Verizon New York Inc.

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

Verizon New York Inc.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(dollars in millions) (unaudited)	Three Months Ended March 31, 2010	2009
Operating Revenues		
(including $269 and $291 from affiliates)	**$ 1,872**	$ 2,006
Operating Expenses		
(including $583 and $748 to affiliates)		
Cost of services and sales (exclusive of items shown below)	**1,044**	1,050
Selling, general and administrative expense	**671**	713
Depreciation and amortization expense	**301**	308
Total Operating Expenses	**2,016**	2,071
Operating Loss	**(144)**	(65)
Other income		
(including $1 and $7 from affiliates)	**3**	7
Interest expense		
(including $(34) and $(28) to affiliates)	**(75)**	(73)
Loss Before Income Tax Benefit	**(216)**	(131)
Income tax benefit	**20**	66
Net Loss	**$ (196)**	$ (65)

See Notes to Condensed Consolidated Financial Statements

Verizon New York Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS

(dollars in millions) (unaudited)	At March 31, 2010	At December 31, 2009
Assets		
Current assets		
Notes receivable from affiliate	**$ 266**	$ 168
Accounts receivable:		
Trade and other, net of allowances for uncollectibles of $95 and $103	**725**	745
Affiliates	**355**	342
Prepaid expenses	**325**	83
Deferred income taxes	**136**	101
Deferred charges and other	**82**	132
Total current assets	**1,889**	1,571
Plant, property and equipment	**31,894**	31,674
Less accumulated depreciation	**21,182**	20,969
	10,712	10,705
Intangible assets, net	**51**	51
Prepaid pension asset	**415**	436
Deferred income tax assets	**---**	12
Other assets	**367**	364
Total assets	**$ 13,434**	$ 13,139
Liabilities and Shareowner's Investment		
Current liabilities		
Debt maturing within one year:		
Notes payable to affiliates	**$ 3,890**	$ 3,402
Other	**150**	400
Accounts payable and accrued liabilities:		
Affiliates	**482**	494
Other	**415**	450
Other current liabilities	**434**	422
Total current liabilities	**5,371**	5,168
Long-term debt	**2,251**	2,251
Employee benefit obligations	**4,479**	4,440
Deferred credits and other liabilities:		
Deferred income taxes	**503**	239
Unamortized investment tax credits	**20**	20
Other	**320**	335
	843	594
Shareowner's investment		
Common stock (one share, without par value)	**1**	1
Contributed capital	**4,413**	4,413
Accumulated deficit	**(3,924)**	(3,728)
Total shareowner's investment	**490**	686
Total liabilities and shareowner's investment	**$ 13,434**	$ 13,139

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, 2010	2009
Net Cash Provided by (Used in) Operating Activities	**$ 115**	$ (46)
Cash Flows from Investing Activities		
Capital expenditures (including capitalized software)	**(253)**	(283)
Net change in short-term investments	**---**	2
Net change in notes receivable from affiliate	**(98)**	(69)
Other, net	**8**	1
Net cash used in investing activities	**(343)**	(349)
Cash Flows from Financing Activities		
Principal repayment of borrowings and capital lease obligations	**(250)**	---
Net change in short-term notes payable to affiliates	**488**	402
Net change in outstanding checks drawn on controlled disbursement accounts	**(10)**	(7)
Net cash provided by financing activities	**228**	395
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 Standard Updates

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 subsidiaries. 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 condensed financial statements reflect all adjustments that are necessary for a fair presentation of results of operations and financial position for the interim periods shown including normal recurring accruals and other items. All significant intercompany accounts and transactions have been eliminated. We have evaluated subsequent events through May 28, 2010, the date these condensed consolidated 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 consolidated 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 consolidated 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).

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 in each of 2009 and 2008 and contributed $110 million and $107 million to its operating income in 2009 and 2008, respectively. The long-term debt that was previously issued by Verizon New York will not be affected by the Frontier Merger and will remain the obligation of Verizon New York.

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 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.

3. Shareowner's Investment

(dollars in millions)	Common Stock	Contributed Capital	Accumulated Deficit
Balance at December 31, 2009	$ 1	$ 4,413	$ (3,728)
Net loss	---	---	(196)
Balance at March 31, 2010	$ 1	$ 4,413	$ (3,924)

4. Notes Receivable

The Financial Services agreements with Verizon Network Funding Corp. (VNFC) and Verizon Financial Services LLC (FSLLC), allow VNFC and FSLLC to collect funds on our behalf. These funds are assigned a variable interest rate and demand note basis, therefore, the carrying value of the notes receivable approximates its fair market value. As of March 31, 2010 and December 31 2009, we had notes receivable in the amounts of $266 million and $168 million from VNFC, respectively.

5. Debt

During the first three months of 2010, a $250 million 6.125% 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 $6,449 million and $6,190 million at March 31, 2010 and December 31, 2009, respectively, as compared to the carrying value of approximately $6,281 million and $6,043 million at March 31, 2010 and December 31, 2009, respectively. The increase in the carrying value of our long-term and short-term debt, excluding capital leases, was primarily due to an increase in notes payable to affiliates.

6. Commitments and Contingencies

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

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

7. 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 $67 million in the first quarter of 2010 to reflect the impact of this change.