Verizon Virginia Inc.

Condensed Financial Statements
Three and Six Months Ended June 30, 2008 and 2007

Verizon Virginia Inc.

CONDENSED STATEMENTS OF INCOME

(dollars in millions) (unaudited)	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
Operating Revenues				
(including $137, $130, $270 and $254 from affiliates)	$ 543	$ 531	$ 1,087	$ 1,051
Operating Expenses				
(including $159, $154, $307 and $300 to affiliates)				
Cost of services and sales (exclusive of items shown below)	172	168	349	338
Selling, general and administrative expense	112	134	206	248
Depreciation and amortization expense	109	111	217	221
Total Operating Expenses	393	413	772	807
Operating Income	150	118	315	244
Other income and (expense), net				
(including $1, $2, $3 and $3 from affiliates)	2	2	4	5
Interest expense	(17)	(16)	(34)	(33)
Income Before Provision for Income Taxes	135	104	285	216
Provision for income taxes	(50)	(40)	(108)	(83)
Net Income	$ 85	$ 64	$ 177	$ 133

See Notes to Condensed Financial Statements

Verizon Virginia Inc.

CONDENSED BALANCE SHEETS

(dollars in millions) (unaudited)	June 30, 2008	December 31, 2007
Assets		
Current assets		
Short-term investments	$ 58	$ 91
Note receivable from affiliate	123	145
Accounts receivable:		
Trade and other, net of allowances for uncollectibles of $44 and $46	283	283
Affiliates	131	76
Materials and supplies	16	14
Prepaid expenses	2	1
Deferred income taxes	1	2
Deferred charges and other	36	34
Total current assets	650	646
Plant, property and equipment	9,691	9,474
Less accumulated depreciation	6,401	6,267
	3,290	3,207
Intangible assets, net	2	3
Prepaid pension asset	270	266
Other assets	32	34
Total assets	$ 4,244	$ 4,156
Liabilities and Shareowner's Investment		
Current liabilities		
Debt maturing within one year		
Non-Affiliates	$ 1	$ 1
Accounts payable and accrued liabilities:		
Affiliates	148	155
Other	144	169
Other current liabilities	116	131
Total current liabilities	409	456
Long-term debt	1,303	1,303
Employee benefit obligations	627	609
Deferred credits and other liabilities		
Deferred income taxes	280	258
Unamortized investment tax credits	7	7
Other	70	76
	357	341
Shareowner's investment		
Common stock (one share, without par value)	874	874
Contributed capital	105	105
Reinvested earnings	572	471
Accumulated other comprehensive loss	(3)	(3)
Total shareowner's investment	1,548	1,447
Total liabilities and shareowner's investment	$ 4,244	$ 4,156

See Notes to Condensed Financial Statements

Verizon Virginia Inc.

CONDENSED STATEMENTS OF CASH FLOWS

(dollars in millions) (unaudited)	Six Months Ended June 30, 2008	2007
Net Cash Provided by Operating Activities	$ 322	$ 326
Cash Flows from Investing Activities		
Capital expenditures (including capitalized software)	(298)	(270)
Net change in short-term investments	33	31
Change in notes receivable from affiliates	22	(5)
Other, net	(1)	---
Net cash used in investing activities	(244)	(244)
Cash Flows from Financing Activities		
Principal repayments of borrowings and capital lease obligations	---	(1)
Dividends paid	(76)	(82)
Net change in outstanding checks drawn on controlled disbursement accounts	(2)	1
Net cash used in financing activities	(78)	(82)
Net change in cash	---	---
Cash, beginning of period	---	---
Cash, end of period	$ ---	$ ---

See Notes to Condensed Financial Statements

NOTES TO CONDENSED FINANCIAL STATEMENTS (Unaudited)

1. Basis of Presentation and Recent Accounting Pronouncements

Verizon Virginia Inc. (Verizon Virginia or the Company) 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. The results for the interim periods are not necessarily indicative of results for the full year. The balance sheet at December 31, 2007 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, 2007 audited financial statements.

In April 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) No. FAS 142-3, *Determination of the Useful Life of Intangible Assets* (FSP 142-3). FSP 142-3 removes the requirement under Statement of Financial Accounting Standards (SFAS) No. 142, *Goodwill and Other Intangible Assets* to consider whether an intangible asset can be renewed without substantial cost or material modifications to the existing terms and conditions, and replaces it with a requirement that an entity consider its own historical experience in renewing similar arrangements, or a consideration of market participant assumptions in the absence of historical experience. FSP 142-3 also requires entities to disclose information that enables users of financial statements to assess the extent to which the expected future cash flows associated with the asset are affected by the entity's intent and/or ability to renew or extend the arrangement. We are required to adopt FSP 142-3 effective January 1, 2009 on a prospective basis. We are evaluating the impact FSP 142-3 will have on our financial statements.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133*, (SFAS No. 161). This statement requires additional disclosures for derivative instruments and hedging activities that include how and why an entity uses derivatives, how these instruments and the related hedged items are accounted for under SFAS No. 133 and related interpretations, and how derivative instruments and related hedged items affect the entity's financial position, results of operations and cash flows. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008.

