Verizon New York Inc.

Condensed Consolidated Financial Statements
Three and Nine Months Ended September 30, 2010 and 2009

Verizon New York Inc.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(dollars in millions) (unaudited)	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Operating Revenues				
(including $287, $278, $835 and $856 from affiliates)	**$ 1,750**	$ 1,946	**$ 5,469**	$ 5,921
Operating Expenses				
(including $615, $789, $1,951, and $2,260 to affiliates)				
Cost of services and sales (exclusive of items shown below)	**1,224**	1,053	**4,000**	3,101
Selling, general and administrative expense	**706**	776	**2,207**	2,166
Depreciation and amortization expense	**308**	312	**914**	929
Total Operating Expenses	**2,238**	2,141	**7,121**	6,196
Operating Loss	**(488)**	(195)	**(1,652)**	(275)
Other income and (expense), net				
(including $1, $3, $2, and $17 from affiliates)	**---**	3	**5**	16
Interest expense				
(including $(47), $(25), $(121) and $(77) to affiliates)	**(86)**	(69)	**(242)**	(209)
Loss Before Income Taxes	**(574)**	(261)	**(1,889)**	(468)
Income tax benefit	**203**	99	**609**	198
Net Loss	**$ (371)**	$ (162)	**$ (1,280)**	$ (270)

See Notes to Condensed Consolidated Financial Statements

Verizon New York Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS

(dollars in millions) (unaudited)	At September 30, 2010	At December 31, 2009
Assets		
Current assets		
Notes receivable from affiliates	**$ 618**	$ 168
Accounts receivable:		
Trade and other, net of allowances for uncollectibles of $99 and $103	**724**	745
Affiliates	**240**	342
Prepaid expenses	**583**	83
Deferred income taxes	**112**	101
Deferred charges and other	**79**	132
Total current assets	**2,356**	1,571
Plant, property and equipment	**32,352**	31,674
Less accumulated depreciation	**21,601**	20,969
	10,751	10,705
Intangible assets, net	**52**	51
Prepaid pension asset	**423**	436
Deferred income tax assets	**---**	12
Other assets	**357**	364
Total assets	**$ 13,939**	$ 13,139
Liabilities and Shareowner's Investment		
Current liabilities		
Debt maturing within one year:		
Notes payable to affiliates	**$ 4,733**	$ 3,402
Other	**151**	400
Accounts payable and accrued liabilities:		
Affiliates	**453**	494
Other	**398**	450
Other current liabilities	**367**	422
Total current liabilities	**6,102**	5,168
Long-term debt	**2,251**	2,251
Employee benefit obligations	**5,712**	4,440
Deferred credits and other liabilities:		
Deferred income taxes	**159**	239
Unamortized investment tax credits	**20**	20
Other	**343**	335
	522	594
Shareowner's investment		
Common stock (one share, without par value)	**1**	1
Contributed capital	**4,359**	4,413
Accumulated deficit	**(5,008)**	(3,728)
Total shareowner's investment	**(648)**	686
Total liabilities and shareowner's investment	**$ 13,939**	$ 13,139

See Notes to Condensed Consolidated Financial Statements

Verizon New York Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in millions) (unaudited)	Nine Months Ended September 30, 2010	2009
Net Cash Provided by Operating Activities	**$ 237**	$ 651
Cash Flows from Investing Activities		
Capital expenditures (including capitalized software)	**(872)**	(977)
Net change in short-term investments	**---**	---
Net change in notes receivable from affiliate	**(450)**	17
Other, net	**9**	3
Net cash used in investing activities	**(1,313)**	(957)
Cash Flows from Financing Activities		
Principal repayment of borrowings and capital lease obligations	**(251)**	(1)
Net change in short-term notes payable to affiliates	**1,331**	304
Net change in outstanding checks drawn on controlled disbursement accounts	**(4)**	3
Net cash provided by financing activities	**1,076**	306
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 November 30, 2010, the date these condensed financial statements were issued. The results for the interim periods are not necessarily indicative of results for the full year. The balance sheet at December 31, 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.

We have reclassified prior year amounts to conform to the current year presentation.

Recent Accounting Standards

In July 2010, the accounting standard update regarding disclosures for finance receivables and allowances for credit losses was issued. This standard update requires that entities disclose information at more disaggregated levels than currently required. We will adopt this standard update during the fourth quarter of 2010. The adoption of this standard update is not expected to have a significant impact on our consolidated financial statements.

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 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. On July 1, 2010, after receiving regulatory approval, Verizon completed the spin-off of the shares of Spinco to Verizon stockholders and the merger of Spinco with Frontier (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 became part of the Spinco operating areas at the closing of the Frontier Merger. The long distance traffic generated within the territories that became part of the Spinco operating areas generated approximately 4% of Verizon New York's consolidated revenues in the six months ended June 30, 2010 and contributed $50 million and $59 million to its operating income in the six months ended June 30, 2010 and 2009, respectively. The long-term debt that was previously issued by Verizon New York was not affected by the Frontier Merger and remains the obligation of Verizon New York.

During the three and nine months ended September 30, 2010, Verizon recorded charges of $123 million and $463 million, primarily 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. Also included in these charges were fees related to the early extinguishment of debt, as well as professional advisory and legal fees incurred in connection with the Frontier transaction. The portion of these charges recorded by Verizon New York was immaterial.

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	---	---	(1,280)
Return of capital to parent	---	(54)	---
Balance at September 30, 2010	$ 1	$ 4,359	$ (5,008)

Net loss and comprehensive loss were the same for the three and nine months ended September 30, 2010 and 2009, respectively.

In the third quarter, Verizon New York decreased its Contributed capital by $54 million to account for assets transferred to Spinco, and, subsequently, Frontier at the closing of the Frontier Merger.

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 September 30, 2010 and December 31 2009, we had notes receivable in the amounts of $618 million and $168 million, respectively.

5. Debt

During the first nine 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 $7,341 million and $6,190 million at September 30, 2010 and December 31, 2009, respectively, as compared to the carrying value of approximately $7,124 million and $6,043 million at September 30, 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 required 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.

Severance, Pension and Benefit Charges

In April 2010, we reached an agreement with certain unions on temporary enhancements to the separation programs contained in their existing collective bargaining agreements. These temporary enhancements were intended to help address a previously declared surplus of employees and to help reduce the need for layoffs. Accordingly, during the three and nine months ended September 30, 2010, we recorded severance, pension and benefits charges of $348 million and $1,230 million, respectively, primarily associated with the union-represented employees who volunteered for the incentive offer. Included in these charges were non-cash pension settlement losses of $348 million related to employees who received lump-sum distributions, as well as pension and postretirement curtailment losses of $296 million as workforce reductions caused the elimination of a significant amount of future service requiring us to recognize a portion of prior service costs and actuarial losses. The charges also included $261 million of severance charges, and $325 million of special termination benefits for planned workforce reductions.