Verizon Pennsylvania Inc.

Condensed Consolidated Financial Statements
Three and Nine Months Ended September 30, 2009 and 2008

Verizon Pennsylvania Inc.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(dollars in millions) (unaudited)	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
Operating Revenues				
(including $82, $110, $258 and $328 from affiliates)	**$ 816**	$ 826	**$ 2,452**	$ 2,479
Operating Expenses				
(including $343, $280, $1,027, and $853 to affiliates)				
Cost of services and sales (exclusive of items shown below)	**305**	289	**888**	880
Selling, general and administrative expense	**280**	247	**805**	751
Depreciation and amortization expense	**156**	153	**456**	455
Total Operating Expenses	**741**	689	**2,149**	2,086
Operating Income	**75**	137	**303**	393
Other income and (expense), net				
(including $---, $1, $3 and $2 to affiliates)	**–**	2	**3**	4
Interest expense				
(including $(21), $(14), $(58) and $(41) to affiliates)	**(36)**	(32)	**(107)**	(94)
Income Before Provision for Income Taxes	**39**	107	**199**	303
Provision for income taxes	**(16)**	(47)	**(77)**	(126)
Net Income	**$ 23**	$ 60	**$ 122**	$ 177

See Notes to Condensed Consolidated Financial Statements

Verizon Pennsylvania Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS

(dollars in millions) (unaudited)	At September 30, 2009	At December 31, 2008
Assets		
Current assets		
Short-term investments	**$ 1**	$ 16
Notes receivable from affiliates	**421**	423
Accounts receivable:		
Trade and other, net of allowances for uncollectibles of $43 and $47	**428**	391
Affiliates	**211**	102
Materials and supplies	**62**	57
Prepaid expenses	**16**	8
Deferred income taxes	**43**	48
Deferred charges and other	**47**	57
Total current assets	**1,229**	1,102
Plant, property and equipment	**15,103**	14,663
Less accumulated depreciation	**10,132**	9,817
	4,971	4,846
Intangible assets, net	**14**	3
Prepaid pension asset	**817**	818
Other assets	**105**	111
Total assets	**$ 7,136**	$ 6,880
Liabilities and Shareowner's Investment		
Current liabilities		
Debt maturing within one year:		
Notes payable to affiliates	**$ 1,500**	$ 1,175
Other	**3**	3
Accounts payable and accrued liabilities:		
Affiliates	**326**	235
Other	**162**	201
Other current liabilities	**184**	203
Total current liabilities	**2,175**	1,817
Long-term debt	**1,478**	1,491
Employee benefit obligations	**1,200**	1,175
Deferred credits and other liabilities		
Deferred income taxes	**629**	545
Unamortized investment tax credits	**14**	15
Other	**255**	234
	898	794
Shareowner's investment		
Common stock ($20 par value per share)	**1,222**	1,222
Authorized shares: 80,210,000		
Outstanding shares: 79,732,681		
Reinvested earnings	**163**	381
Total shareowner's investment	**1,385**	1,603
Total liabilities and shareowner's investment	**$ 7,136**	$ 6,880

See Notes to Condensed Consolidated Financial Statements

Verizon Pennsylvania Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in millions) (unaudited)	Nine Months Ended September 30, 2009	2008
Net Cash Provided by Operating Activities	**$ 570**	$ 648
Cash Flows from Investing Activities		
Capital expenditures (including capitalized software)	**(570)**	(575)
Net change in short-term investments	**15**	82
Change in notes receivable from affiliates	**2**	(233)
Other, net	**1**	---
Net cash used in investing activities	**(552)**	(726)
Cash Flows from Financing Activities		
Principal repayment of borrowings and capital lease obligations	**(2)**	(2)
Net change in notes payable to affiliates	**325**	82
Net change in outstanding checks drawn on controlled disbursement accounts	**(1)**	(2)
Dividends paid	**(340)**	---
Net cash provided by (used in) financing activities	**(18)**	78
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

Verizon Pennsylvania Inc. (Verizon Pennsylvania or the Company) is a wholly owned subsidiary of Verizon Communications Inc. (Verizon). The unaudited condensed consolidated financial statements include the accounts of Verizon Pennsylvania Inc. and its 95.34% owned subsidiary, Verizon Online Pennsylvania Partnership, a venture that is jointly owned by Verizon Pennsylvania and Verizon North Inc. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim periods. These condensed consolidated 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, 2009, 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, 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.

The adoption of the following accounting standards and updates during the first nine months of 2009 did not result in a significant impact to our condensed consolidated financial statements:

On June 15, 2009, we adopted the accounting standard regarding the general standards of accounting for, and disclosure of, events that occur after the balance sheet date but before the consolidated financial statements are issued. This standard was effective prospectively for all interim and annual reporting periods ending after June 15, 2009.

On June 15, 2009, we adopted the accounting standard that amends the requirements for disclosures about fair value of financial instruments for annual, as well as interim, reporting periods. This standard was effective prospectively for all interim and annual reporting periods ending after June 15, 2009.

On August 28, 2009 we adopted the accounting standard update regarding the measurement of liabilities at fair value. This standard update provides techniques to use in measuring fair value of a liability in circumstances in which a quoted price in an active market for the identical liability is not available. This standard update is effective prospectively for all interim and annual reporting periods upon issuance.

2. Shareowner's Investment

(dollars in millions)		Common Stock		Reinvested Earnings
Balance at December 31, 2008	$	1,222	$	381
Net income		---		122
Dividends paid		---		(340)
Balance at September 30, 2009	$	1,222	$	163

Net income and comprehensive income were the same for the three and nine months ended September 30, 2009 and 2008.

3. Fair Value Measurements

Assets measured at fair value on a recurring basis at September 30, 2009 primarily include derivative contracts totaling $45 million that are comprised of interest rate swaps and are valued using models based on readily observable market parameters for all substantial terms of our derivative contracts and thus are classified within Level 2.

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 $3,038 million and $2,539 million at September 30, 2009 and

December 31, 2008, respectively, as compared to the carrying value of approximately $2,967 million and $2,598 million at September 30, 2009 and December 31, 2008, respectively. The increase in the carrying value of our long-term and short-term debt, excluding capital leases, was due to an increase in notes payable to affliliates.

4. Pension and Benefit Charges

During the three and nine months ended September 30, 2009, we recorded pension settlement losses of $13 million related to employees that received lump-sum distributions primarily resulting from our previous separation plans in which prescribed payment thresholds have been reached.

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.