Verizon North Inc.

Condensed Financial Statements
Three Months Ended March 31, 2010 and 2009

Verizon North Inc.

CONDENSED STATEMENTS OF INCOME

(dollars in millions) (unaudited)	Three Months Ended March 31, 2010	2009
Operating Revenues		
(including $243 and $273 from affiliates)	**$ 651**	$ 732
Operating Expenses		
(including $128 and $108 to affiliates)		
Cost of services and sales (exclusive of items shown below)	**231**	148
Selling, general and administrative expense	**126**	113
Depreciation and amortization expense	**214**	246
Total Operating Expenses	**571**	507
Operating Income	**80**	225
Other income and (expense), net (including $--- and $1 from affiliates)	**---**	1
Interest expense (including $(4) and $(9) to affiliates)	**(9)**	(16)
Income Before Provision for Income Taxes	**71**	210
Provision for income taxes	**(58)**	(73)
Net Income	**$ 13**	$ 137

See Notes to Condensed Financial Statements

Verizon North Inc.

CONDENSED BALANCE SHEETS

(dollars in millions) (unaudited)	At March 31, 2010	At December 31, 2009
Assets		
Current assets		
Accounts receivable:		
Trade and other, net of allowances for uncollectibles of $25 and $25	**$ 204**	$ 204
Affiliates	**148**	174
Prepaid expenses	**12**	6
Deferred income taxes	**20**	29
Deferred charges and other	**32**	41
Total current assets	**416**	454
Plant, property and equipment	**11,320**	11,286
Less accumulated depreciation	**8,716**	8,629
	2,604	2,657
Intangible assets, net	**1,052**	1,163
Prepaid pension assets	**2,157**	2,244
Other assets	**60**	52
Total assets	**$ 6,289**	$ 6,570
Liabilities and Shareowner's Investment		
Current liabilities		
Debt maturing within one year:		
Notes payable to affiliate	**$ 2,099**	$ 2,184
Other	**---**	200
Accounts payable and accrued liabilities:		
Affiliates	**165**	194
Other	**248**	148
Other current liabilities	**107**	112
Total current liabilities	**2,619**	2,838
Long-term debt	**200**	200
Employee benefit obligations	**1,066**	1,072
Deferred credits and other liabilities:		
Deferred income taxes	**1,273**	1,334
Other	**141**	149
	1,414	1,483
Shareowner's investment		
Common stock (one share, without par value)	**978**	978
Contributed capital	**14**	14
Accumulated deficit	**(2)**	(15)
Total shareowner's investment	**990**	977
Total liabilities and shareowner's investment	**$ 6,289**	$ 6,570

See Notes to Condensed Financial Statements

Verizon North Inc.

CONDENSED STATEMENTS OF CASH FLOWS

(dollars in millions) (unaudited)	Three Months Ended March 31, 2010	2009
Net Cash Provided by Operating Activities	**$ 331**	$ 414
Cash Flows from Investing Activities		
Capital expenditures (including capitalized software)	**(39)**	(46)
Net change in short-term investments	**---**	16
Other, net	**(7)**	---
Net cash used in investing activities	**(46)**	(30)
Cash Flows from Financing Activities		
Principal repayment of borrowings	**(200)**	---
Net change in short-term notes payable to affiliate	**(85)**	67
Dividends paid	---	(90)
Net change in outstanding checks drawn on controlled disbursement accounts	---	(1)
Return of capital to parent	---	(360)
Net cash used in financing activities	**(285)**	(384)
Net change in cash	**---**	---
Cash, beginning of period	**---**	---
Cash, end of period	**$ ---**	$ ---

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See Notes to Condensed Financial Statements

NOTES TO CONDENSED FINANCIAL STATEMENTS (Unaudited)

1. Basis of Presentation and Recent Accounting Standard Updates

Verizon North Inc. (Verizon North or the Company) is a wholly owned subsidiary of GTE Corporation (GTE), which is a wholly owned subsidiary of Verizon Communications Inc. (Verizon). The accompanying unaudited condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim periods. These condensed financial statements reflect all adjustments that are necessary for a fair presentation of results of operations and financial position for the interim periods shown including normal recurring accruals and other items. We have evaluated subsequent events through May 28, 2010, the date these financial statements were issued. The results for the interim periods are not necessarily indicative of results for the full year. The balance sheet at December 31, 2009 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. For a more complete discussion of significant accounting policies and certain other information, you should refer to our December 31, 2009 audited financial statements.

