

Table 1 T

**Telecommunication Industry (Total)**  
**Comparative Balance Sheet**  
**For the Year Ended December 31,**  
**(\$000s)**

	2004	2003	2002	2001	2000
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$516,782	\$474,013	\$611,349	\$584,572	\$465,786
2 Accounts Receivable (Net)	1,216,082	2,555,861	2,891,003	2,183,188	1,998,323
3 Current Deferred Income Taxes	336	331,006	335,021	331,586	336,006
4 Other Current Assets	279,558	388,468	559,972	428,013	390,671
5 Total Current Assets	2,012,758	3,749,349	4,397,345	3,527,359	3,190,785
<b>NON-CURRENT ASSETS</b>					
6 Investments	309,262	703,894	(197,890)	226,602	429,782
7 Unamortized Debt Issuance Costs	14,879	61,337	105,077	131,272	140,284
8 Deferred Charges	674,406	674,151	709,141	739,828	762,608
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes	8,758	1,618,529	1,951,154	1,612,899	1,943,941
11 Other Non-Current Assets	837,128	810,049	556,772	255,019	85,524
12 Total Non-Current Assets	1,844,434	3,867,959	3,124,254	2,965,620	3,362,139
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	33,365,894	32,736,782	32,024,051	30,883,680	28,799,743
14 Less: Accumulated Depr and Amort.	20,390,940	18,796,098	17,761,593	16,183,169	14,535,757
15 Net Regulated Plant	12,974,955	13,940,683	14,262,458	14,700,512	14,263,986
16 Total Assets & Other Debits	\$16,832,147	\$21,557,992	\$21,784,057	\$21,193,491	\$20,816,910
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$1,460,835	\$3,680,996	\$1,826,825	\$5,848,780	\$5,350,780
18 Notes Payable	2,660,318	2,054,298	2,131,452	(277,911)	(1,123,854)
19 Advanced Billings	200,132	206,944	218,407	205,996	202,215
20 Customer Deposits	9,228	9,857	7,085	7,726	9,898
21 Current Maturities - Long-Term Debt	207,301	155,618	359,952	48,444	8,800
22 Current Deferred Income Taxes	(88,518)	389,689	519,994	525,799	586,052
23 Other Current Liabilities	813,877	994,953	1,150,013	1,047,080	828,566
24 Total Current Liabilities	5,263,173	7,492,356	6,213,728	7,405,913	5,862,456
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	2,971,502	3,868,233	4,796,748	3,571,487	4,079,288
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC	27,957	87,884	94,311	100,620	117,209
27 Non-Current Deferred Taxes	639,400	2,202,339	2,311,717	1,977,745	2,515,980
28 Other Deferred Credits	885,933	712,434	785,594	970,315	907,588
29 Other Jurisdictional Differences - Net					1,310
30 Other Liabilities	4,540,819	4,013,944	3,795,526	2,487,325	2,317,605
31 Total Other Liab. and Def. Credits	6,094,110	7,016,601	6,987,147	5,536,004	5,859,693
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	29,566	29,566	32,988	32,962	32,980
33 Preferred Stock	1,013	1,013	1,015	1,020	1,132
34 Other Paid in Capital	2,116,346	2,106,606	2,098,691	2,103,131	2,124,033
35 Retained Earnings	356,436	1,043,616	1,652,485	2,542,972	2,857,327
36 Total Stockholder's Equity	2,503,361	3,180,802	3,785,180	4,680,086	5,015,472
37 Total Liab. and Stockholder's Equity	\$16,832,147	\$21,557,992	\$21,782,803	\$21,193,491	\$20,816,910

