capitalize interest associated with the acquisition or construction of plant assets. Capitalized interest is reported as a cost of plant and a reduction in interest expense.

Interest expense increased in 2002, as compared to 2001, primarily due to the effect of higher levels of long-term debt and lower capitalized interest costs resulting from lower levels of average telephone plant under construction. These increases were substantially offset by lower interest rates on short-term and variable debt with an affiliate and the effect of lower average levels of short-term debt with an affiliate.

See Note 5 to the financial statements for additional information about our debt.

EFFECTIVE INCOME TAX RATES

For the Years Ended December 31	
2002	37.4%
2001	51.0%

The effective income tax rate is the provision for income taxes as a percentage of income before provision for income taxes and extraordinary items. Our effective income tax rate was lower in 2002, as compared to 2001, primarily due to the effect of lower equity losses associated with our investment in Ventures III, for which we do not recognize income tax benefits, and an increase in non-taxable equity income from our investment in Verizon Services Group.

You can find a reconciliation of the statutory federal income tax rate to the effective income tax rate for each period in Note 9 to the financial statements.

Table of Contents

Verizon New England Inc.

OTHER MATTERS

In-Region Long Distance

Under the Telecommunications Act of 1996, our ability to offer in-region long distance services (that is, services originating in the states where we operate as a local exchange carrier) is largely dependent on satisfying specified requirements. The requirements include a 14-point "competitive checklist" of steps which we must take to help competitors offer local services through resale, through purchase of UNEs, or by interconnecting their own networks to ours. We must also demonstrate to the FCC that entry into the in-region long distance market would be in the public interest.

On April 16, 2001, February 22, 2002, April 17, 2002, June 19, 2002, and September 25, 2002, the FCC released orders approving our applications for permission to enter the in-region long distance markets in Massachusetts, Rhode Island, Vermont, Maine and New Hampshire, respectively. The U.S. Court of Appeals has remanded the Massachusetts order to the FCC for further explanation on one issue, but left our long distance authority in effect. Since April 26, 2001, March 7, 2002, April 30, 2002, July 1, 2002 and October 23, 2002 in-region long distance service is being offered in Massachusetts, Rhode Island, Vermont, Maine and New Hampshire, respectively, by a separate non-regulated subsidiary of Verizon as required by law.

Recent Accounting Pronouncements

Accounting for Stock Options

In December 2002, the Financial Accounting Standards Board (FASB) issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure." This standard amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this statement amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. This statement permits two additional transition methods (modified prospective and retroactive restatement) for entities that adopt the preferable method of accounting for stock-based employee compensation.

We participate in employee compensation plans sponsored by Verizon with awards of Verizon common stock. Effective January 1, 2003, Verizon adopted the fair value recognition provisions of SFAS No. 123, using the prospective method, for all new awards granted to employees after January 1, 2003. Under the prospective method, employee compensation expense in the first year will be recognized for new awards granted, modified, or settled. However, in subsequent years, the vesting of awards issued on or after January 1, 2003 may cause an increase in employee compensation expense.

Asset Retirement Obligations

On January 1, 2003, we adopted SFAS No. 143, "Accounting for Asset Retirement Obligations." This standard provides the accounting for the cost of legal obligations associated with the retirement of long-lived assets. SFAS No. 143 requires that companies recognize the fair value of a liability for asset retirement obligations in the period in which the obligations are incurred and capitalize that amount as part of the book value of the long-lived asset. We have determined that we do not have a material legal obligation to remove long-lived assets as described by this statement. However, we have included estimated removal costs in our group depreciation models. These costs have increased depreciation expense and accumulated depreciation for future removal costs for existing assets. These removal costs are recorded as a reduction to accumulated depreciation when the assets are retired and removal costs are incurred.

For some assets, such as telephone poles, the removal costs exceed salvage value. Under the provisions of SFAS No. 143, we are required to exclude costs of removal from our depreciation rates for assets for which the removal costs exceed salvage. Accordingly, in connection with the initial adoption of this standard on January 1, 2003, we have reversed accrued costs of removal in excess of salvage from our accumulated depreciation accounts for these assets. The adjustment was recorded as a cumulative effect of an accounting change, resulting in the recognition of a gain of approximately \$609 million (\$369 million after-tax). Effective January 1, 2003, we began expensing costs of removal in excess of salvage for these assets as incurred. The impact of this change in accounting will result in a decrease in depreciation expense and an increase in operations and support expense. We estimate the net impact in 2003, excluding the cumulative effect adjustment, will not be material to our results of operations.

Table of Contents

Verizon New England Inc.

ebt Extinguishment

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 145, among other things, eliminates the requirement that all gains and losses on the extinguishment of debt must be classified as extraordinary items on the income statement, thereby permitting the classification of such gains and losses as extraordinary items only if the criteria of Accounting Principles Board (APB) No. 30 are met. We are required to adopt this provision of SFAS No. 145 effective January 1, 2003 and, upon adoption, we will reclassify in our statements of income previously reported extraordinary charges for the early extinguishment of debt to income from continuing operations.

Exit or Disposal Activities

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This standard addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." EITF Issue No. 94-3 required accrual of liabilities related to exit and disposal activities at a plan (commitment) date. SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. The provisions of this standard are effective for exit or disposal activities that are initiated after December 31, 2002.

Contractual Obligations

The following table provides a summary of our contractual obligations at December 31, 2002. Additional detail about these items is included in the notes to the financial statements.

Contractual Obligation	Payments Due by Period (Dollars in Millions)				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Long-term debt	\$ 3,054.8	\$ 425.0	\$ 60.0	\$ 125.0	\$ 2,444.8
Capital lease obligations	1.0	.1	.2	.2	.5
Operating leases	237.2	39.9	69.9	56.6	70.8
Total contractual cash obligations	\$ 3,293.0	\$ 465.0	\$ 130.1	\$ 181.8	\$ 2,516.1

Subsequent Events

On December 5, 2002, we declared a dividend in the amount of \$157.0 million. The dividend was paid to our parent, NYNEX on February 3, 2003.

On March 6, 2003, we redeemed the entire outstanding principal amount of our \$60.0 million 4 ⁵/₈ % debentures, due July 1, 2005. This redemption will not result in a material charge to results of operations.

Table of Contents

Verizon New England Inc.

Item 7A. *Quantitative and Qualitative Disclosures About Market Risk*

We are exposed to interest rate risk in the normal course of our business. We employ risk management strategies including the use of interest rate swap agreements to manage this exposure. We do not hold derivatives for trading purposes. Our objective in managing interest rate risk is to maintain a mix of fixed and variable rate debt that will lower our overall borrowing costs within reasonable risk parameters. Our short-term borrowings from an affiliate expose our earnings to changes in short-term interest rates since the interest rate charged on such borrowings is typically fixed for less than one month. Our variable-rate medium-term borrowing from an affiliate exposes our earnings to changes in short-term interest rates since the interest rate charged is reset each quarter. We have entered into domestic interest rate swaps to achieve a targeted mix of fixed and variable rate debt.

The following table summarizes the fair values of our long-term debt and interest rate derivatives as of December 31, 2002 and 2001. The table also provides a sensitivity analysis of the estimated fair values of these financial instruments assuming 100-basis-point upward and downward parallel shifts in the yield curve. The sensitivity analysis did not include the fair values of our short-term borrowings from an affiliate or our variable-rate medium-term borrowing from an affiliate since they are not significantly affected by changes in market interest rates.

(Dollars in Millions)	December 31	
	2002	2001
Fair value of long-term debt and interest rate derivatives	\$ 2,974.0	\$ 2,871.1
Fair value assuming a +100-basis-point shift	2,793.1	2,718.1
Fair value assuming a -100-basis-point shift	3,142.9	3,014.3

It is our policy to enter into interest rate swap agreements only to the extent necessary to achieve the desired objectives of management in limiting our exposure to interest rate risk. We do not hedge all of our interest rate risk exposures in a manner that would completely eliminate the impact of changes in interest rates on our net income. We do not expect that our results of operations or liquidity will be materially affected by these risk management activities.

Item 8. *Financial Statements and Supplementary Data*

The information required by this Item is set forth on Pages F-1 through F-28.

Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure*

Not applicable.

PART III

Item 10. *Directors and Executive Officers of the Registrant*

(Omitted pursuant to General Instruction I(2).)

Item 11. *Executive Compensation*

(Omitted pursuant to General Instruction I(2).)

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

(Omitted pursuant to General Instruction I(2).)

Item 13. *Certain Relationships and Related Transactions*

(Omitted pursuant to General Instruction I(2).)

Table of Contents

Verizon New England Inc.

Item 14. *Controls and Procedures*

(a) Evaluation of Disclosure Controls and Procedures

Our chief executive officer and chief financial officer have evaluated the effectiveness of the registrant's disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) of the Securities Exchange Act of 1934), as of a date within 90 days of the filing date of this annual report (Evaluation Date), that ensure that information relating to the registrant which is required to be disclosed in this report is recorded, processed, summarized and reported, within required time periods. They have concluded that as of the Evaluation Date, the registrant's disclosure controls and procedures were adequate and effective to ensure that material information relating to the registrant and its consolidated subsidiaries would be made known to them by others within those entities, particularly during the period in which this annual report was being prepared.

(b) Changes in Internal Controls

There were no significant changes in the registrant's internal controls or in other factors that could significantly affect these controls subsequent to the Evaluation Date, nor were there any significant deficiencies or material weaknesses in these controls requiring corrective actions.

PART IV

Item 15. *Exhibits, Financial Statement Schedules, and Reports on Form 8-K*

(a) The following documents are filed as part of this report:

(1) Financial Statements

See Index to Financial Statements and Financial Statement Schedule appearing on Page F-1.

(2) Financial Statement Schedules

See Index to Financial Statements and Financial Statement Schedule appearing on Page F-1.

(3) Exhibits

Exhibits identified in parentheses below, on file with the Securities and Exchange Commission (SEC), are incorporated herein by reference as exhibits hereto.

3a Restated Certificate of Incorporation of Verizon New England Inc., dated August 19, 1988. (Exhibit No. (19)ii to Form 10-Q for the period ended March 31, 1989.)

3a(i) Certificate of Amendment of Certificate of Incorporation filed August 1, 2000. (Exhibit 3a(i) to Form 10-Q for the period ended June 30, 2000.)

3b By-Laws of the registrant, as amended October 1, 1997. (Exhibit 3b to Form 10-K for the year ended December 31, 2001.)

No instrument which defines the rights of holders of long-term debt of the registrant is filed herewith pursuant to Regulation S-K, Item 601(b)(4)(iii)(A). Pursuant to this regulation, the registrant hereby agrees to furnish a copy of any such instrument to the SEC

upon request.

12 Computation of Ratio of Earnings to Fixed Charges.

23 Consent of Independent Auditors.

Table of Contents

Verizon New England Inc.

) Reports on Form 8-K:

A Current Report on Form 8-K was furnished on November 13, 2002, containing certification statements to the Securities and Exchange Commission relating to Exchange Act filings, signed by the Chairman of the Board, President and Chief Executive Officer and by the Chief Financial Officer and Controller.

Table of Contents

Verizon New England Inc.

GNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Verizon New England Inc.

Date: March 19, 2003

By:

/s/ EDWIN F. HALL
Edwin F. Hall

Controller

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Lawrence T. Babbio, Jr. Lawrence T. Babbio, Jr.	Chairman of the Board and Chief Executive Officer (Principal Executive Officer) and Director	March 19, 2003
/s/ Lawrence R. Whitman Lawrence R. Whitman	Chief Financial Officer (Principal Financial Officer) and Director	March 19, 2003
/s/ Edwin F. Hall Edwin F. Hall	Controller	March 19, 2003
/s/ Donna C. Cupelo Donna C. Cupelo	Director	March 19, 2003
/s/ Bruce P. Beausejour Bruce P. Beausejour	Director	March 19, 2003
/s/ Paula L. Brown Paula L. Brown	Director	March 19, 2003

Table of Contents

Verizon New England Inc.

