Verizon New York Inc.

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

Verizon New York Inc.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in Millions) (Unaudited)	Three Months Ended March 31, 2009	2008
Operating Revenues		
(including $291 and $263 from affiliates)	**$ 2,006**	$ 2,073
Operating Expenses		
(including $748 and $688 to affiliates)		
Cost of services and sales (exclusive of items shown below)	**1,050**	1,099
Selling, general and administrative expense	**713**	656
Depreciation and amortization expense	**308**	338
Total Operating Expenses	**2,071**	2,093
Operating Loss	**(65)**	(20)
Other income		
(including $7 and $9 from affiliates)	**7**	16
Interest expense		
(including $(28) and $(24) to affiliates)	**(73)**	(72)
Loss Before Income Tax Provision	**(131)**	(76)
Income tax benefit	**66**	17
Net Loss	**$ (65)**	$ (59)

See Notes to Condensed Consolidated Financial Statements

Verizon New York Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in Millions) (Unaudited)	At March 31, 2009	At December 31, 2008
Assets		
Current assets		
Short-term investments	**$ 3**	$ 1
Notes receivable from affiliate	**182**	113
Accounts receivable:		
Trade and other, net of allowances for uncollectibles of $111 and $121	**789**	801
Affiliates	**917**	649
Material and supplies	**71**	90
Prepaid expenses	**115**	64
Deferred income taxes	**116**	120
Deferred charges and other	**122**	118
Total current assets	**2,315**	1,956
Plant, property and equipment	**31,132**	30,909
Less accumulated depreciation	**20,557**	20,339
	10,575	10,570
Intangible assets, net	**48**	48
Prepaid pension asset	**485**	471
Deferred income tax assets	**---**	11
Other assets	**362**	361
Total assets	**$ 13,785**	$ 13,417
Liabilities and Shareowner's Investment		
Current liabilities		
Debt maturing within one year:		
Notes payable to affiliates	**$ 3,330**	$ 2,928
Other	**251**	1
Accounts payable and accrued liabilities:		
Affiliates	**862**	795
Other	**527**	587
Other current liabilities	**399**	426
Total current liabilities	**5,369**	4,737
Long-term debt	**2,401**	2,650
Employee benefit obligations	**4,188**	4,155
Deferred credits and other liabilities		
Deferred income taxes	**191**	133
Unamortized investment tax credits	**21**	22
Other	**403**	442
	615	597
Shareowner's investment		
Common stock (one share, without par value)	**1**	1
Contributed capital	**4,413**	4,413
Accumulated deficit	**(3,202)**	(3,136)
Total shareowner's investment	**1,212**	1,278
Total liabilities and shareowner's investment	**$ 13,785**	$ 13,417

See Notes to Condensed Consolidated Financial Statements

Verizon New York Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in Millions) (Unaudited)	Three Months Ended March 31, 2009	2008
Net Cash Provided by (Used in) Operating Activities	**$ (46)**	$ 288
Cash Flows from Investing Activities		
Capital expenditures (including capitalized software)	**(283)**	(327)
Net change in short-term investments	**2**	55
Change in notes receivable from affiliate	**(69)**	22
Other, net	**1**	10
Net cash used in investing activities	**(349)**	(240)
Cash Flows from Financing Activities		
Principal repayment of borrowings and capital lease obligations	**---**	(1)
Change in notes payable to affiliates	**402**	114
Dividends paid	**---**	(156)
Net change in outstanding checks drawn on controlled disbursement accounts	**(7)**	(5)
Net cash provided by (used in) financing activities	**395**	(48)
Net change in cash	**---**	---
Cash, beginning of period	**---**	---
Cash, end of period	**$ ---**	$ ---

See Notes to Condensed Consolidated Financial Statements

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. Basis of Presentation and Recent Accounting Pronouncements

Verizon New York Inc. (Verizon New York or the Company) and its wholly owned subsidiaries, Empire City Subway Company, Bell Atlantic Communications and NYNEX Long Distance Company are wholly owned subsidiaries of NYNEX Corporation (NYNEX), which is a wholly owned subsidiary of Verizon Communications Inc. (Verizon). The unaudited condensed consolidated financial statements include the accounts of Verizon New York Inc. and its subsidiary. The company also has a 66-2/3% ownership interest in Telesector Resources Group, Inc. (d/b/a Verizon Services Group) and share voting rights equally with the other owner, Verizon New England Inc. (Verizon New England), 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.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim periods. These financial statements reflect all adjustments that are necessary for a fair presentation of results of operations and financial position for the interim periods shown including normal recurring accruals and other items. All significant intercompany accounts and transactions have been eliminated. The results for the interim periods are not necessarily indicative of results for the full year. The balance sheet at December 31, 2008 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. For a more complete discussion of significant accounting policies and certain other information, you should refer to our December 31, 2008 audited financial statements.

In April 2009, the Financial Accounting Standards Board (FASB) issued Staff Position (FSP) FAS No. 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments* (FSP FAS 107-1 and APB 28-1), which amends Statement of Financial Accounting Standards (SFAS) No. 107, *Disclosures about Fair Value of Financial Instruments*, to require disclosures about the fair value of financial instruments for interim reporting periods, as well as annual reporting periods. FSP FAS 107-1 and APB 28-1 are effective for all interim and annual reporting periods ending after June 15, 2009 and shall be applied prospectively. We do not expect that the adoption of FSP FAS 107-1 and APB 28-1 will have a significant impact on our condensed consolidated financial statements.

2. Shareowner's Investment

(Dollars in Millions)	Common Stock	Contributed Capital	Accumulated Deficit
Balance at December 31, 2008	$ 1	$ 4,413	$ (3,136)
Net loss	---	---	(65)
Other	---	---	(1)
Balance at March 31, 2009	$ 1	$ 4,413	$ (3,202)

3. Commitments and Contingencies

Various legal actions and regulatory proceedings are pending to which we are a party and claims which, if asserted, may lead to other legal actions. We have established reserves for specific liabilities in connection with regulatory and legal matters that we currently deem to be probable and estimable. We do not expect that the ultimate resolution of pending regulatory and legal matters in future periods will have a material effect on our financial condition, but it could have a material effect on our results of operations.

From time to time, state regulatory decisions require us to assure customers that we will provide a level of service performance that falls within prescribed parameters. There are penalties associated with failing to meet those service parameters and we, from time to time, pay such penalties. We do not expect these penalties to have a material effect on our financial condition, but they could have a material effect on our results of operations.

4. Subsequent Event

On May 13, 2009, Verizon announced a definitive agreement with Frontier Communications Corporation (Frontier) providing for Verizon to establish a separate entity, known as New Communications Holdings Inc. (Spinco), for its local exchange and related business assets in 14 states. At the closing of this transaction, Verizon will distribute all of the outstanding shares of Spinco to Verizon's stockholders, and then Spinco will immediately merge with and into Frontier (the Frontier Merger).

Certain subsidiaries of Verizon New York provide long distance services in areas served by Verizon New York as well as in areas served by other Verizon telephone operating company subsidiaries, including the territories that will become part of the Spinco operating areas at the closing of the Frontier Merger. The long distance traffic generated within the territories that will become part of the Spinco operating areas generated approximately 4% of Verizon New York's consolidated revenues and contributed $116 million to its operating income, which had the effect of decreasing Verizon New York's operating loss by 28% for the year ended December 31, 2008. The long-term debt that was previously issued by Verizon New York will not be affected by the Frontier Merger.

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