**Telecommunication Industry (Total)**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**  
**(\$000s)**

<b>INCOME STATEMENT</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services						1
Network Access Services	\$2,494,329	\$2,578,678	\$2,632,939	\$2,640,105	\$2,620,789	2
Long Distance Network Services	185,174	213,341	188,572	207,245	230,961	3
Miscellaneous Revenues	1,529,821	1,384,931	1,460,718	1,552,950	1,116,462	4
Less: Uncollectible Revenues	51,026	202,941	341,974	363,708	226,137	5
<b>Total Operating Revenues</b>	<b>7,632,191</b>	<b>7,827,351</b>	<b>8,219,824</b>	<b>8,373,980</b>	<b>8,754,860</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	14,904	11,435	11,848	8,608	4,818	7
General Support Expenses	501,949	458,867	430,448	412,494	482,593	8
Central Office Switching	261,667	243,867	250,180	272,884	255,113	9
Operator Systems Expense	893	713	1,066	478	174	10
Central Office Transmission	130,098	126,758	122,493	139,085	121,861	11
Info. Origination/Termination	302,992	308,526	261,887	268,352	280,984	12
Cable & Wire Facilities	1,096,016	1,014,055	875,318	877,545	1,036,862	13
<b>Total Plant Specific Operations</b>	<b>2,308,519</b>	<b>2,164,222</b>	<b>1,953,241</b>	<b>1,979,446</b>	<b>2,182,404</b>	<b>14</b>
Other Plant, Property & Equipment	8,408	7,999	2,615	3,591	39,872	15
Network Operations	796,145	875,037	712,563	767,781	741,197	16
Access Expense	175,656	181,755	234,407	365,710	422,290	17
Depreciation and Amortization	2,298,959	2,289,236	2,328,730	2,189,365	2,140,978	18
<b>Total Plant Non-Specific Operations</b>	<b>3,279,169</b>	<b>3,354,027</b>	<b>3,278,315</b>	<b>3,326,447</b>	<b>3,344,338</b>	<b>19</b>
Marketing Expense	307,524	311,189	316,722	336,175	363,413	20
Services Expense	725,700	754,092	676,869	693,294	702,105	21
<b>Total Customer Operations</b>	<b>1,033,224</b>	<b>1,065,281</b>	<b>993,591</b>	<b>1,029,469</b>	<b>1,065,518</b>	<b>22</b>
Executive & Planning	84,949	70,442	72,576	80,773	58,968	23
General & Administrative	1,116,245	1,945,829	1,584,945	1,560,542	1,103,148	24
Provision - Uncollectible Notes Rec.	0	0	0	(5)		25
Other						26
<b>Total Corporate Operations</b>	<b>1,201,195</b>	<b>2,016,270</b>	<b>1,657,521</b>	<b>1,641,311</b>	<b>1,162,116</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>7,822,107</b>	<b>8,599,800</b>	<b>7,882,668</b>	<b>7,976,672</b>	<b>7,754,376</b>	<b>28</b>
Other Operating Income & Expenses	(423)	(9,941)	(4,322)	8,230	530	29
State & Local Income Taxes	126	59	79	(41)	(37)	30
Other Taxes	622,347	722,231	623,262	587,005	661,886	31
<b>Net Operating Income Before FIT</b>	<b>(812,812)</b>	<b>(1,504,679)</b>	<b>(290,507)</b>	<b>(181,426)</b>	<b>339,166</b>	<b>32</b>
Investment Tax Credits - Net	10,017	3,151	6,256	9,879	11,695	33
Federal Income Taxes	(484,355)	(520,569)	(248,184)	32,954	147,810	34
Provision - Def. Operating Income Taxes - Net	148,362	(82,300)	84,683	(186,944)	6,975	35
<b>Net Operating Income</b>	<b>(\$466,802)</b>	<b>(\$898,659)</b>	<b>(\$120,749)</b>	<b>(\$17,556)</b>	<b>\$196,075</b>	<b>36</b>