CERTIFICATIONS

I, Lawrence T. Babbio, Jr., certify that:

1. I have reviewed this annual report on Form 10-K of Verizon New England Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

- a) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - b) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 19, 2003

/s/ LAWRENCE T. BABBIO, JR.
Lawrence T. Babbio, Jr.
Chairman of the Board and
Chief Executive Officer

Table of Contents

Verizon New England Inc.

RTIFICATIONS

I, Lawrence R. Whitman, certify that:

1. I have reviewed this annual report on Form 10-K of Verizon New England Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

- b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 19, 2003

/s/ L. LAWRENCE R. WHITMAN
Lawrence R. Whitman

Chief Financial Officer

Table of Contents

Verizon New England Inc.

Index to Financial Statements and Financial Statement Schedule

	Page
Report of Independent Auditors—Ernst & Young LLP	F-2
Statements of Income	
For the years ended December 31, 2002, 2001 and 2000	F-3
Balance Sheets—December 31, 2002 and 2001	F-4
Statements of Changes in Shareowner's Investment	
For the years ended December 31, 2002, 2001 and 2000	F-6
Statements of Cash Flows	
For the years ended December 31, 2002, 2001 and 2000	F-7
Notes to Financial Statements	F-8
Schedule II—Valuation and Qualifying Accounts	
For the years ended December 31, 2002, 2001 and 2000	F-28

Financial statement schedules other than those listed above have been omitted because such schedules are not required or applicable.

Table of Contents

Verizon New England Inc.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Shareowner

Verizon New England Inc.

We have audited the accompanying balance sheets of Verizon New England Inc. (the Company) as of December 31, 2002 and 2001, and the related statements of income, changes in shareowner's investment, and cash flows for each of the three years in the period ended December 31, 2002. Our audits also included the financial statement schedule referenced in the index at Item 15(a). These financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and the financial statement schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Verizon New England Inc. at December 31, 2002 and 2001, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/Ernst & Young LLP

w York, New York

January 29, 2003

Table of Contents

Verizon New England Inc.
STATEMENTS OF INCOME
For the Years Ended December 31
(Dollars in Millions)

	2002	2001	2000
OPERATING REVENUES (including \$193.2, \$273.2 and \$131.7 from affiliates)	\$ 4,365.4	\$ 4,650.2	\$ 4,722.3
Operations and support expense (exclusive of items shown below) (including \$835.9, \$777.3 and \$855.0 to affiliates)	2,672.0	2,652.3	2,571.1
Depreciation and amortization	1,154.4	1,116.4	1,034.6
	3,826.4	3,768.7	3,605.7
OPERATING INCOME	539.0	881.5	1,116.6
OTHER INCOME AND (EXPENSE), NET (including \$30.8, \$(135.9) and \$(33.8) from affiliates)	34.0	(117.0)	(27.5)
INTEREST EXPENSE (including \$9.7, \$49.6 and \$58.4 to affiliates)	163.7	163.6	173.5
INCOME BEFORE PROVISION FOR INCOME TAXES, EXTRAORDINARY ITEM AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	409.3	600.9	915.6
PROVISION FOR INCOME TAXES	153.2	306.3	376.9
INCOME BEFORE EXTRAORDINARY ITEM AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	256.1	294.6	538.7
EXTRAORDINARY ITEM			
Early extinguishment of debt, net of tax	(22.9)	—	—
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	—	.3	—
NET INCOME	\$ <u>233.2</u>	\$ 294.9	\$ 538.7

See Notes to Financial Statements.

Table of Contents

Verizon New England Inc.

BALANCE SHEETS

(Dollars in Millions)

ASSETS

	December 31	
	2002	2001
CURRENT ASSETS		
Short-term investments	\$ 284.2	\$ 266.9
Note receivable from affiliate	—	107.2
Accounts receivable:		
Trade and other, net of allowances for uncollectibles of \$231.9 and \$142.2	843.5	1,031.0
Affiliates	374.9	296.5
Material and supplies	33.0	38.3
Prepaid expenses	64.9	30.6
Deferred income taxes	61.8	33.4
Other	117.9	127.7
	1,780.2	1,931.6
PLANT, PROPERTY AND EQUIPMENT	17,259.2	16,953.4
Less accumulated depreciation	10,735.0	10,120.9
	6,524.2	6,832.5
INTANGIBLE ASSETS, NET	121.6	139.3
OTHER ASSETS	575.7	367.5
TOTAL ASSETS	\$ 9,001.7	\$ 9,270.9
	9,067.0	

See Notes to Financial Statements.

Table of Contents

Verizon New England Inc.

BALANCE SHEETS

(Dollars in Millions)

LIABILITIES AND SHAREOWNER'S INVESTMENT

	December 31	
	2002	2001
CURRENT LIABILITIES		
Debt maturing within one year:		
Note payable to affiliate	\$ 345.2 ✓	\$ 574.4
Current portion of long-term debt:		
Affiliate	200.0 ✓	—
Other	225.1	176.3
Accounts payable and accrued liabilities:		
Affiliates	834.6	807.1
Other	804.0	829.5
Other current liabilities	156.2	162.2
	2,565.1	2,549.5
LONG-TERM DEBT		
Note payable to affiliate	—	200.0
Other	2,624.8 ✓	2,608.2
	2,624.8	2,808.2
EMPLOYEE BENEFIT OBLIGATIONS	1,730.5	1,297.0
DEFERRED CREDITS AND OTHER LIABILITIES		
Deferred income taxes	230.8	222.3
Unamortized investment tax credits	23.1 ✓	26.0
Other	185.0	199.9
	438.9	448.2
COMMITMENTS AND CONTINGENCIES (Notes 4 and 13)		
SHAREOWNER'S INVESTMENT		
Common stock-one share, without par value	1.0 ✓	1.0
Additional paid-in capital	1,520.1	1,497.4
Reinvested earnings	373.8	669.6
Accumulated other comprehensive loss	(252.5)	—
	1,642.4	2,168.0
TOTAL LIABILITIES AND SHAREOWNER'S INVESTMENT	\$ 9,001.7	\$ 9,270.9

See Notes to Financial Statements.

Table of Contents

Verizon New England Inc.

STATEMENTS OF CHANGES IN SHAREOWNER'S INVESTMENT

For the Years Ended December 31

(Dollars in Millions)

	2002	2001	2000
COMMON STOCK			
Balance at beginning of year	\$ 1.0	\$ 1.0	\$ 1.0
Balance at end of year	1.0	1.0	1.0
ADDITIONAL PAID-IN CAPITAL			
Balance at beginning of year	1,497.4	1,392.5	1,678.7
Distributions of additional paid-in capital to parent	—	(95.0)	(287.9)
Capital contribution from parent	10.0	198.3	—
Other	12.7	1.6	1.7
Balance at end of year	1,520.1	1,497.4	1,392.5
REINVESTED EARNINGS			
Balance at beginning of year	669.6	690.1	151.9
Net income	233.2	294.9	538.7
Dividends declared	(529.0)	(316.0)	—
Other	—	.6	(.5)
Balance at end of year	373.8	669.6	690.1
ACCUMULATED OTHER COMPREHENSIVE LOSS			
Balance at beginning of year	—	—	(1.6)
Minimum pension liability adjustment (net of income taxes of \$(163.8), \$0 and \$1.0)	(252.5)	—	1.6
Balance at end of year	(252.5)	—	—
TOTAL SHAREOWNER'S INVESTMENT	\$ 1,642.4	\$ 2,168.0	\$ 2,083.6
COMPREHENSIVE INCOME/(LOSS)			
Net income	\$ 233.2	\$ 294.9	\$ 538.7
Minimum pension liability adjustment (net of income taxes of \$(163.8), \$0 and \$1.0)	(252.5)	—	1.6
TOTAL COMPREHENSIVE INCOME/(LOSS)	\$ (19.3)	\$ 294.9	\$ 540.3

See Notes to Financial Statements.

Table of Contents

Verizon New England Inc.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31
(Dollars in Millions)

	2002	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before extraordinary item and cumulative effect of change in accounting principle.	\$ 256.1	\$ 294.6	\$ 538.7
Adjustments to reconcile income before extraordinary item and cumulative effect of change in accounting principle to net cash provided by operating activities:			
Depreciation and amortization	1,154.4	1,116.4	1,034.6
Employee retirement benefits	10.6	(37.9)	(128.2)
Deferred income taxes, net	141.1	64.5	152.1
Provision for uncollectible accounts	228.8	166.6	91.9
Equity (income)/loss from affiliates	(29.5)	138.2	33.8
Dividends received from equity affiliates	26.2	28.1	21.6
Changes in current assets and liabilities:			
Accounts receivable	(119.7)	(241.0)	(221.7)
Material and supplies	5.3	(5.6)	36.9
Other current assets	(14.2)	5.2	(71.8)
Accounts payable and accrued liabilities	(22.2)	196.0	(61.6)
Other current liabilities	(6.0)	(1.6)	123.3
Other items, net	(142.6)	(227.6)	(181.7)
Net cash provided by operating activities	1,488.3	1,495.9	1,367.9
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of short-term investments	(284.2)	(266.9)	(176.5)
Proceeds from sale of short-term investments	266.9	176.5	166.9
Capital expenditures	(820.4)	(1,281.9)	(1,382.5)
Investment in unconsolidated business	(8.7)	(198.3)	—
Net change in note receivable from affiliate	107.2	(107.2)	—
Capitalized non-network software	(13.6)	(61.3)	(95.0)
Other, net	(1.3)	50.3	—
Net cash used in investing activities	(754.1)	(1,688.8)	(1,487.1)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	464.9	993.2	124.7
Proceeds from medium-term note payable to affiliate	—	—	200.0
Principal repayments of borrowings and capital lease obligations	(1.1)	(100.0)	(100.3)
Early extinguishment of debt	(475.0)	(50.0)	—
Net change in note payable to affiliate	(229.2)	(491.6)	344.9
Dividends paid	(498.0)	(190.0)	—
Distributions of additional paid-in capital	—	(145.0)	(460.9)
Capital contribution from parent	10.0	198.3	—
Net change in outstanding checks drawn on controlled disbursement accounts	(6.8)	(22.0)	8.3
Net cash (used in)/provided by financing activities	(734.2)	192.9	116.7
NET CHANGE IN CASH	—	—	(2.5)
CASH, BEGINNING OF YEAR	—	—	2.5

CASH, END OF YEAR

\$ — \$ — \$ —

See Notes to Financial Statements.

F-7

Table of Contents

Verizon New England Inc.

NOTES TO FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Verizon New England Inc. is a wholly owned subsidiary of NYNEX Corporation (NYNEX), which is a wholly owned subsidiary of Verizon Communications Inc. (Verizon). We presently serve a territory consisting of Local Access and Transport Areas (LATAs) in Maine, Massachusetts, New Hampshire, Rhode Island and Vermont. We have one reportable segment which provides domestic wireline telecommunications services. We currently provide two basic types of telecommunications services:

- *Exchange telecommunication service* is the transmission of telecommunications among customers located within a local calling area within a LATA. Examples of exchange telecommunications services include switched local residential and business services, local private line voice and data services and Centrex services. We also provide toll services within a LATA (intraLATA long distance).
- *Exchange access service* links a customer's premises and the transmission facilities of other telecommunications carriers, generally interLATA carriers. Examples of exchange access services include switched access and special access services.

The communications services we provide are subject to regulation by the state regulatory commissions of Maine, Massachusetts, New Hampshire, Rhode Island and Vermont with respect to intrastate rates and services and other matters. The Federal Communications Commission (FCC) regulates rates that we charge long distance carriers and end-user subscribers for interstate access services.

