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

CONDENSED STATEMENTS OF INCOME

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in millions) (unaudited)	2010	2009	2010	2009
Operating Revenues (including \$172, \$153, \$496 and \$458 from affiliates)	\$ 5 5 9	\$ 552	\$ 1,659	\$ 1,645
Operating Expenses (including \$153, \$198, \$460 and \$563 to affiliates)	+ 333		+ 3,000	. , ,
Cost of services and sales (exclusive of items shown below)	227	204	730	590
Selling, general and administrative expense	116	116	351	333
Depreciation and amortization expense	112	112	332	332
Total Operating Expenses	455	432	1,413	1,255
Operating Income	104	120	246	390
Other income and (expense), net (including \$, \$ and \$1 from affiliates)				1
Interest expense (including \$, \$(1), \$(1) and \$(1) to affiliates)	(16)	(15)	(52)	(50)
Income Before Income Taxes	88	105	194	341
Provision for income taxes	(34)	(40)	(87)	(128)
Net Income	\$ 54	\$ 65	\$ 107	\$ 213

CONDENSED BALANCE SHEETS

(dollars in millions) (unaudited)	At September 30, 2010	At December 31, 2009	
Assets			
Current assets			
Notes receivable from affiliates	\$ 93	\$	
Accounts receivable:	*	·	
Trade and other, net of allowances for uncollectibles of \$39 and \$36	283	297	
Affiliates	53	58	
Prepaid expenses	60	11	
Deferred income taxes	27	28	
Deferred charges and other	31	45	
Total current assets	547	439	
Plant, property and equipment	10,485	10,272	
Less accumulated depreciation	7,013	6,779	
Less accumulated depreciation	3,472	3,493	
	3,472	3,493	
Intangible assets, net	8	6	
Prepaid pension assets	150	204	
Other assets	36	32	
Total assets	\$ 4,213	\$ 4,174	
Liabilities and Shareowner's Investment Current liabilities Debt maturing within one year: Notes payable to affiliates Other Accounts payable and accrued liabilities:	\$ 1	\$ 286 1	
Affiliates	136	138	
Other	109	120	
Other current liabilities	116	113	
Total current liabilities	362	658	
Long-term debt	1,301	1,302	
Employee benefit obligations	832	751	
Deferred credits and other liabilities: Deferred income taxes	475	340	
Unamortized investment tax credits	6	6	
Other	91	78	
	572	424	
Shareowner's investment			
Common stock (one share, without par value)	874	874	
Contributed capital	874 105	105	
Reinvested earnings	168	61	
Accumulated other comprehensive loss	(1)	(1)	
Total shareowner's investment	1,146	1,039	
Total liabilities and shareowner's investment	\$ 4,213	\$ 4,174	
Total naumites and shareowner 5 investment	4,213	φ 4,1/4	

CONDENSED STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30,		
(dollars in millions) (unaudited)	2010	2009	
Net Cash Provided by Operating Activities	\$ 670	\$ 479	
Cash Flows from Investing Activities			
Capital expenditures (including capitalized software)	(283)	(421)	
Net change in short-term investments		10	
Net change in notes receivable from affiliate	(93)	206	
Other, net	(7)	2	
Net cash used in investing activities	(383)	(203)	
Cash Flows from Financing Activities			
Principal repayment of borrowings and capital lease obligations	(1)	(1)	
Net change in short-term notes payable to affiliate	(286)	261	
Dividends paid		(537)	
Net change in outstanding check drawn on controlled disbursement accounts		1	
Net cash used in financing activities	(287)	(276)	
Net change in cash			
Cash, beginning of period			
Cash, end of period	\$	\$	

NOTES TO CONDENSED FINANCIAL STATEMENTS (Unaudited)

1. Basis of Presentation and Recent Accounting Standard Updates

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. We have evaluated subsequent events through November 30, 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.

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 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 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. Shareowner's Investment

	Common	Contributed	Reinvested	Accumulated Other Comprehensive
(dollars in millions)	Stock	Capital	Earnings	Loss
Balance at December 31, 2009	\$ 874	\$ 105	\$ 61	\$ (1)
Net income			107	
Balance at September 30, 2010	\$ 874	\$ 105	\$ 168	\$ (1)

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

3. Notes Receivable

The Financial Services agreement between Verizon Network Funding Corp. (VNFC) and us allows VNFC 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 amount of \$93 million and \$0 million from VNFC, respectively.

4. 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 \$1,419 million and \$1,658 million at September 30, 2010 and December 31, 2009, respectively, as compared to the carrying value of approximately \$1,298 million and \$1,584 million at September 30, 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 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 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 \$14 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 \$28 million and \$141 million, respectively, primarily associated with the union-represented employees who volunteered for the incentive offer. Included in the charges were non-cash pension settlement losses of \$28 million related to employees who received lump-sum distributions, as well as pension and postretirement curtailment losses of \$8 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 \$88 million of severance charges and \$17 million of special termination benefits for planned workforce reductions.