Table 3 T

**Telecommunication Industry (Total)**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**  
**(\$000s)**

	2004	2003	2002	2001	2000
37 <b>Net Operating Income</b>					
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income	\$487	\$303	\$282	\$270	\$178
39 Interest Income	33,356	11,286	17,649	92,222	71,590
40 Income - Sinking and Other Funds		1			
41 Allowance for Funds Used During Construction	9,896	13,865	33,814	46,676	52,767
42 Gains/Losses - Disposal of Property	385	48	(201)	42	71
43 Equity in Earnings of Affiliated Companies	118,310	41,618	83,751	35,535	57,520
44 Other Non-Operating Income	37,182	78,842	(2,629)	(217,881)	(26,919)
45 Special Charges	18,427	13,255	14,374	17,224	25,861
46 Total Non-Operating Income & Expenses	181,189	132,707	118,293	(60,359)	129,346
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	24,590	29,003	9,850	27,892	4,717
48 Other	2,704	5,097	5,854	3,580	2,567
49 Total Non-Operating Taxes	27,294	34,099	15,704	31,472	7,284
50 Income Available Before Interest Charges	(312,907)	(800,051)	(18,160)	(109,388)	318,138
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	234,104	301,037	292,119	247,465	256,374
52 Other Interest Expense	79,969	134,244	118,147	141,000	183,947
53 Total Interest Charges	314,073	458,531	410,265	388,465	440,320
54 Income Before Extraordinary & Nonreg Items	(626,980)	(1,258,582)	(428,425)	(497,853)	(122,183)
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items		(453,043)	86	9,398	
56 Nonregulated Revenues	215,933	225,233	284,441	284,130	310,079
57 Total Extraordinary & Nonregulated Items	215,933	(227,810)	284,527	293,529	310,079
58 <b>Net Income</b>	(\$41,096)	(\$148,609)	(\$14,387)	(\$20,428)	\$18,786
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$1,048,553	\$1,575,789	\$2,534,730	\$2,819,747	\$2,964,541
60 Transferred from Income	(455,148)	(556,706)	(167,489)	(196,710)	184,003
61 Appropriations					
Dividends Declared:					
62 Preferred Stock	54	54	54	54	61
63 Common Stock	100,117	207,162	222,987	80,263	52,689
64 Adjustments	(173,626)	230,467	(568,412)	(7,989)	(276,047)
65 Ending Year Balance	319,609	1,042,332	1,575,789	2,534,730	2,819,747
66 Appropriated/Undistr Affiliate Retained Earnings	36,827	1,333	26,400	8,242	37,580
67 <b>Total Retained Earnings</b>	\$356,436	\$1,043,665	\$1,602,189	\$2,542,972	\$2,857,327

Table 1 WT

**Telecommunication Industry (Without New York Telephone)**  
**Comparative Balance Sheet**  
**For the Year Ended December 31,**  
**(\$000s)**