April 16, 2001, February 22, 2002, April 17, 2002, June 19, 2002, and September 25, 2002, the FCC released orders approving our applications for permission to enter the in-region long distance markets in Massachusetts, Rhode Island, Vermont, Maine and New Hampshire, respectively. The U.S. Court of Appeals has remanded the Massachusetts order to the FCC for further explanation on one issue, but left our long distance authority in effect. Since April 26, 2001, March 7, 2002, April 30, 2002, July 1, 2002 and October 23, 2002 in-region long distance service is being offered in Massachusetts, Rhode Island, Vermont, Maine and New Hampshire, respectively, by a separate non-regulated subsidiary of Verizon as required by law.

Basis of Presentation

We prepare our financial statements using generally accepted accounting principles which require management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates. Examples of significant estimates include the allowance for doubtful accounts, the recoverability of intangibles and other long-lived assets, valuation allowances on tax assets and pension and postretirement benefit assumptions.

We have a 33-1/3% ownership interest in Telesector Resources Group, Inc. (d/b/a Verizon Services Group) and share voting rights equally with the other owner, Verizon New York Inc. (Verizon New York), which is a wholly owned subsidiary of NYNEX. Verizon Services Group operates in conjunction with Verizon Services Corp. and Verizon Corporate Services Group Inc. (collectively known as Verizon Services) to provide various centralized services on behalf of Verizon's subsidiaries. We use the equity method of accounting for our investment in Verizon Services Group. We also have a 4.57% ownership interest in SMS/800, a venture that is jointly owned by the Bell Operating Companies. SMS/800 administers the centralized national database system associated with toll free numbers. We use the equity method of accounting for our investment in SMS/800.

Our investment in Verizon Ventures III Inc. (Ventures III), an affiliated company which provides new exchange access services through a separate subsidiary, is accounted for using the equity method of accounting. Our ownership interest in Ventures III was 54.03% at December 31, 2002, and 21.90% at December 31, 2001 (see Note 10).

We have reclassified certain amounts from prior periods to conform with our current presentation.

Table of Contents

Verizon New England Inc.

Revenue Recognition

We recognize service revenues based upon usage of our local exchange network and facilities and contract fees. We recognize product and other service revenues when the products are delivered and accepted by the customers and when services are provided in accordance with contract terms.

We adopted the provisions of the Securities and Exchange Commission (SEC) Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition in Financial Statements," effective January 1, 2000, as required by the SEC. As a result of the adoption of SAB No. 101, we defer nonrecurring service activation revenues and costs and amortize them over the expected term of the customer relationship. The deferred costs are equal to the activation fee revenue and any excess cost is expensed immediately. The deferred costs represent direct costs associated with certain non-recurring fees, such as service activation and installation fees. Previously, these revenues and costs were recognized when the activation service was performed. This change in accounting did not have a material impact on our results of operations.

Our balance sheet includes deferred activation costs and deferred activation revenues as follows:

(Dollars in Millions)	December 31	
	2002	2001
<i>Deferred Activation Costs</i>		
Current assets—other	\$ 101.1	\$ 104.7
Other assets	157.6	167.2
<i>Deferred Activation Revenues</i>		
Current liabilities—other	101.1	104.7
Deferred credits and other liabilities—other	157.6	167.2

Maintenance and Repairs

We charge the cost of maintenance and repairs, including the cost of replacing minor items not constituting substantial betterments, to Operations and Support Expense as these costs are incurred.

Cash and Cash Equivalents

We consider all highly liquid investments with a maturity of 90 days or less when purchased to be cash equivalents, except cash equivalents held as short-term investments. Cash equivalents are stated at cost, which approximates market value.

Short-term Investments

Our short-term investments consist of cash equivalents held in trust to pay for certain employee benefits. Short-term investments are stated at cost, which approximates market value.

Material and Supplies

We include in inventory new and reusable materials which are stated principally at average original cost, except that specific costs are used in the case of large individual items.

Plant and Depreciation

We record plant, property, and equipment at cost. Depreciation expense is principally based on the composite group remaining life method and straight-line composite rates. This method provides for the recognition of the cost of the remaining net investment in telephone plant, less anticipated net salvage value (if any), over the remaining asset lives. This method requires the periodic revision of depreciation rates. (See "Recent Accounting Pronouncements—Asset Retirement Obligations" below.) We used the following asset

Average Lives (in years)	
Buildings	30—38
Central office equipment	5—12
Outside communications plant	16—50
Furniture, vehicles and other equipment	3—15

F-9

Table of Contents

Verizon New England Inc.

When we replace or retire depreciable telephone plant, we deduct the carrying amount of such plant from the respective accounts and charge it to accumulated depreciation.

We capitalize interest associated with the acquisition or construction of plant assets. Capitalized interest is reported as a cost of plant and a reduction in interest expense.

Impairment of Long-Lived Assets

Our plant, property, and equipment and intangible assets subject to amortization are reviewed for impairment in accordance with Statement of Financial Accounting Standards (SFAS) No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which we adopted effective January 1, 2002. Under SFAS No. 144, these assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. An impairment charge is recognized for the amount (if any) by which the carrying value of the asset exceeds its fair value.

Prior to January 1, 2002, we assessed the impairment of long-lived assets under SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of."

Computer Software Costs

We capitalize the cost of internal-use software which has a useful life in excess of one year in accordance with Statement of Position (SOP) No. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." Subsequent additions, modifications or upgrades to internal-use software are capitalized only to the extent that they allow the software to perform a task it previously did not perform. Software maintenance and training costs are expensed in the period in which they are incurred. Also, we capitalize interest associated with the development of internal-use software. Capitalized computer software costs are amortized using the straight-line method over a period of 3 to 7 years.

Goodwill and Other Intangible Assets

Effective January 1, 2002, we adopted SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 no longer permits the amortization of goodwill and indefinite-lived intangible assets. Instead, these assets must be reviewed annually (or more frequently under prescribed conditions) for impairment in accordance with this statement. This impairment test uses a fair value approach rather than the undiscounted cash flows approach previously required by SFAS No. 121. The goodwill impairment test under SFAS No. 142 requires a two-step approach, which is performed at the reporting unit level, as defined in SFAS No. 142. Step one identifies potential impairments by comparing the fair value of the reporting unit to its carrying amount. Step two, which is only performed if there is a potential impairment, compares the carrying amount of the reporting unit's goodwill to its implied value, as defined in SFAS No. 142. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized for an amount equal to that excess. Intangible assets that do not have indefinite lives are amortized over their useful lives. The adoption of SFAS No. 142 did not impact our results of operations or financial position because we had no goodwill or indefinite-lived intangible assets at December 31, 2002, 2001 and 2000.

Our other intangible assets consist of non-network software as follows:

(Dollars in Millions)	As of December 31, 2002		As of December 31, 2001	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Non-network software (3 to 7 years)	\$ 201.3	\$ 79.7	\$ 187.7	\$ 48.4

Intangible asset amortization expense was \$31.3 million in 2002. Amortization expense is estimated to be \$32.5 million in 2003, \$30.4 million in 2004, \$21.3 million in 2005, \$17.9 million in 2006, and \$10.7 million in 2007, related to our non-network software.

Table of Contents

Verizon New England Inc.

Advertising Costs

We expense advertising costs as they are incurred.

Stock-Based Compensation

We participate in employee compensation plans sponsored by Verizon with awards of Verizon common stock. Verizon has historically accounted for stock-based employee compensation plans under Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations, and followed the disclosure-only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation." Effective January 1, 2003, Verizon adopted the fair value recognition provisions of SFAS No. 123, prospectively (as permitted under SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure") to all new awards granted, modified or settled after January 1, 2003 (see Note 7).

Employee Benefit Plans

We participate in the Verizon benefit plans. Under these plans, pension and postretirement health care and life insurance benefits earned during the year as well as interest on projected benefit obligations are accrued currently. Prior service costs and credits resulting from changes in plan benefits are amortized over the average remaining service period of the employees expected to receive benefits.

Income Taxes

Verizon and its domestic subsidiaries, including us, file a consolidated federal income tax return.

Current and deferred tax expense is determined by applying the provisions of SFAS No. 109, "Accounting for Income Taxes" to each subsidiary as if it were a separate taxpayer.

We use the deferral method of accounting for investment tax credits earned prior to the repeal of investment tax credits by the Tax Reform Act of 1986. We also defer certain transitional credits earned after the repeal. We amortize these credits over the estimated service lives of the related assets as a reduction to the Provision for Income Taxes.

Derivative Instruments

We employ risk management strategies using interest rate swaps to manage our exposure to fluctuations in interest rates. We do not hold derivatives for trading purposes.

Effective January 1, 2001, we adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities." SFAS No. 133 requires that all derivatives, including derivatives embedded in other financial instruments, be measured at fair value and recognized as either assets or liabilities on our balance sheet. Changes in the fair values of derivative instruments not qualifying as hedges under SFAS No. 133 or any ineffective portion of hedges are recognized in earnings in the current period. Changes in the fair values of derivative instruments used effectively as fair value hedges are recognized in earnings, along with changes in the fair value of the hedged item. Changes in the fair value of the effective portions of cash flow hedges are reported in other comprehensive income (loss), and recognized in earnings when the hedged item is recognized in earnings.

Prior to January 1, 2001, interest rate swap agreements that qualified as hedges were accounted for under the accrual method. Under the accrual method, no amounts were recognized in our balance sheet related to the principal balances. The interest differential that was paid or received and the premiums related to the swaps were recognized as adjustments to interest expense over the life of the agreements. Gains or losses on terminated agreements were recorded as an adjustment to the basis of the underlying liability and amortized over the original life of the agreement.

Table of Contents

Verizon New England Inc.

Recent Accounting Pronouncements

Asset Retirement Obligations

On January 1, 2003, we adopted SFAS No. 143, "Accounting for Asset Retirement Obligations." This standard provides the accounting for the cost of legal obligations associated with the retirement of long-lived assets. SFAS No. 143 requires that companies recognize the fair value of a liability for asset retirement obligations in the period in which the obligations are incurred and capitalize that amount as part of the book value of the long-lived asset. We have determined that we do not have a material legal obligation to remove long-lived assets as described by this statement. However, we have included estimated removal costs in our group depreciation models. These costs have increased depreciation expense and accumulated depreciation for future removal costs for existing assets. These removal costs are recorded as a reduction to accumulated depreciation when the assets are retired and removal costs are incurred.

For some assets, such as telephone poles, the removal costs exceed salvage value. Under the provisions of SFAS No. 143, we are required to exclude costs of removal from our depreciation rates for assets for which the removal costs exceed salvage. Accordingly, in connection with the initial adoption of this standard on January 1, 2003, we have reversed accrued costs of removal in excess of salvage from our accumulated depreciation accounts for these assets. The adjustment was recorded as a cumulative effect of an accounting change, resulting in the recognition of a gain of approximately \$609 million (\$369 million after-tax). Effective January 1, 2003, we began expensing costs of removal in excess of salvage for these assets as incurred. The impact of this change in accounting will result in a decrease in depreciation expense and an increase in operations and support expense. We estimate the net impact in 2003, excluding the cumulative effect adjustment, will not be material to our results of operations.

Debt Extinguishment

In April 2002, the Financial Accounting Standards Board (FASB) issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 145, among other things, eliminates the requirement that all gains and losses on the extinguishment of debt must be classified as extraordinary items on the income statement, thereby permitting the classification of such gains and losses as extraordinary items only if the criteria of APB No. 30 are met. We are required to adopt this provision of SFAS No. 145 effective January 1, 2003 and, upon adoption, we will reclassify in our statements of income previously reported extraordinary charges for the early extinguishment of debt to income from continuing operations.

Exit or Disposal Activities

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This standard addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." EITF Issue No. 94-3 required accrual of liabilities related to exit and disposal activities at a plan (commitment) date. SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. The provisions of this standard are effective for exit or disposal activities that are initiated after December 31, 2002.