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations* (Revised), (SFAS No. 141(R)), to replace SFAS No. 141, *Business Combinations*. SFAS No. 141(R) requires the use of the acquisition method of accounting, defines the acquirer, establishes the acquisition date and broadens the scope to all transactions and other events in which one entity obtains control over one or more other businesses. This statement is effective for business combinations or transactions entered into for fiscal years beginning on or after December 15, 2008. The adoption of this statement will not have any impact to our financial statements.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51*, (SFAS No. 160). SFAS No. 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the retained interest and gain or loss when a subsidiary is deconsolidated. This statement is effective for financial statements issued for fiscal years beginning on or after December 15, 2008. The adoption of this statement will not have any impact to our financial statements.

2. Note Receivable from Affiliate

The Financial Services Agreement between Verizon Network Funding Corp. (VNFC) and us allows VNFC to borrow or advance funds on a day-to-day (demand) basis to finance our ordinary business and capital requirements. These funds are assigned a variable interest rate. The carrying value of the note receivable approximates its fair market value. As of June 30, 2008 and December 31, 2007, we had a note receivable from VNFC for $123 million and $145 million, respectively.

3. Shareowner's Investment

(dollars in millions)	Common Stock	Contributed Capital	Reinvested Earnings	Accumulated Other Comprehensive Loss
Balance at December 31, 2007	$ 874	$ 105	$ 471	$ (3)
Net income	---	---	177	---
Dividends paid	---	---	(76)	---
Balance at June 30, 2008	$ 874	$105	$572	$ (3)

Net income and comprehensive income were the same for the three and six months ended June 30, 2008 and 2007, respectively.

4. Fair Value Measurements

SFAS No. 157

SFAS No. 157, *Fair Value Measurements* (SFAS No. 157) defines fair value, establishes a framework for measuring fair value and establishes a hierarchy that categorizes and prioritizes the sources to be used to estimate fair value. SFAS No. 157 also expands financial statement disclosures about fair value measurements. On February 12, 2008, the FASB issued FSP No. FAS 157-2 (FSP 157-2), which delays the effective date of SFAS No. 157 for one year for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. We elected a partial deferral of SFAS No. 157 under the provisions of FSP 157-2 related to the measurement of fair value used when evaluating intangible assets and other long-lived assets for impairment and valuing asset retirement obligations and liabilities for exit or disposal activities. Furthermore, the impact of implementing FSP 157-2 is not expected to be material to our financial statements. The impact of partially adopting SFAS No. 157 effective January 1, 2008 was not material to our financial statements.

Fair Value Measurements on a Recurring Basis

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. Our assessment of the significance of a particular input to the fair value measurements requires judgment, and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

The following table presents the asset balances measured at fair value on a recurring basis as of June 30, 2008:

(dollars in millions)	Level 1 (1)	Level 2 (2)	Level 3 (3)	Total
Assets:				
Short-term investments	$ –	$ 58	$ –	$ 58

(1) – quoted prices in active markets for identical assets or liabilities
(2) – observable inputs other than quoted prices in active markets for identical assets and liabilities
(3) – no observable pricing inputs in the market

Short-term investments primarily include a fund comprised of cash equivalents held in trust for the payment of certain employee benefits and are classified as Level 2 as they are not actively traded in an established market. The decrease in our short-term investments during the six months ended June 30, 2008 was due to the payment of these employee benefits.

Fair Value Measurements on a Nonrecurring Basis

As permitted by FSP 157-2, we elected to defer the fair value measurement disclosure of our (a) long-lived assets and finite life intangible assets in the determination of impairment under SFAS No. 142 or SFAS No. 144, (b) asset retirement obligations initially measured at fair value under SFAS No. 143 *Accounting for Asset Retirement Obligations*, and (c) nonfinancial liabilities for exit or disposal activities initially measured at fair value under SFAS No. 146 *Accounting for Costs Associated with Exit or Disposal Activities.*

SFAS No. 159

SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of SFAS No. 115* (SFAS No. 159), permits but does not require us to measure financial instruments and certain other items at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. As we did not elect to fair value any of our financial instruments under the provisions of SFAS No. 159, our adoption of this statement effective January 1, 2008 did not have an impact to our financial statements.

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, including environmental 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. Subsequent Event

On August 1, 2008, we declared a dividend in the amount of $66 million to our parent, Verizon.