	2004	2003	2002	2001	2000
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$69,782	\$56,690	\$56,488	\$49,339	\$77,452
2 Accounts Receivable (Net)	225,058	1,257,420	1,146,308	165,030	208,934
3 Current Deferred Income Taxes	336	311	4,325	891	5,310
4 Other Current Assets	28,530	33,258	39,672	31,276	35,394
5 Total Current Assets	323,707	1,347,679	1,246,793	246,536	327,090
<b>NON-CURRENT ASSETS</b>					
6 Investments	(38,979)	357,579	(537,389)	(109,039)	96,609
7 Unamortized Debt Issuance Costs	437	491	423	449	565
8 Deferred Charges	11,155	10,359	9,901	11,420	11,739
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes	8,758	8,043	340,668	2,413	322,917
11 Other Non-Current Assets	213,469	219,620	233,051	223,142	55,105
12 Total Non-Current Assets	194,839	596,093	46,654	128,385	486,935
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	3,413,223	3,333,981	3,260,320	3,164,553	2,946,358
14 Less: Accumulated Depr and Amort.	1,932,258	1,777,718	1,626,905	1,506,595	1,377,985
15 Net Regulated Plant	1,480,965	1,556,263	1,633,415	1,657,958	1,568,373
16 Total Assets & Other Debits	\$1,999,511	\$3,500,035	\$2,926,862	\$2,032,879	\$2,382,399
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$192,279	\$1,714,667	\$70,781	\$99,753	\$136,377
18 Notes Payable	6,518	6,997	12,460	15,482	16,981
19 Advanced Billings	13,268	12,779	11,964	12,892	15,539
20 Customer Deposits	360	399	530	465	590
21 Current Maturities - Long-Term Debt	6,198	4,690	9,352	45,814	5,770
22 Current Deferred Income Taxes	(14)	326	948	940	1,314
23 Other Current Liabilities	24,008	26,916	17,175	53,999	38,312
24 Total Current Liabilities	242,616	1,766,774	123,209	229,346	214,884
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	74,990	78,498	661,672	375,525	460,174
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC	44	109	3,509	3,722	10,730
27 Non-Current Deferred Taxes	169,766	159,786	690,793	117,878	510,714
28 Other Deferred Credits	18,153	20,182	28,655	30,019	34,797
29 Other Jurisdictional Differences - Net					1,310
30 Other Liabilities	129,752	140,827	118,653	103,240	81,858
31 Total Other Liab. and Def. Credits	317,715	320,903	841,610	254,859	639,408
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	28,566	28,566	31,988	31,962	31,980
33 Preferred Stock	1,013	1,013	1,015	1,020	1,132
34 Other Paid in Capital	544,178	543,572	536,408	540,849	539,936
35 Retained Earnings	790,432	760,707	729,705	599,318	494,884
36 Total Stockholder's Equity	1,364,189	1,333,859	1,299,117	1,173,149	1,067,933
37 Total Liab. and Stockholder's Equity	\$1,999,511	\$3,500,035	\$2,925,608	\$2,032,879	\$2,382,399

Table 2 WT

**Telecommunication Industry (Without New York Telephone)**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**  
**(\$000s)**

INCOME STATEMENT	2004	2003	2002	2001	2000	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$349,594	\$352,074	\$353,236	\$360,153	\$354,730	1
Network Access Services	400,590	398,183	386,818	378,024	370,141	2
Long Distance Network Services	9,243	10,297	11,178	12,693	15,351	3
Miscellaneous Revenues	154,037	158,468	167,672	173,956	162,241	4
Less: Uncollectible Revenues	6,737	14,614	7,945	4,902	5,817	5
Total Operating Revenues	906,727	904,408	910,958	919,924	896,646	6
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	1,322	1,001	2,179	1,231	1,706	7
General Support Expenses	57,482	45,570	42,881	40,416	52,084	8
Central Office Switching	26,999	27,656	27,692	27,075	33,479	9
Operator Systems Expense	531	255	399	44	16	10
Central Office Transmission	12,765	12,223	11,219	11,947	9,569	11
Info. Origination/Termination	18,516	21,665	18,490	17,587	15,590	12
Cable & Wire Facilities	63,786	62,993	58,832	56,465	67,629	13
Total Plant Specific Operations	181,402	171,363	161,693	154,765	180,074	14
Other Plant, Property & Equipment	171	239	436	388	480	15
Network Operations	53,979	58,303	55,100	61,917	52,606	16
Access Expense	23,367	22,883	14,618	23,074	21,152	17
Depreciation and Amortization	179,860	135,936	173,050	173,528	152,860	18
Total Plant Non-Specific Operations	257,377	217,361	243,204	258,906	227,098	19
Marketing Expense	20,245	20,633	22,866	24,747	19,252	20
Services Expense	78,388	82,386	86,922	98,422	90,994	21
Total Customer Operations	98,633	103,019	109,788	123,169	110,246	22
Executive & Planning	53,225	19,907	21,964	22,510	22,221	23
General & Administrative	70,704	75,318	81,963	97,729	85,978	24
Provision - Uncollectible Notes Rec.						25
Other						26
Total Corporate Operations	123,929	95,225	103,927	120,239	108,199	27
Total Operations Expense	661,341	586,968	618,612	657,079	625,618	28
Other Operating Income & Expenses	88	(42)	(108)	(75)	(44)	29
State & Local Income Taxes	107	202	165	198	231	30
Other Taxes	51,121	52,297	48,078	46,756	49,110	31
<b>Net Operating Income Before FIT</b>	<b>194,245</b>	<b>264,900</b>	<b>243,996</b>	<b>215,817</b>	<b>221,644</b>	<b>32</b>
Investment Tax Credits - Net	62	125	160	298	1,171	33
Federal Income Taxes	60,675	42,244	7,257	57,369	43,702	34
Provision - Def. Operating Income Taxes - Net	10,096	29,718	41,554	17,364	78,865	35
<b>Net Operating Income</b>	<b>\$123,535</b>	<b>\$193,062</b>	<b>\$195,344</b>	<b>\$141,382</b>	<b>\$100,247</b>	<b>36</b>