2. COMPLETION OF MERGERS AND OTHER INITIATIVES

On June 30, 2000, Bell Atlantic and GTE completed a merger under a definitive merger agreement dated as of July 27, 1998. Under the terms of the agreement, GTE became a wholly owned subsidiary of Bell Atlantic. With the closing of the merger, the combined company began doing business as Verizon. The merger qualified as a tax-free reorganization and has been accounted for as a pooling-of-interests business combination. Under this method of accounting, Bell Atlantic and GTE are treated as if they had always been combined for accounting and financial reporting purposes.

Table of Contents

Verizon New England Inc.

The following table summarizes the one-time charges incurred for the Bell Atlantic-GTE merger.

Years Ended December 31,	(Dollars and Millions)		
	2002	2001	2000
Direct incremental costs	\$ —	\$ —	\$ 25.7
Employee severance costs	—	—	27.8
Transition costs	28.9	50.2	13.0
Total Merger-Related Costs	\$ 28.9	\$ 50.2	\$ 66.5

Merger-Related Charges

Direct Incremental Costs

Direct incremental costs related to the Bell Atlantic-GTE merger of \$25.7 million (including \$24.5 million allocated from Verizon Services), include compensation, professional services and other costs. Compensation includes retention payments to employees that were contingent on the close of the merger. Professional services include investment banking, legal, accounting, consulting and other advisory fees incurred to obtain federal and state regulatory approvals and take other actions necessary to complete the merger. Other includes costs incurred to obtain shareholder approval of the merger, register securities and communicate with shareholders, employees and regulatory authorities regarding merger issues. All of the Bell Atlantic-GTE merger direct incremental costs had been paid as of December 31, 2001.

Employee Severance Costs

Employee severance costs related to the Bell Atlantic-GTE merger of \$27.8 million (including \$15.8 million allocated from Verizon Services), as recorded under SFAS No. 112, "Employers' Accounting for Postemployment Benefits," represent the benefit costs for the separation of management employees who were entitled to benefits under pre-existing separation plans. The separations occurred as a result of consolidations and process enhancements within our company. Accrued postemployment benefit liabilities for those employees are included in our balance sheets as a component of Accounts Payable and Accrued Liabilities—Other. As of December 31, 2001 and 2000, the remaining merger-related severance liability was \$9.4 million and \$11.7 million, respectively. As of December 31, 2002, the severances in connection with the Bell Atlantic-GTE merger are complete.

Transition Costs

In addition to the direct merger-related and severance costs discussed above, from the date of the Bell Atlantic-GTE merger, we incurred transition costs related to the Bell Atlantic-GTE merger. These costs were incurred to integrate systems, consolidate real estate, relocate employees and meet certain regulatory conditions of the merger. They also include costs for advertising and other costs to establish the Verizon brand. Transition activities are complete at December 31, 2002 and total \$92.1 million. Transition costs were \$28.9 million in 2002 (including \$19.1 million allocated from Verizon Services), \$50.2 million in 2001 (including \$38.0 million allocated from Verizon Services) and \$13.0 million in 2000 (all of which were allocated from Verizon Services).

Other Initiatives

In 2002, we recorded an impairment charge of \$43.5 million driven by our financial statement exposure to WorldCom Inc. This charge was recorded in operations and support expense in our statements of income.

During the second quarter of 2000, we recorded a \$2.0 million charge for other actions in relation to the Bell Atlantic-GTE merger. This charge was related to the write-off of duplicate assets and recorded in operations and support expense in our statements of income.

Table of Contents

Verizon New England Inc.

PLANT, PROPERTY AND EQUIPMENT

The following table displays the details of plant, property and equipment, which is stated at cost:

(Dollars in Millions)	December 31	
	2002	2001
Land	\$ 36.7	\$ 35.4
Buildings	1,048.8	1,002.8
Central office equipment	7,967.5	7,674.1
Outside communications plant	7,031.5	6,852.3
Furniture, vehicles and other work equipment	791.1	835.8
Construction-in-progress	124.4	248.7
Other	259.2	304.3
	17,259.2	16,953.4
Accumulated depreciation	(10,735.0)	(10,120.9)
Total	\$ 6,524.2	\$ 6,832.5

See "Recent Accounting Pronouncements—Asset Retirement Obligations" in Note 1.

4. LEASES

We lease certain facilities and equipment for use in our operations under both capital and operating leases. We did not incur any initial capital lease obligations in 2002 and 2000. We incurred initial capital lease obligations of \$1.1 million in 2001.

Capital lease amounts included in plant, property and equipment are as follows:

(Dollars in Millions)	December 31	
	2002	2001
Capital leases	\$ 1.1	\$ 1.1
Accumulated amortization	—	—
Total	\$ 1.1	\$ 1.1

Total rent expense amounted to \$207.4 million in 2002, \$187.1 million in 2001 and \$71.6 million in 2000. Of these amounts, \$140.4 million in 2002 and \$115.5 million in 2001 were lease payments to affiliated companies for land and buildings. There were no lease payments to affiliated companies in 2000.

This table displays the aggregate minimum rental commitments under noncancelable leases for the periods shown at December 31, 2002:

(Dollars in Millions) Years	Capital Leases	Operating Leases
2003	\$.1	\$ 39.9
2004	.1	36.9
2005	.1	33.0
2006	.2	30.5
2007	.2	26.1
Thereafter	.6	70.8

Total minimum rental commitments	1.3	\$	237.2
Less interest and executory costs	.3		
Present value of minimum lease payments	1.0		
Less current installments	.1		
Long-term obligation at December 31, 2002	\$.9	

F-14

Table of Contents

Verizon New England Inc.

DEBT

Debt Maturing Within One Year

Debt maturing within one year consists of the following at December 31:

(Dollars in Millions)	2002	2001
Note payable to affiliate (VNFC)	\$ 345.2	\$ 574.4
Long-term debt maturing within one year:		
Affiliate (VNSHI)	200.0	—
Other	225.1	176.3
 Total debt maturing within one year	 \$ 770.3	 \$ 750.7
 Weighted average interest rate for notes payable outstanding at year-end	 1.4%	 2.1%

We have a contractual agreement with an affiliated company, Verizon Network Funding Corporation (VNFC), for the provision of short-term financing and cash management services. VNFC issues commercial paper and obtains bank loans to fund the working capital requirements of Verizon's network services subsidiaries, including us, and invests funds in temporary investments on their behalf. We have a \$200.0 million promissory note with an affiliated company, Verizon NSI Holdings, Inc. (VNSHI), which matures on June 30, 2003. The note carries a floating interest rate priced at 3 month LIBOR plus 20bps, reset and paid quarterly.

Long-Term Debt

Long-term debt consists principally of debentures and notes that we have issued. Interest rates and maturities of the amounts outstanding are as follows at December 31:

Description	Interest Rate	Maturity	2002	2001
			(Dollars in Millions)	
Forty year debenture	4 ⁵ / ₈ %	2005	\$ 60.0	\$ 60.0
Thirty-nine year debenture	6 ¹ / ₈	2006	—	100.0
Forty year debenture	6 ³ / ₈	2008	—	125.0
Ten year debenture	6 ¹ / ₂	2011	1,065.8	1,000.4
Thirty year debenture	7 ⁷ / ₈	2022	100.0	100.0
Thirty year debenture	6 ⁷ / ₈	2023	250.0	250.0
Forty year debenture	7 ⁷ / ₈	2029	349.0	349.0
Forty year debenture	9	2031	—	75.0
Forty year debenture	7	2042	480.0	—
Ten year note payable	6 ¹ / ₄	2003	225.0	231.1
Seven year note payable	7.65	2007	125.0	125.0
Ten year note payable	5 ⁷ / ₈	2009	200.0	200.0
Fifteen year note payable	6.3	2012	—	175.0
			2,854.8	2,790.5
Unamortized discount and premium, net			(5.9)	(7.1)
Note payable with affiliate (VNSHI)	1.6	2003	200.0	200.0
Capital lease obligations—average rate 6.6%			1.0	1.1
 Total long-term debt, including current maturities			 3,049.9	 2,984.5
Less maturing within one year			425.1	176.3

Total long-term debt

\$ 2,624.8 \$ 2,808.2

er debentures outstanding at December 31, 2002 include \$160.0 million that is callable. The call prices range from 100.0% to 103.6% of face value, depending upon the remaining term to maturity of the issue.

In 2002, we issued \$480 million of 7% debentures due on May 15, 2042 at par. Proceeds from this sale of \$464.9 million were used to refinance a portion of our existing short-term indebtedness, to repay long-term indebtedness and for general corporate purposes.

In 2001, we issued \$1,000.0 million of 6 1/2% Series A Debentures due on September 15, 2011. Proceeds from this sale were used to repay or refinance existing indebtedness and for general corporate purposes.

F-15

Table of Contents

Verizon New England Inc.

curities of long-term debt outstanding at December 31, 2002, excluding capital lease obligations and unamortized discount and premium are as follows:

(Dollars in Millions)	
Years	
2003	\$ 425.0
2004	—
2005	60.0
2006	—
2007	125.0
Thereafter	2,444.8
Total long-term debt outstanding	\$ 3,054.8

Early Extinguishments of Debt

During 2002, we recorded extraordinary charges that reduced net income by \$22.9 million (net of an income tax benefit of \$14.9 million) associated with early extinguishments of long-term debt. The extinguishments consisted of the following:

- Our \$175.0 million 6.3% notes due in 2012 were subject to a mandatory redemption at 100% of the principal amount plus accrued interest on December 16, 2002. The redemption price was 100% of face value plus accrued interest. During September 2002, we recorded an extraordinary charge associated with the buyout of the option to remarket these securities, which reduced net income by \$18.6 million (net of income tax benefits of \$12.1 million).
- In March 2002, we redeemed \$100.0 million of 6 1/8 % debentures due on October 1, 2006, \$125.0 million of 6 3/8 % debentures due on September 1, 2008 and \$75.0 million of 9% debentures due on August 1, 2031.

During 2001, we recorded an extraordinary charge associated with the early extinguishment of debt, which reduced net income by \$29,000 (net of an income tax benefit of \$18,800). In addition, we redeemed a \$50.0 million 4 1/2 % debenture due on July 1, 2002.

6. FINANCIAL INSTRUMENTS

Derivatives—Effective January 1, 2001

We adopted the provisions of SFAS No. 133 effective January 1, 2001. The initial impact of adoption of SFAS No. 133 on our financial statements was recorded as a cumulative effect of an accounting change resulting in pre-tax income of \$.4 million (\$.3 million after-tax) in earnings in the first quarter of 2001. The recognition of assets and liabilities was immaterial to our financial position. The ongoing effect of SFAS No. 133 on our financial statements will be determined each quarter by several factors, including the specific hedging instruments in place and their relationships to hedged items, as well as market conditions at the end of each period. For the year ended December 31, 2002 the mark to market and amortization of an ineffective interest rate swap did not have a material effect on our results of operations. For the year ended December 31, 2001 we recorded a pre-tax charge of \$.3 million related to ongoing mark-to-market on the interest rate swaps. The mark to market adjustments are included in Other income and (expense), net in our statements of income.

We have entered into domestic interest rate swaps to achieve a targeted mix of fixed and variable rate debt. These swaps hedge against changes in the fair value of our debt portfolio. We record the interest rate swaps at fair value in our balance sheet as assets and liabilities and adjust debt for the change in its fair value due to changes in interest rates. The ineffective portions of these hedges at January 1, 2001 and December 31, 2001 and 2002 were immaterial to our operating results.

Derivatives—Prior to January 1, 2001

Prior to January 1, 2001, we applied several accounting principles pertaining to our investments in derivatives, which have been superseded by SFAS No. 133. The table that follows provides additional information about our interest rate swaps in accordance with those principles. The notional amounts shown were used to calculate interest payments to be exchanged. These amounts were not actually paid or received, nor were they a measure of our potential gains or losses from market risks. They did not represent our exposure in the event of nonperformance by a counterparty or our future cash requirements. Interest rate swap agreements were used to adjust the interest rate profile of our debt portfolio and allowed us to achieve a targeted mix of fixed and variable rate debt.