Recent Accounting Standards

In September 2009, the accounting standard update regarding revenue recognition for multiple deliverable arrangements was issued. This update requires the use of the relative selling price method when allocating revenue in these types of arrangements. This method allows a vendor to use its best estimate of selling price if neither vendor specific objective evidence nor third party evidence of selling price exists when evaluating multiple deliverable arrangements. This standard update is effective January 1, 2011 and may be adopted prospectively for revenue arrangements entered into or materially modified after the date of adoption or retrospectively for all revenue arrangements for all periods presented. We are currently evaluating the impact that this standard update will have on our financial statements.

In September 2009, the accounting standard update regarding revenue recognition for arrangements that include software elements was issued. This update requires tangible products that contain software and non-software elements that work together to deliver the products' essential functionality to be evaluated under the accounting standard regarding multiple deliverable arrangements. This standard update is effective January 1, 2011 and may be adopted prospectively for revenue arrangements entered into or materially modified after the date of adoption or retrospectively for all revenue arrangements for all periods presented. We are currently evaluating the impact that this standard update will have on our financial statements.

2. Telephone Access Lines Spin-off

On May 13, 2009, Verizon announced a definitive agreement with Frontier Communications Corporation (Frontier) that has resulted in Verizon establishing a separate entity, known as New Communications Holdings Inc. (Spinco), for the purpose of holding defined assets and liabilities of Verizon's local exchange business and related landline activities in 13 states and portions of California. As part of this transaction, Verizon will distribute all of the outstanding shares of Spinco to Verizon's stockholders, and then Spinco will immediately merge with and into Frontier (the Frontier Merger).

Prior to the closing of the Frontier Merger, Verizon North will transfer its assets to other Verizon subsidiaries except for those assets associated with its local exchange business and related landline activities in Illinois, Indiana, Michigan, Ohio and Wisconsin. Verizon North will then become a wholly owned subsidiary of Spinco, and Verizon North will become a wholly owned subsidiary of Frontier at the closing of the Frontier Merger. The local exchange business and related landline assets that will be retained by Verizon North at the closing of the Frontier Merger will be included in Verizon North's continuing operations and comprise approximately 83% of Verizon North's access lines, 69% of total assets and 67% of total revenues as of and for the year ended December 31, 2009.

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

The Frontier Merger is subject to the continuing effectiveness of regulatory approvals and the satisfaction of certain other closing conditions. We expect that the Frontier Merger will close on July 1, 2010.

During the three months ended March 31, 2010, Verizon recorded pretax charges of $145 million for costs incurred related to network, non-network software and other activities to enable the markets to be divested to operate on a stand-alone basis subsequent to the closing of the transaction with Frontier. Of this amount, we recorded $6 million.

3. Shareowner's Investment

(dollars in millions)	Common Stock	Contributed Capital	Accumulated Deficit
Balance at December 31, 2009	$ 978	$ 14	$ (15)
Net income	---	---	13
Balance at March 31, 2010	$ 978	$ 14	$ (2)

Net income and comprehensive income were the same for the three months ended March 31, 2010 and 2009, respectively.

4. Debt

During the three months ended March 31, 2010, a $200 million 6.375% twelve year debenture matured and was repaid.

Fair Value of Debt

The fair value of our short-term and long-term debt, excluding capital leases, is determined based on market quotes for similar terms and maturities or future cash flows discounted at current rates. The fair value of our long-term and short-term debt excluding capital leases was approximately $2,298 million and $2,583 million at March 31, 2010 and December 31, 2009, respectively, as compared to the carrying value of approximately $2,299 million and $2,584 million at March 31, 2010 and December 31, 2009, respectively. The decrease in the carrying value of our long-term and short-term debt, excluding capital leases, was primarily due to the repayment of the debenture and a decrease in notes payable to affiliates.

5. 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.

6. Other Items

Medicare Part D Subsidy

Under the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010, both of which became law in March 2010 (collectively the Health Care Act), beginning in 2013, Verizon and other companies that receive a subsidy under Medicare Part D to provide retiree prescription drug coverage will no longer receive a federal income tax deduction for the expenses incurred in connection with providing the subsidized coverage to the extent of the subsidy received. Because future anticipated retiree prescription drug plan liabilities and related subsidies are already reflected in our financial statements, this change requires us to reduce the value of the related tax benefits recognized in our financial statements in the period during which the Health Care Act was enacted. As a result, we recorded a one-time, non-cash income tax charge of $32 million in the first quarter of 2010 to reflect the impact of this change.

Severance, Pension and Benefit Charges

During the three months ended March 31, 2010, we recorded non-cash pension settlement losses of $112 million related to employees that received lump-sum distributions, primarily resulting from our previously announced separation plans in which prescribed payment thresholds were reached.