Table 3 WT

**Telecommunication Industry (Without New York Telephone)**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**  
**(\$000s)**

	2004	2003	2002	2001	2000
37 <b>Net Operating Income</b>	\$123,535	\$193,062	\$195,344	\$141,382	\$100,247
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income					
39 Interest Income	16,247	4,008	1,252	3,879	8,590
40 Income - Sinking and Other Funds		1			
41 Allowance for Funds Used During Construction	1,100	1,590	4,453	5,272	5,016
42 Gains/Losses - Disposal of Property	393	62	(199)	36	71
43 Equity in Earnings of Affiliated Companies	(2,276)	(4,099)	8,286	2,222	3,119
44 Other Non-Operating Income	12,498	8,183	1,267	(2,108)	(1,493)
45 Special Charges	1,855	3,407	1,688	2,110	10,769
46 Total Non-Operating Income & Expenses	26,108	6,339	13,370	7,191	4,533
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	4,189	(2,613)	1,858	(1,399)	(5,493)
48 Other	69	(763)	66	64	1,354
49 Total Non-Operating Taxes	4,258	(3,377)	1,924	(1,335)	(4,139)
50 Income Available Before Interest Charges	145,385	202,778	206,791	149,907	108,920
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	5,168	5,682	6,778	9,825	10,252
52 Other Interest Expense	7,894	62,306	32,593	10,910	8,734
53 Total Interest Charges	13,063	67,988	39,371	20,735	18,987
54 Income Before Extraordinary & Nonreg Items	132,322	134,789	167,420	129,173	89,933
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items			(1)		
56 Nonregulated Revenues	(123)	(27)	46	228	(764)
57 Total Extraordinary & Nonregulated Items	(123)	(27)	45	228	(764)
58 <b>Net Income</b>	\$132,199	\$134,762	\$167,465	\$129,401	\$89,170
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$748,181	\$655,045	\$577,982	\$472,843	\$716,247
60 Transferred from Income	\$134,962	\$115,916	\$159,461	\$127,449	\$86,228
61 Appropriations					
Dividends Declared:					
62 Preferred Stock	\$54	\$54	\$54	\$54	\$61
63 Common Stock	\$100,117	\$27,162	\$32,987	\$14,263	\$52,689
64 Adjustments	(\$453)	(\$1,785)	(\$49,357)	(\$7,993)	(\$276,883)
65 Ending Year Balance	782,519	741,961	655,045	577,982	472,843
66 Appropriated/Undistr Affiliate Retained Earnings	7,914	18,796	24,363	21,336	22,041
67 <b>Total Retained Earnings</b>	\$790,432	\$760,756	\$679,408	\$599,318	\$494,884

Table 1 AT

**Telecommunication Industry (Class A)**  
**Comparative Balance Sheet**  
**For the Year Ended December 31,**  
**(\$000s)**