F-16

Table of Contents

Verizon New England Inc.

(Dollars in Millions)	Notional Amount	Maturities	Weighted Average Rate	
			Receive	Pay
Pay Fixed: Interest rate swap as of December 31, 2000	\$175.0	2002	6.3%	2.0%

Concentrations of Credit Risk

Financial instruments that subject us to concentrations of credit risk consist primarily of short-term investments, trade receivables and interest rate swap agreements. Concentrations of credit risk with respect to trade receivables other than those from AT&T are limited due to the large number of customers. We generated revenues from services provided to AT&T (primarily network access and billing and collection) of \$235.6 million in 2002, \$259.3 million in 2001 and \$423.8 million in 2000.

The counterparties to the interest rate swap agreements are major financial institutions. These financial institutions have been accorded high ratings by primary rating agencies. We limit the dollar amount of contracts entered into with any one financial institution and monitor the credit ratings of these counterparties. We generally do not give or receive collateral on an interest rate swap agreement due to our credit rating and those of our counterparties. While we may be exposed to credit losses due to the nonperformance of our counterparties, we consider the risk remote and do not expect the settlement of these transactions to have a material effect on our results of operations or financial position.

Fair Values of Financial Instruments

The table below provides additional information about our material financial instruments at December 31:

Financial Instrument	Valuation Method			
Notes payable to affiliates (VNFC and VNSHI) and short-term investments	Carrying amounts			
Debt and interest rate swaps (excluding capital leases)	Future cash flows discounted at current rates			

	2002		2001	
	Carrying	Fair Value	Carrying	Fair Value
	Amount		Amount	
	(Dollars in Millions)			
Debt, interest rate swaps and notes payable to affiliates	\$3,394.1	\$ 3,519.2	\$ 3,551.3	\$ 3,652.1

7. STOCK INCENTIVE PLANS

We participate in compensation plans sponsored by Verizon with awards of Verizon common stock. Verizon applies APB Opinion No. 25 and related interpretations in accounting for the plans and has adopted the disclosure-only provisions of SFAS No. 123. If Verizon had elected to recognize compensation expense based on the fair value at the grant dates for 1998 and subsequent awards consistent with the provisions of SFAS No. 123, our net income would have been changed to the pro forma amounts indicated below:

(Dollars in Millions)	Years ended December 31		
	2002	2001	2000
Net income:			
As reported	\$ 233.2	\$ 294.9	\$ 538.7
Pro forma	223.3	278.8	522.0

We determined the pro forma amounts using the Black-Scholes option-pricing model based on the following weighted-average assumptions:

	2002	2001	2000
Dividend yield	3.2%	2.7%	3.3%
Expected volatility	28.5%	29.1%	27.5%
Risk-free interest rate	4.6%	4.8%	6.2%
Expected lives (in years)	6	6	6

The weighted-average value of options granted during 2002, 2001 and 2000 was \$12.11, \$15.24 and \$13.09, respectively.

F-17

Table of Contents

Verizon New England Inc.

The structure of Verizon's stock incentive plans does not provide for the separate determination of certain disclosures for our company. The required information is provided on a consolidated basis in Verizon's Annual Report on Form 10-K for the year ended December 31, 2002.

Accounting Change—Stock Options

In December 2002, the FASB issued SFAS No. 148. This statement amends SFAS No. 123 to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this statement amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. This statement permits two additional transition methods (modified prospective and retroactive restatement) for entities that adopt the preferable method of accounting for stock-based employee compensation.

Effective January 1, 2003, Verizon adopted the fair value recognition provisions of SFAS No. 123, using the prospective method, for all new awards granted to employees after January 1, 2003. Under the prospective method, employee compensation expense in the first year will be recognized for new awards granted, modified, or settled. However, in subsequent years, the vesting of awards issued on or after January 1, 2003 may cause an increase in employee compensation expense.

Beginning in 2003, stock option grants to some levels of management will be reduced, and accompanied by performance-based share awards.

8. EMPLOYEE BENEFITS

We participate in Verizon's benefit plans. Verizon maintains noncontributory defined benefit pension plans for substantially all of our management and associate employees. The postretirement healthcare and life insurance plans for our retirees and their dependents are both contributory and noncontributory and include a limit on the company's share of cost for recent and future retirees. We also sponsor defined contribution savings plans to provide opportunities for eligible employees to save for retirement on a tax-deferred basis.

The structure of Verizon's benefit plans does not provide for the separate determination of certain disclosures for our company. The required information is provided on a consolidated basis in Verizon's Annual Report on Form 10-K for the year ended December 31, 2002.

Pension and Other Postretirement Benefits

Pension and other postretirement benefits for the majority of our employees are subject to collective bargaining agreements. Approximately 85% of our employees (associates) are covered by collective bargaining agreements. Modifications in benefits have been bargained from time to time, and Verizon may also periodically amend the benefits in the management plans.

Benefit Cost

(Dollars in Millions)	Years ended December 31					
	Pension			Healthcare and Life		
	2002	2001	2000	2002	2001	2000
Net periodic benefit (income) cost	\$ (215.4)	\$ (243.6)	\$ (209.0)	\$ 99.1	\$ 91.7	\$ 79.4
Termination benefits	.6	114.0	—	.7	—	—
Settlement loss	33.0	—	—	—	—	—
Curtailment loss	42.6	—	—	50.0	—	—
Subtotal	76.2	114.0	—	50.7	—	—
Total (income) cost	\$ (139.2)	\$ (129.6)	\$ (209.0)	\$ 149.8	\$ 91.7	\$ 79.4

Table of Contents

Verizon New England Inc.

As part of a Verizon workforce reduction plan, we have continued to reduce our headcount as allowed under various management and associate employee benefit plans. As a result, we recorded \$1.3 million and \$114.0 million in 2002 and 2001, respectively, in connection with various pension and retirement benefit enhancements. Also during 2002, we recorded a \$33.0 million pension settlement loss as lump-sum payments exceeded the threshold of service and interest costs. Additionally, in the fourth quarter of 2002, we recorded a curtailment loss of \$92.6 million associated with a significant reduction of the expected years of future service of present employees, which was largely impacted by the involuntary employee terminations in December 2002. The special termination benefits, curtailment and settlement of pension obligations are recorded in accordance with SFAS No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Pension Plans and for Termination Benefits" and SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions."

In 2002, we recorded an additional minimum pension liability of \$416.3 million (\$252.5 million after-tax) for the amount of excess unfunded accumulated benefit liability over our accrued liability, as required by SFAS No. 87, "Employers' Accounting for Pensions." The increase in the liability is recorded as a charge to accumulated other comprehensive loss, net of a tax benefit, in shareowner's investment in our balance sheets.

Amounts recognized in the balance sheets consist of:

(Dollars in Millions)	Pension		Healthcare and Life	
			December 31	
	2002	2001	2002	2001
Prepaid pension asset	\$ 144.1	\$ 34.1	\$ —	\$ —
Employee benefit obligations	630.5	244.0	1,058.6	1,043.6
Accumulated other comprehensive loss	416.3	—	—	—

The changes in the employee benefit asset and obligations from year to year were caused by a number of factors, including changes in actuarial assumptions (see Assumptions), curtailments, settlements and special termination benefits and the recognition of an additional minimum pension liability.

Assumptions

The actuarial assumptions used are based on market interest rates, past experience, and management's best estimate of future economic conditions. Changes in these assumptions may impact future benefit costs and obligations. The weighted-average assumptions used in determining expense and benefit obligations are as follows:

	Pension			Healthcare and Life		
	2002	2001	2000	2002	2001	2000
Discount rate at end of year	6.75%	7.25%	7.75%	6.75%	7.25%	7.75%
Long-term rate of return on plan assets for the year	9.25	9.25	9.25	9.25	9.25	9.25
Rate of future increases in compensation at end of year	5.00	5.00	5.00	4.00	4.00	4.00
Medical cost trend rate at end of year				11.00	10.00	5.00
Ultimate (year 2007)				5.00	5.00	5.00

Savings Plans and Employee Stock Ownership Plans

Substantially all of our employees are eligible to participate in savings plans maintained by Verizon. Verizon maintains a leveraged employee stock ownership plan (ESOP) for its management employees of the former NYNEX Companies. Under this plan, a certain percentage of eligible employee contributions are matched with shares of Verizon's common stock. Verizon recognizes leveraged ESOP cost based on the shares allocated method for this leveraged ESOP which purchased securities after December 15, 1989. We recognize savings plan cost based on our matching obligation attributed to our participating employees. In addition to the ESOP, Verizon also maintains a savings plan for associate employees. We recorded total savings plan costs of \$37.1 million in 2002, \$43.8

million in 2001 and \$38.0 million in 2000.

F-19

Table of Contents

Verizon New England Inc.

Severance Benefits

We maintain ongoing severance plans for both management and associate employees, which provide benefits to employees that are terminated. The costs for these plans are accounted for under SFAS No. 112. We accrue for severance benefits based on the terms of our severance plan over the estimated service periods of the employees. The accruals are also based on the historical run-rate of actual severances and expectations for future severances. In the fourth quarter of 2001, it was determined that our severance liability was not sufficient as a result of new downsizing plans and we recorded a special charge of \$72.0 million. In the second quarter of 2002, again, it was determined that the severance liability was not sufficient because of further downsizing plans and we recorded a special charge of \$64.8 million. Severance costs are included in operations and support expense in our statements of income. The following table provides an analysis of our severance liability:

(Dollars in Millions)	Beginning of Year	Charged to Expense(a)	Payments	Other(b)	End of Year
Year					
2000	\$ 32.6	\$ 27.8	\$ (16.1)	\$ (13.0)	\$ 31.3
2001	31.3	76.8	(7.7)	(.7)	99.7
2002	99.7	66.2	(52.5)	(15.5)	97.9

(a) Includes (1) accruals for ongoing employee severance costs, (2) special charges of \$64.8 million in 2002 and \$72.0 million in 2001 and (3) merger-related costs of \$27.8 million in 2000 (see Note 2).

(b) Includes amounts reallocated to other Verizon affiliates. From time to time, Verizon must redistribute across its subsidiaries the amount of severance liability based on actual experience at the companies.

The remaining severance liability includes future contractual payments to employees separated as of the end of the year. As of December 31, 2002, a total of over 1,900 employees have been separated under the 2001 and 2002 severance programs.

9. INCOME TAXES

The components of income tax expense are presented in the following table:

(Dollars in Millions)	Years ended December 31		
	2002	2001	2000
Current:			
Federal	\$ 1.4	\$ 198.8	\$ 187.1
State and local	10.7	43.0	37.7
	12.1	241.8	224.8
Deferred:			
Federal	126.9	69.5	130.3
State and local	17.1	6.5	26.4
	144.0	76.0	156.7
Investment tax credits	156.1	317.8	381.5
	(2.9)	(11.5)	(4.6)
Total income tax expense	\$ 153.2	\$ 306.3	\$ 376.9

Table of Contents

Verizon New England Inc.

The following table shows the primary reasons for the difference between the effective income tax rate and the statutory federal income tax rate:

	Years ended December 31		
	2002	2001	2000
Statutory federal income tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal tax benefits	4.4	5.4	4.6
Investment tax credits	(.5)	(.4)	(.3)
Equity investments	(2.5)	8.1	1.4
True-up for events with no tax consequences	—	3.3	—
Other, net	1.0	(.4)	.5
Effective income tax rate	37.4%	51.0%	41.2%

Deferred taxes arise because of differences in the book and tax bases of certain assets and liabilities. Significant components of deferred tax (assets) liabilities are shown in the following table:

(Dollars in Millions)	December 31	
	2002	2001
Depreciation	\$ 934.7	\$ 830.7
Employee benefits	(615.6)	(514.0)
Allowance for uncollectible accounts	(70.5)	(41.6)
Investment tax credits	(9.1)	(10.2)
Other, net	(70.5)	(76.0)
Net deferred tax liabilities	\$ 169.0	\$ 188.9

Employee Benefits include \$444.1 million deferred tax asset at December 31, 2002 and \$443.9 million at December 31, 2001, related to postretirement benefit costs recognized under SFAS No. 106. This deferred tax asset will gradually be realized over the estimated lives of current retirees and employees.