	2004	2003	2002	2001	2000
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$447,839	\$419,455	\$564,399	\$539,363	\$418,719
2 Accounts Receivable (Net)	1,132,139	2,379,264	2,328,119	2,112,605	1,914,153
3 Current Deferred Income Taxes		330,696	333,685	330,696	333,685
4 Other Current Assets	265,374	372,700	543,311	412,583	375,723
5 Total Current Assets	1,845,352	3,502,115	3,769,513	3,395,246	3,042,280
<b>NON-CURRENT ASSETS</b>					
6 Investments	209,924	614,395	(131,728)	172,405	362,576
7 Unamortized Debt Issuance Costs	14,443	60,845	104,653	130,838	139,791
8 Deferred Charges	668,115	668,056	703,961	734,128	756,529
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes		1,610,486	1,893,104	1,610,486	1,892,315
11 Other Non-Current Assets	811,945	783,814	528,302	228,947	63,280
12 Total Non-Current Assets	1,704,426	3,737,596	3,098,293	2,876,805	3,214,490
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	32,365,938	31,760,610	31,078,769	29,948,558	27,917,663
14 Less: Accumulated Depr and Amort.	19,823,080	18,270,778	17,281,563	15,724,104	14,118,910
15 Net Regulated Plant	12,542,858	13,489,832	13,797,206	14,224,454	13,798,753
16 Total Assets & Other Debits	\$16,092,636	\$20,729,544	\$20,665,012	\$20,496,505	\$20,055,523
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$1,409,329	\$3,523,032	\$1,802,644	\$5,815,984	\$5,295,578
18 Notes Payable	2,653,800	2,047,302	2,118,992	(293,393)	(1,140,835)
19 Advanced Billings	196,461	203,332	215,469	201,920	195,506
20 Customer Deposits	8,924	9,556	6,799	7,431	9,566
21 Current Maturities - Long-Term Debt	201,103	150,928	350,600	42,630	3,030
22 Current Deferred Income Taxes	(88,503)	389,363	519,793	524,859	585,484
23 Other Current Liabilities	800,533	981,109	1,141,906	1,035,431	817,838
24 Total Current Liabilities	5,181,646	7,304,622	6,156,202	7,334,862	5,766,166
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	2,896,512	3,789,734	4,360,222	3,481,093	3,978,245
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC	27,913	87,776	94,073	100,169	109,751
27 Non-Current Deferred Taxes	581,095	2,151,689	2,191,540	1,928,219	2,394,207
28 Other Deferred Credits	867,252	695,881	768,864	957,010	894,514
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	4,502,054	3,971,990	3,760,732	2,456,309	2,299,306
31 Total Other Liab. and Def. Credits	5,978,314	6,907,336	6,815,210	5,441,707	5,697,778
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	1,001	1,001	1,001	1,001	1,001
33 Preferred Stock					
34 Other Paid in Capital	2,023,405	2,014,271	2,013,519	2,013,519	2,034,899
35 Retained Earnings	11,757	712,580	1,318,858	2,224,321	2,577,434
36 Total Stockholder's Equity	2,036,163	2,727,852	3,333,379	4,238,841	4,613,334
37 Total Liab. and Stockholder's Equity	\$16,092,636	\$20,729,544	\$20,665,012	\$20,496,505	\$20,055,523

Table 2 AT

**Telecommunication Industry (Class A)**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**  
**(\$000s)**

<b>INCOME STATEMENT</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$3,372,888	\$3,752,278	\$4,179,880	\$4,238,084	\$4,913,781	1
Network Access Services	2,338,886	2,418,736	2,475,980	2,486,063	2,468,096	2
Long Distance Network Services	178,556	206,063	181,080	198,935	221,412	3
Miscellaneous Revenues	1,477,066	1,332,997	1,403,603	1,493,943	1,058,981	4
Less: Uncollectible Revenues	49,184	200,420	339,291	361,911	224,503	5
<b>Total Operating Revenues</b>	<b>7,318,212</b>	<b>7,509,655</b>	<b>7,901,251</b>	<b>8,055,115</b>	<b>8,437,765</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	14,085	10,707	11,019	7,758	3,760	7
General Support Expenses	486,331	443,522	416,542	398,078	466,579	8
Central Office Switching	249,911	232,985	239,012	262,296	243,953	9
Operator Systems Expense	884	713	1,066	473	168	10
Central Office Transmission	124,242	119,864	116,282	133,419	117,986	11
Info. Origination/Termination	296,647	301,341	255,730	262,234	274,847	12
Cable & Wire Facilities	1,078,231	995,903	857,005	860,225	1,019,598	13
<b>Total Plant Specific Operations</b>	<b>2,250,331</b>	<b>2,105,034</b>	<b>1,896,657</b>	<b>1,924,483</b>	<b>2,126,891</b>	<b>14</b>
Other Plant, Property & Equipment	8,241	7,763	2,230	3,351	39,573	15
Network Operations	778,735	855,811	692,575	750,500	726,421	16
Access Expense	167,730	175,299	229,310	361,447	419,044	17
Depreciation and Amortization	2,242,903	2,241,442	2,275,410	2,134,487	2,092,734	18
<b>Total Plant Non-Specific Operations</b>	<b>3,197,609</b>	<b>3,280,315</b>	<b>3,199,525</b>	<b>3,249,786</b>	<b>3,277,772</b>	<b>19</b>
Marketing Expense	300,301	303,902	307,740	327,184	356,260	20
Services Expense	698,543	727,021	646,638	660,905	670,695	21
<b>Total Customer Operations</b>	<b>998,844</b>	<b>1,030,923</b>	<b>954,378</b>	<b>988,090</b>	<b>1,026,955</b>	<b>22</b>
Executive & Planning	65,387	56,190	56,734	64,934	43,582	23
General & Administrative	1,083,922	1,906,874	1,542,435	1,525,176	1,071,865	24
Provision - Uncollectible Notes Rec.	0	0	0	(5)		25
Other						26
<b>Total Corporate Operations</b>	<b>1,149,309</b>	<b>1,963,064</b>	<b>1,599,169</b>	<b>1,590,105</b>	<b>1,115,447</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>7,596,093</b>	<b>8,379,336</b>	<b>7,649,729</b>	<b>7,752,464</b>	<b>7,547,066</b>	<b>28</b>
Other Operating Income & Expenses	(510)	(9,898)	(4,214)	8,306	575	29
State & Local Income Taxes	16	(143)	(86)	(239)	(268)	30
Other Taxes	605,133	705,616	606,086	569,213	642,860	31
<b>Net Operating Income Before FIT</b>	<b>(883,540)</b>	<b>(1,585,052)</b>	<b>(358,691)</b>	<b>(258,017)</b>	<b>248,682</b>	<b>32</b>
Investment Tax Credits - Net	9,956	3,026	6,096	9,582	11,290	33
Federal Income Taxes	(503,056)	(540,918)	(258,716)	6,884	128,683	34
Provision - Def. Operating Income Taxes - Net	143,928	(85,415)	81,408	(187,433)	(21,221)	35
<b>Net Operating Income</b>	<b>(\$514,457)</b>	<b>(\$955,693)</b>	<b>(\$175,287)</b>	<b>(\$67,887)</b>	<b>\$152,510</b>	<b>36</b>