Table of Contents

Verizon New England Inc.

TRANSACTIONS WITH AFFILIATES

Our financial statements include transactions with Verizon Services, (including Verizon Services Corp., Verizon Services Group, Verizon Corporate Services Group Inc. as previously described), Verizon Internet Services Inc., Verizon Advanced Data Inc., Verizon Wireless Inc., Verizon Long Distance, Verizon Operating Telephone Companies, Verizon Global Networks Inc., Verizon Data Services Inc., Verizon Network Funding Corporation, Verizon NSI Holdings, Inc., Bell Atlantic Administrative Services, Inc., Verizon Ventures III Inc., NYNEX Corporation, Verizon and other affiliates.

Transactions with affiliates are summarized as follows:

(Dollars in Millions)	Years Ended December 31		
	2002	2001	2000
Operating revenues:			
Verizon Internet Services Inc.	\$ 62.4	\$ 4.1	\$ 5.8
Verizon Advanced Data Inc.	32.9	168.2	29.8
Verizon Services	26.1	36.7	42.6
Verizon Wireless Inc.	25.9	29.7	28.4
Verizon Long Distance	18.7	13.5	9.6
Verizon Operating Telephone Companies	12.2	10.9	9.6
Verizon Global Networks Inc.	12.0	4.6	1.7
Other	3.0	5.5	4.2
	193.2	273.2	131.7
Operating expenses:			
Verizon Services	778.7	776.0	857.0
Verizon Advanced Data Inc.	52.9	6.5	—
Verizon Data Services Inc.	18.2	4.8	—
Verizon Wireless Inc.	2.7	7.9	2.2
Verizon Operating Telephone Companies	1.9	.9	—
Verizon Long Distance (recovery of costs)	(21.6)	(19.1)	(4.2)
Other	3.1	.3	—
	835.9	777.3	855.0
Other income/(expense):			
Equity income from Verizon Services Group	32.0	11.4	23.0
Equity income from SMS/800	—	.8	2.7
Equity loss from Verizon Ventures III Inc.	(2.5)	(150.4)	(59.5)
Interest income from Bell Atlantic Administrative Services, Inc.	.8	1.8	—
Interest income from Verizon Network Funding Corporation	.2	—	—
Interest income from Verizon Services	.3	.5	—
	30.8	(135.9)	(33.8)
Interest expense:			
Interest expense to Bell Atlantic Administrative Services, Inc.	—	.5	8.8
Interest expense to Verizon Network Funding Corporation	5.5	39.8	49.6
Interest expense to Verizon NSI Holdings, Inc.	4.2	9.3	—
	9.7	49.6	58.4
Transfer of advanced data assets from Verizon Ventures III Inc.	8.7	50.3	—
Equity contributed to Verizon Ventures III Inc.	8.7	198.3	—
Capital contribution from NYNEX Corporation	10.0	198.3	—

Dividends to NYNEX Corporation	529.0	316.0	—
Distributions of additional paid-in capital to NYNEX Corporation	—	95.0	287.9
Dividends received from Verizon Services Group	26.2	27.2	20.3
Dividends received from SMS/800	—	.9	1.3

Outstanding balances with affiliates are reported on the balance sheets at December 31, 2002 and 2001 as Note Receivable from Affiliate, Accounts Receivable—Affiliates, Note Payable to Affiliate, Current Portion of Long-term Debt—Affiliate, Accounts Payable and Accrued Liabilities—Affiliates and Long-Term Debt—Note Payable to Affiliate.

F-22

Table of Contents

Verizon New England Inc.

Verizon Services

Our operating revenues include transactions with Verizon Services for the provision of local telephone service and for the rental of facilities and equipment.

We have contractual arrangements with Verizon Services for the provision of various centralized services. These services are divided into two broad categories. The first category is comprised of network related services which generally benefit only Verizon's operating telephone subsidiaries. These services include marketing, sales, legal, accounting, finance, data processing, materials management, procurement, labor relations, and staff support for various network operations. The second category is comprised of overhead and support services which generally benefit all subsidiaries of Verizon. Such services include corporate governance, corporate finance, external affairs, legal, media relations, employee communications, corporate advertising, human resources, and treasury. Costs may be either directly assigned to one subsidiary or allocated to more than one subsidiary based on functional reviews of the work performed.

Verizon Internet Services Inc.

Our operating revenues include transactions with Verizon Internet Services Inc. (Verizon Internet Services) associated with the provision of network access and billing and collection services. These revenues are earned from Verizon Internet Services who utilizes our facilities to provide Internet access services to their customers.

Verizon Advanced Data Inc.

In 2001 and 2000, our operating revenues included transactions with Verizon Advance Data Inc. (VADI) associated with the provision of local and network access services, billing and collection services, and the purchase of unbundled network elements. These revenues were earned from VADI who utilized our facilities to provide advanced data services to their customers. Beginning in 2002, the responsibility for the provision of advanced data services was transferred back to us (see Investment in Verizon Ventures III Inc. below). We continue to earn revenue from VADI for the provision of local telephone services.

Beginning in December 2001, we also have a contractual arrangement with VADI for the provision of various centralized services associated with advanced data services. These services are divided into two broad categories. The first category is comprised of network related services which include provisioning, maintenance, engineering, and data processing for various network operations. The second category is comprised of overhead and support services which include finance, human resources, treasury, procurement, marketing, sales, and support staffs. The costs are allocated based on advanced data services revenues.

Verizon Wireless Inc.

Our operating revenues include transactions with Verizon Wireless Inc. (Verizon Wireless) associated with the provision of local and network access services, billing and collection services and from interconnection agreements. These revenues are earned from Verizon Wireless who provides wireless voice and data services, paging services and equipment sales to their customers.

Our operating expenses also include transactions with Verizon Wireless. We recognize costs associated with wireless voice and data services, paging services and for interconnection agreements.

Verizon Long Distance

Our operating revenues and expenses include transactions with Verizon Long Distance who utilizes our facilities to provide long distance services to their customers. We record revenue in connection with the provision of billing and collection services, including programming charges associated with billing system changes. In addition, we recognize revenues associated with the provision of local telephone services. We also bill Verizon Long Distance for services associated with joint marketing agreements and the training of our employees for sales activities in order to recover our incurred costs. These transactions are recorded as credits to our operating expenses.

Table of Contents

Verizon New England Inc.

Verizon Operating Telephone Companies

Our operating revenues and expenses include transactions with other Verizon Operating Telephone Companies. Revenues associated with transactions with these affiliates are primarily earned from fees associated with the termination of their customer's calls on our network. We also earn revenue from the rental of our facilities and equipment. In addition, we also recognize expenses associated with transactions with these affiliates. These costs are primarily associated with the rental of their facilities and equipment.

Verizon Global Networks Inc.

Our operating revenues include transactions with Verizon Global Networks Inc. (Global Networks) associated with the provision of network access services. These revenues are earned from Global Networks who utilizes our facilities to provide access and data transport services to their customers.

Verizon Data Services Inc.

Verizon Data Services Inc. provides data processing services, software application development and maintenance, which generally benefit Verizon's operating telephone subsidiaries, including us. We are charged for these affiliated transactions based on proportional cost allocation methodologies.

Bell Atlantic Administrative Services, Inc., Verizon Network Funding Corporation and Verizon NSI Holdings, Inc.

We recognize interest expense/income in connection with a contractual agreement with an affiliated company, Verizon Network Funding Corporation (VNFC), for the provision of short-term financing and cash management services. VNFC issues commercial paper and obtains bank loans to fund the working capital requirements of Verizon's network services subsidiaries, including us, and invests funds in temporary investments on their behalf. During 2002 and 2001, we also obtained short-term financing from an affiliated company, Bell Atlantic Administrative Services, Inc. We recognize interest expense related to a promissory note held by Verizon NSI Holdings, Inc.

Other Affiliates

Other operating revenues and expenses include miscellaneous items of income and expense resulting from transactions with other affiliates. These transactions include the provision of local and network access services, billing and collection services, rental of facilities and equipment, electronic repair services, and sales and purchases of material and supplies. We also earn fees from an affiliate for usage of our directory listings.

Investment in Verizon Ventures III Inc.

In November 2000, we transferred certain advanced data assets to an affiliated company, Verizon Ventures III Inc. (Ventures III) in exchange for common stock of Ventures III. This transfer was done to satisfy a condition of the FCC's approval of the Bell Atlantic—GTE merger, which required the provision of advanced data services through a separate affiliate. Throughout 2000 and 2001, we continued to invest in Ventures III through the transfer of additional assets. As result of the transfers, we acquired an ownership interest in Ventures III, which we accounted for under the equity method of accounting.

In September 2001, the FCC issued an order eliminating this merger condition. Following the FCC order, we made necessary filings with our state regulatory commissions for approval of the transfer of these assets back to us. During the fourth quarter of 2001, after required regulatory approvals were obtained, Ventures III transferred assets to us with an aggregate net book value of \$50.3 million in the jurisdictions of Massachusetts and Rhode Island. Ventures III transferred assets back to us with an aggregate book value of \$8.7 million in Maine and Vermont on February 1, 2002 and March 1, 2002, respectively, after required regulatory approvals were obtained. On February 1, 2003, after required state regulatory approvals were obtained, Ventures III transferred assets back to us in New Hampshire. In consideration of the transfer of these assets, we have or will surrender our common stock in Ventures III and remit certain cash compensation.

In connection with this reintegration, we received capital contributions from our parent of \$8.7 million in the first quarter of 2002 and \$98.3 million in December 2001. This equity was immediately contributed to Ventures III. No gain or loss was recognized as a result of the reintegration of the advanced data assets to us. We do not expect this reintegration to have a material effect on our results of operations or financial condition.

Table of Contents

Verizon New England Inc.

e recorded equity losses associated with our investment in Ventures III of \$2.5 million in 2002, \$150.4 million in 2001 and \$59.5 million in 2000. Our investment in Ventures III was \$0 at December 31, 2002, \$2.4 million at December 31, 2001 and \$.5 million at December 31, 2000. Ownership interest in Ventures III was 54.03% at December 31, 2002, 21.90% at December 31, 2001 and 25.91% at December 31, 2000.

Investment in SMS/800

In June 1999, Bell Atlantic Full Services Channel, Inc., an affiliate, sold its ownership interest in SMS/800 to us and the other operating telephone companies of Verizon at its fair value in accordance with a FCC order. SMS/800 is a venture jointly held by the Bell Operating Companies that administers the centralized national database system associated with toll free numbers. We paid \$186,004 to receive a 3.65% ownership interest in SMS/800. Our ownership percentage has increased to 4.57% as a result of the merger of SBC Communications, Inc. and Ameritech Corporation. We account for our investment in SMS/800 under the equity method of accounting.

Investment in Verizon Services Group

We have a 33 1/3 % ownership interest in Telesector Resources Group, Inc. (d/b/a Verizon Services Group). Verizon Services Group operates in conjunction with Verizon Services Corp. and Verizon Corporate Services Group Inc. (collectively known as Verizon Services) to provide various centralized services on behalf of Verizon's subsidiaries. We record income/(loss) under the equity method of accounting from our investment in Verizon Services Group.

NYNEX Corporation

We paid cash dividends and cash distributions of additional paid-in capital to our parent company, NYNEX Corporation.

11. COMPREHENSIVE INCOME

Comprehensive income consists of net income and other gains and losses affecting shareowner's investment that, under generally accepted accounting principles, are excluded from net income.

The change in other comprehensive loss, net of income tax expense (benefit), is as follows:

(Dollars in Millions)	Years ended December 31		
	2002	2001	2000
Other comprehensive income (loss):			
Minimum pension liability adjustment (net of income taxes of \$(163.8), \$0 and \$1.0)	\$ (252.5)	\$ —	\$ 1.6
	\$ (252.5)	\$ —	\$ 1.6

Accumulated other comprehensive loss is comprised of the following:

(Dollars in Millions)	December 31	
	2002	2001
Accumulated other comprehensive loss:		
Minimum pension liability adjustment	\$ (252.5)	\$ —
	\$ (252.5)	\$ —

Table of Contents

Verizon New England Inc.

. ADDITIONAL FINANCIAL INFORMATION

The tables below provide additional financial information related to our financial statements:

(Dollars in Millions)	December 31	
	2002	2001
BALANCE SHEETS:		
Accounts payable and accrued liabilities:		
Accounts payable—affiliates	\$ 834.3	\$ 806.2
Accounts payable—other	514.4	502.2
Accrued vacation pay	80.4	88.6
Accrued taxes	57.2	87.5
Accrued expenses	117.3	109.8
Interest payable—other	34.7	41.4
Interest payable—affiliate	.3	.9
	\$ 1,638.6	\$ 1,636.6
Other current liabilities:		
Advance billings and customer deposits	\$ 55.1	\$ 57.5
Other	101.1	104.7
	\$ 156.2	\$ 162.2

(Dollars in Millions)	Years ended December 31		
	2002	2001	2000
STATEMENTS OF CASH FLOWS:			
Cash paid during the year for:			
Income taxes, net of amounts refunded	\$ 77.7	\$ 186.2	\$ 244.4
Interest, net of amounts capitalized	168.3	162.1	167.3
STATEMENTS OF INCOME:			
Interest expense incurred, net of amounts capitalized	163.7	163.6	173.5
Capitalized interest	12.5	29.5	18.1
Advertising expense	24.8	18.8	17.7
Depreciation expense	1,078.5	1,046.0	981.3

Advertising expense includes \$24.7 million in 2002, \$18.5 million in 2001 and \$17.7 million in 2000 allocated to us by Verizon Services.

At December 31, 2002 and 2001, \$8.6 million and \$15.4 million of bank overdrafts were classified as accounts payable.

13. 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.

... SEGMENT INFORMATION

We have one reportable segment, which provides domestic wireline telecommunications services. Specifically, we provide local telephone services including voice and data transport, enhanced and custom calling features, network access, directory assistance and private lines. In addition, we provide customer premises equipment distribution, billing and collection and pay telephone services.

F-26

Table of Contents

Verizon New England Inc.

.. QUARTERLY FINANCIAL INFORMATION (unaudited)

Quarter Ended	Operating Revenues	Operating Income	Income (Loss) Before Extraordinary Item and Cumulative Effect of Change in Accounting Principle (Dollars in Millions)	Net Income (Loss)
2002:				
March 31	\$ 1,117.7	\$ 246.1	\$ 144.0	\$ 139.7
June 30 (a)	1,103.6	142.3	69.6	69.6
September 30 (b)	1,068.8	130.7	57.0	38.4
December 31 (c)	1,075.3	19.9	(14.5)	(14.5)
Total	\$ 4,365.4	\$ 539.0	\$ 256.1	\$ 233.2
2001:				
March 31	\$ 1,189.5	\$ 266.6	\$ 140.4	\$ 140.7
June 30	1,189.3	323.1	180.4	180.4
September 30	1,141.1	228.1	128.4	128.4
December 31 (d)	1,130.3	63.7	(154.6)	(154.6)
Total	\$ 4,650.2	\$ 881.5	\$ 294.6	\$ 294.9

- (a) Results of operations for the second quarter of 2002 include a \$42.1 million after-tax charge for employee severance.
- (b) Results of operations for the third quarter of 2002 include a \$15.0 million after-tax charge for a pension settlement loss.
- (c) Results of operations for the fourth quarter of 2002 include a \$67.5 million after-tax charge for curtailment and settlement losses and special termination benefits.
- (d) Results of operations for the fourth quarter of 2001 include a \$120.9 million after-tax charge for employee severance and special termination benefits.

16. SUBSEQUENT EVENTS (unaudited)

On December 5, 2002, we declared a dividend in the amount of \$157.0 million. The dividend was paid to our parent, NYNEX on February 3, 2003.

On March 6, 2003, we redeemed the entire outstanding principal amount of our \$60.0 million 4 ³/₈ % debentures, due July 1, 2005. This redemption will not result in a material charge to results of operations.

Table of Contents

Verizon New England Inc.

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS

For the Years Ended December 31, 2002, 2001 and 2000

(Dollars in Millions)

Description	Balance at Beginning of Period	Charged to Expenses	Additions		Deductions Note (b)	Balance at End of Period
			Charged to Other Accounts Note(a)			
Allowance for Uncollectible Accounts Receivable:						
Year 2002	\$ 142.2	\$ 228.8	\$ 84.5	\$ 223.6	\$ 231.9	
Year 2001	\$ 82.1	\$ 166.6	\$ 75.5	\$ 182.0	\$ 142.2	
Year 2000	\$ 68.0	\$ 93.2	\$ 92.7	\$ 171.8	\$ 82.1	
Merger-Related Costs:						
Year 2002	\$ 34.9	\$ —	\$ —	\$ 34.9	\$ —	
Year 2001	\$ 38.7	\$ —	\$ 4.8	\$ 8.6	\$ 34.9	
Year 2000	\$ 58.4	\$ 55.5	\$ —	\$ 75.2	\$ 38.7	

(a) Allowance for Uncollectible Accounts Receivable includes amounts previously written off which were credited directly to this account when recovered and accruals charged to accounts payable for anticipated uncollectible charges on purchases of accounts receivable from others which we billed.

(b) Amounts written off as uncollectible, reallocated to other Verizon affiliates, transferred to other accounts, utilized or paid. From time to time, Verizon must redistribute across its subsidiaries the amount of the severance liability based on actual experience at the companies.

Table of Contents

Verizon New England Inc.

Form 10-K for 2002

File No. 1-1150

Page 1 of 1

EXHIBIT INDEX

Exhibits identified in parentheses below, on file with the Securities and Exchange Commission (SEC), are incorporated herein by reference as exhibits hereto.

**Exhibit
Number**

- 3a Restated Certificate of Incorporation of Verizon New England Inc., dated August 19, 1988. (Exhibit No. (19)ii to Form 10-Q for the period ended March 31, 1989.)
- 3a(i) Certificate of Amendment of Certificate of Incorporation filed August 1, 2000. (Exhibit 3a(i) to Form 10-Q for the period ended June 30, 2000.)
- 3b By-Laws of the registrant, as amended October 1, 1997. (Exhibit 3b to Form 10-K for the year ended December 31, 2001.)
- 4 No instrument which defines the rights of holders of long-term debt of the registrant is filed herewith pursuant to Regulation S-K, Item 601(b)(4)(iii)(A). Pursuant to this regulation, the registrant hereby agrees to furnish a copy of any such instrument to the SEC upon request.
- 12 Computation of Ratio of Earnings to Fixed Charges.
- 23 Consent of Independent Auditors.

Verizon New England Inc.

EXHIBIT 12

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Dollars in Millions)	Years Ended December 31,				
	2002	2001	2000	1999	1998
Income before provision for income taxes, extraordinary item and cumulative effect of change in accounting principle	\$ 409.3	\$ 600.9	\$ 915.6	\$ 1,059.3	\$ 1,027.7
Equity loss (income) from affiliates	(29.5)	138.2	33.8	(20.2)	(15.7)
Dividends received from equity affiliates	26.2	28.1	21.6	27.8	21.4
Interest expense	163.7	163.6	173.5	144.8	153.7
Portion of rent expense representing interest	69.1	62.4	23.9	25.4	28.0
Amortization of capitalized interest	7.3	6.0	4.2	3.1	2.2
Earnings, as adjusted	\$ 646.1	\$ 999.2	\$ 1,172.6	\$ 1,240.2	\$ 1,217.3
Fixed charges:					
Interest expense	\$ 163.7	\$ 163.6	\$ 173.5	\$ 144.8	\$ 153.7
Portion of rent expense representing interest	69.1	62.4	23.9	25.4	28.0
Capitalized interest	12.5	29.5	18.1	13.9	13.8
Fixed charges	\$ 245.3	\$ 255.5	\$ 215.5	\$ 184.1	\$ 195.5
Ratio of earnings to fixed charges	2.63	3.91	5.44	6.74	6.23

Verizon New England Inc.

EXHIBIT 23

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-3 No. 333-63884) of Verizon New England Inc. of our report dated January 29, 2003, with respect to the financial statements and the financial statement schedule of Verizon New England Inc. included in this Annual Report (Form 10-K) for the year ended December 31, 2002.

/s/ Ernst & Young LLP

New York, New York

March 14, 2003

Verizon New England Inc.

CONTENTS

ARTICLE I. MEETINGS OF SHAREHOLDER(S)

ARTICLE II. INSPECTORS

ARTICLE III. BOARD OF DIRECTORS

ARTICLE IV. MEETINGS OF DIRECTORS

**ARTICLE V. EXECUTIVE COMMITTEE AND OTHER
COMMITTEES**

ARTICLE VI. OFFICERS

**ARTICLE VII. DUTIES OF THE CHAIRMAN OF THE
BOARD, PRESIDENT, EXECUTIVE
VICE PRESIDENTS AND VICE
PRESIDENTS**

**ARTICLE VIII. DUTIES OF THE SECRETARY AND
ASSISTANT SECRETARIES**

ARTICLE IX. DUTIES OF THE CONTROLLER

**ARTICLE X. DUTIES OF THE TREASURER AND
ASSISTANT TREASURERS**

ARTICLE XI. INDEMNIFICATION

**ARTICLE XII. CERTIFICATES FOR SHARES AND
TRANSFERS**

ARTICLE XIII. CHANGES OF BY-LAWS

Verizon New England Inc.

BY-LAWS

ARTICLE I.

MEETINGS OF SHAREHOLDER(S)

Section 1. The annual meeting of the shareholders, for the election of Directors and the transaction of such other business as may properly be brought before the meeting, shall be held on such date and at such time and such place within or without the State of New York as shall be fixed from time to time by or pursuant to resolution of the Board of Directors and set forth in the notice of meeting.

Section 2. A special meeting of the shareholders may be called at any time by the Board of Directors, the Chairman of the Board or the President and shall be called by the Chairman of the Board, the President or the Secretary upon a request signed by shareholders representing at least one-third of the shares. Any such request shall specify the time and purpose(s) of the proposed meeting. The meeting shall be held at such place within or without the State of New York as may be designated in the notice of the meeting.

Section 3. A notice, stating the time and place of each annual meeting and the time, place and purpose(s) of each special meeting, shall be given personally or shall be mailed not less than ten nor more than fifty days before the meeting, directed to each shareholder entitled to vote at such meeting at his address as it appears on the record of shareholders unless he shall have filed with the Secretary a written request that notices intended for him be mailed to some other address, in which case it shall be directed to him at such other address. A notice of special meeting shall indicate that it is being issued by or at the direction of the person or persons calling the meeting.

Verizon New England Inc.

Section 4. The Board of Directors may fix, in advance, a date not more than fifty nor less than ten days before the date of any meeting of the shareholders as the record date for determination of shareholders entitled to notice of or to vote at such meeting, and only shareholders of record on such date shall be entitled to notice of or to vote at such meeting.

Section 5. At all meetings of the shareholders, the holders of a majority of the shares entitled to vote thereat shall constitute a quorum, except as otherwise required by law.

ARTICLE II. INSPECTORS

The Board of Directors, in advance of any shareholders' meeting, may appoint one or more Inspectors to act at the meeting or any adjournment thereof. If Inspectors are not so appointed or in case any person appointed fails to appear or act, the person presiding at a shareholders' meeting may appoint one or more Inspectors.

ARTICLE III. BOARD OF DIRECTORS

Section 1. The business of the Company shall be managed under the direction of its Board of Directors.

Section 2. The Board of Directors shall be elected by the shareholders at the annual meeting, to hold office until the next annual meeting and thereafter until their successors are elected and qualified.

Section 3. The number of Directors shall be not less than one, the exact number to be determined from time to time by a vote of a majority of the entire Board. Vacancies in the Board may be filled by a vote of the majority of the Directors then in office, although less than a quorum.

Section 4. Any and all Directors may be removed with or without cause, by vote of the shareholders.

Verizon New Enland Inc.

**ARTICLE IV.
MEETINGS OF DIRECTORS**

Section 1. A meeting of the Directors for the election of officers and the transaction of general business shall be held at the place of _____ immediately after the annual meeting of the shareholders. Regular meetings shall also be held at such times and places as shall be determined by the Board, the Chairman of the Board, the President or the Secretary. When the times and places of regular meetings are determined by other than the Board, five days' notice shall be given in the manner provided for herein except on occasions when, in the opinion of the Chairman of the Board or the President, the circumstances warrant a shorter period of notice.

Section 2. Special meetings of the Directors may be called at any time by the Chairman of the Board or the President and shall be called by the Chairman of the Board, the President or the Secretary, forthwith upon request in writing signed by two Directors and specifying the purpose(s) of the meeting. Two days' notice of a special meeting shall be given in the manner provided for herein except on occasions when, in the opinion of the Chairman of the Board, the President or an Executive Vice President, the circumstances warrant a shorter period of notice.

Section 3. Any notice of a meeting of Directors required to be given may be given to each Director by mail, facsimile or telegraph, addressed to him at his residence or usual place of business, or in person or by telephone, stating the time and place of the proposed meeting.

Section 4. Meetings of the Directors may be held within or without the State of New York.

Section 5. The majority of the entire Board shall constitute a quorum.

Section 6. Any action required or permitted to be taken by the Board may be taken without a meeting if all of the Directors consent in writing to the adoption of a resolution authorizing the action. The resolution and written consents thereto shall be filed with the minutes of the proceedings of the Board.

Section 7. Any one or more members of the Board may participate in a meeting of the Board by means of a conference telephone or similar communications equipment which allows all persons participating in the meeting to hear each other at the same time.

Verizon New England Inc.

**ARTICLE V.
EXECUTIVE COMMITTEE AND OTHER COMMITTEES**

Section 1. The Board of Directors, by resolution adopted by a majority of the entire Board, may designate from their number an Executive Committee and other committees, and it may determine the number which shall constitute a quorum thereof. Any such committee shall consist of three or more members and shall serve at the pleasure of the Board.

Section 2. The President and the Chairman of the Board, if one has been elected, shall be members of the Executive Committee. The Executive Committee shall, except as otherwise provided by law or by resolution of the Board, have all the authority of the Board during the intervals between the meetings of the Board. The Executive Committee shall keep a record of its proceedings, which shall from time to time be reported to the Board.

Section 3. Committees other than the Executive Committee shall, except as otherwise provided by law, have such authority as shall be provided by resolution of the Board.

Section 4. The Executive Committee may fix the time and place of holding its regular meetings, and after such time and place shall have been fixed, no notice of such regular meetings shall be necessary.

Section 5. Special meetings of the Executive Committee may be called at any time by the Chairman of the Board or the President and shall be called by the Chairman of the Board, the President or by the Secretary, forthwith upon request in writing signed by two members of the Executive Committee and specifying the purpose(s) of the meeting. Two days' notice of a special meeting shall be given in the manner provided in Article IV, Section 3 of these By-Laws except on occasions when, in the opinion of the Chairman of the Board, the President or an Executive Vice President, the circumstances warrant a shorter period of notice.

Section 6. The Board may designate from time to time one or more Directors as alternate members of the Executive Committee or of any other committee, who may replace any absent member or members at any meeting of the committee.

Section 7. Any action required or permitted to be taken by the Executive Committee or any other committee designated by the Board may be taken without a meeting of the Executive Committee

Verizon New England Inc.

or such other committee if all of the members of the Executive Committee or such other committee consent in writing to the adoption of a resolution authorizing the action. The resolution and written consents thereto shall be filed with the minutes of the proceedings of the Executive Committee or such other committee.

Section 8. Any one or more members of the Executive Committee or any other committee established by the Board may participate in a meeting of such committee by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time. Participation by such means shall constitute presence in person at the meeting.

ARTICLE VI. OFFICERS

Section 1. The officers of the Company shall be elected by the Board of Directors, and may consist of a Chairman of the Board, a President, such number of Executive Vice Presidents and Vice Presidents as the Board of Directors shall from time to time determine, a Secretary, a Treasurer and a Controller. Any two or more offices may be held by the same person, except the offices of President and Secretary.

Section 2. The Board of Directors may appoint one or more Assistant Secretaries, one or more Assistant Treasurers, one or more Assistant Controllers and such other officers and agents as it may consider necessary.

ARTICLE VII. DUTIES OF THE CHAIRMAN OF THE BOARD, PRESIDENT, EXECUTIVE VICE PRESIDENTS AND VICE PRESIDENTS

Section 1. The Chairman of the Board, or the President when there shall be no Chairman of the Board, shall preside at the meetings of the shareholders, the Board of Directors and the Executive Committee. The Chairman of the Board shall also perform such duties as the Board of Directors may from time to time determine.

Verizon New England Inc.

Section 2. The President shall have such authority and perform such duties as usually appertain to the office, and shall also perform such duties as the Board of Directors or the Chairman of the Board may from time to time determine.

Section 3. Each Executive Vice President and Vice President shall have such authority and perform such duties as usually appertain to the office, and also such as may be assigned to him by the Board of Directors, the Chairman of the Board or the President.

Section 4. In case of absence or inability of the Chairman of the Board, the President, an Executive Vice President or a Vice President, the duties of such offices, respectively, shall be performed by such person or persons as may be designated by the Board of Directors, the Chairman of the Board, the President or the officer whose duties are to be performed.

ARTICLE VIII.

DUTIES OF THE SECRETARY AND ASSISTANT SECRETARIES

Section 1. The Secretary shall send notice to the shareholders of all annual and special meetings, and, where notice is required to be given, shall give notice to the Directors or members of the Executive Committee, respectively, of meetings of the Board or Executive Committee. The Secretary shall perform such other duties as may be required of him by the Board of Directors, the Chairman of the Board or the President, and such duties as usually appertain to the office of the Secretary.

Section 2. The Secretary or in his absence an Assistant Secretary shall keep an accurate record of the proceedings of the Board of Directors and of the Executive Committee, and of all meetings of shareholders, and shall have the custody of the seal of the Company and affix it to all instruments requiring the seal.

Section 3. The Secretary may appoint one or more Assistant Secretaries with such powers and duties as the Board of Directors, the President or the Secretary shall from time to time determine.

Verizon New England Inc.

**ARTICLE IX.
DUTIES OF THE CONTROLLER**

Section 1. The Controller shall be the principal accounting officer of the Company and shall perform such duties as may be required by the Board or the President.

Section 2. The Controller may appoint one or more Assistant Controllers with such powers and duties as the Board of Directors, the President or the Controller shall from time to time determine.

**ARTICLE X.
DUTIES OF THE TREASURER AND ASSISTANT TREASURERS**

Section 1. The Treasurer shall receive all the funds of the Company, and shall disburse them under the direction of the Board of Directors. All disbursement instruments shall be signed by such person or persons and in such manner as the Board may from time to time provide.

Section 2. The Treasurer shall keep full and regular books showing all his receipts and disbursements, and he shall make such reports and perform such other duties as the Board of Directors, the Chairman of the Board or the President may require.

Section 3. The Treasurer shall deposit all moneys received by him, in the corporate name of the Company, with such depositories as shall be approved from time to time by the Board of Directors, the Chairman of the Board or the President.

Section 4. The Treasurer may appoint one or more Assistant Treasurers with such powers and duties as the Board of Directors, the President or the Treasurer shall from time to time determine.

Section 5. The Board of Directors may require the Treasurer and Assistant Treasurers to give such security for the faithful performance of their duties as the Board shall from time to time determine.

Verizon New England Inc.

**ARTICLE XI.
INDEMNIFICATION**

Indemnification of, and advancement of expenses to, Directors and Officers is hereby authorized to be granted by the Company to the fullest extent authorized or permitted by law pursuant to resolution of the shareholders, resolution of the Directors or indemnification agreement.

**ARTICLE XII.
CERTIFICATES FOR SHARES AND TRANSFERS**

Section 1. To the extent required by applicable law, every holder of shares in the Company shall be entitled to a certificate, signed by, or in the name of the Company by, the Chairman of the Board or a Vice Chairman of the Board or the President or a Vice President and by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary of the Company, certifying the number of shares owned by him in the Company Shares shall be transferable only on the record of the Company by the holder thereof in person or by attorney, upon surrender of the outstanding certificate therefor.

Section 2. To the extent provided by applicable law, the signatures of the officers upon a certificate may be facsimiles. In case any officer who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer before such certificate is issued, it may be issued by the Company with the same effect as if he were such officer at the date of issue.

Section 3. In case of the loss of a certificate, a new certificate may be issued upon such terms as the Board of Directors may prescribe.

**ARTICLE XIII.
CHANGES OF BY-LAWS**

These By-Laws may be altered, or amended at any duly called meeting of the shareholders entitled to vote thereat, by a majority vote of the shares entitled to vote thereat, owned by those present in person or represented by proxy at such meetings, or at any meeting of the Board of Directors by a majority vote of the entire Board, provided that in the call for such meeting notice shall have been given that a proposition to amend the by-laws would be submitted.

Verizon New England Inc.

EXHIBIT 12

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Dollars in Millions)	Years Ended December 31,				
	2001	2000	1999	1998	1997
Income before provision for income taxes, extraordinary item and cumulative effect of change in accounting principle	\$600.9	\$ 915.6	\$1,059.3	\$1,027.7	\$ 898.1
Equity in loss (income) from affiliates	138.2	33.8	(20.2)	(15.7)	(18.0)
Dividends received from equity affiliates	28.1	21.6	27.8	21.4	8.3
Interest expense	163.6	173.5	144.8	153.7	138.9
Portion of rent expense representing interest	62.4	23.9	25.4	28.0	28.3
Amortization of capitalized interest	6.0	4.2	3.1	2.2	1.3
Earnings, as adjusted	\$999.2	\$1,172.6	\$1,240.2	\$1,217.3	\$1,056.9
Fixed charges:					
Interest expense	\$163.6	\$ 173.5	\$ 144.8	\$ 153.7	\$ 138.9
Portion of rent expense representing interest	62.4	23.9	25.4	28.0	28.3
Capitalized interest	29.5	18.1	13.9	13.8	13.0
Fixed Charges	\$255.5	\$ 215.5	\$ 184.1	\$ 195.5	\$ 180.2
Ratio of Earnings to Fixed Charges	3.91	5.44	6.74	6.23	5.87

Verizon New England Inc.

EXHIBIT 23a

CONSENT OF INDEPENDENT AUDITORS

consent to the incorporation by reference in the Registration Statement (Form S-3 No. 333-63884) of Verizon New England Inc. of our report dated January 31, 2002, with respect to the financial statements and the financial statement schedule of Verizon New England Inc. included in this Annual Report (Form 10-K) for the year ended December 31, 2001.

/s/Ernst & Young LLP

*New York, New York
March 20, 2002*

Verizon New England Inc.

EXHIBIT 23b

CONSENT OF INDEPENDENT ACCOUNTANTS

hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (File No. 33-63884) of Verizon New England Inc. of our report dated February 14, 2000 relating to the financial statements and the financial statement schedule for the year ended December 31, 1999, which appear in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

*New York, New York
March 20, 2002*

End of Filing

Table of Contents