Table 3 AT

**Telecommunication Industry (Class A)**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**  
**(\$000s)**

	2004	2003	2002	2001	2000
37 <b>Net Operating Income</b>	(\$514,457)	(\$955,693)	(\$175,287)	(\$67,887)	\$152,510
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income					
39 Interest Income	29,353	10,067	16,430	90,129	68,777
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction	9,453	13,495	33,026	45,400	51,838
42 Gains/Losses - Disposal of Property	3	(14)	(2)	7	(37)
43 Equity in Earnings of Affiliated Companies	120,586	45,717	75,465	33,313	54,401
44 Other Non-Operating Income	22,958	68,354	(6,837)	(218,169)	(27,397)
45 Special Charges	17,615	11,350	13,747	16,395	25,360
46 Total Non-Operating Income & Expenses	164,739	126,267	104,336	(65,715)	122,222
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	18,785	29,354	7,902	27,589	6,246
48 Other	2,635	5,861	5,788	3,516	2,471
49 Total Non-Operating Taxes	21,421	35,215	13,690	31,106	8,717
50 Income Available Before Interest Charges	(371,138)	(864,640)	(84,641)	(164,708)	266,016
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	228,936	295,355	286,058	240,645	249,125
52 Other Interest Expense	78,972	126,542	111,196	138,900	181,279
53 Total Interest Charges	307,908	421,897	397,254	379,544	430,405
54 Income Before Extraordinary & Nonreg Items	(679,046)	(1,286,537)	(481,895)	(544,252)	(164,389)
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items		(453,043)	87	9,398	
56 Nonregulated Revenues	216,056	225,261	284,395	283,902	310,843
57 Total Extraordinary & Nonregulated Items	216,056	(227,782)	284,482	293,300	310,843
58 <b>Net Income</b>	(\$462,990)	(\$1,514,319)	(\$197,413)	(\$250,952)	\$146,454
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$730,043	\$1,266,525	\$2,237,415	\$2,561,896	\$2,656,616
60 Transferred from Income	(509,367)	(588,733)	(212,718)	(241,116)	145,679
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock	64,660	180,000	190,000	66,000	23,000
64 Adjustments	(173,172)	232,251	(568,173)	(17,365)	(217,399)
65 Ending Year Balance	(17,156)	730,043	1,266,525	2,237,415	2,561,896
66 Appropriated/Undistr Affiliate Retained Earnings	28,913	(17,463)	2,037	(13,094)	15,539
67 <b>Total Retained Earnings</b>	\$11,757	\$712,580	\$1,268,562	\$2,224,321	\$2,577,434

Table 1 BT

**Telecommunication Industry (Class B)**  
**Comparative Balance Sheet**  
**For the Year Ended December 31,**  
**(\$000s)**

	2004	2003	2002	2001	2000
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$68,943	\$54,558	\$46,950	\$45,209	\$47,066
2 Accounts Receivable (Net)	83,943	176,597	562,884	70,583	84,170
3 Current Deferred Income Taxes	336	311	1,336	891	2,321
4 Other Current Assets	14,185	15,768	16,661	15,430	14,948
5 Total Current Assets	167,406	247,234	627,832	132,113	148,505
<b>NON-CURRENT ASSETS</b>					
6 Investments	99,339	89,499	(66,162)	54,197	67,206
7 Unamortized Debt Issuance Costs	437	491	423	434	493
8 Deferred Charges	6,291	6,095	5,181	5,700	6,080
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes	8,758	8,043	58,050	2,413	51,626
11 Other Non-Current Assets	25,183	26,235	28,470	26,071	22,244
12 Total Non-Current Assets	140,008	130,363	25,961	88,815	147,649
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	999,957	976,172	945,282	935,122	882,080
14 Less: Accumulated Depr and Amort.	567,860	525,321	480,030	459,064	416,847
15 Net Regulated Plant	432,097	450,851	465,252	476,058	465,233
16 Total Assets & Other Debits	\$739,511	\$828,448	\$1,119,045	\$696,986	\$761,387
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$51,506	\$157,964	\$24,181	\$32,795	\$55,203
18 Notes Payable	6,518	6,997	12,460	15,482	16,981
19 Advanced Billings	3,671	3,612	2,938	4,076	6,709
20 Customer Deposits	305	301	286	294	332
21 Current Maturities - Long-Term Debt	6,198	4,690	9,352	5,814	5,770
22 Current Deferred Income Taxes	(14)	326	202	940	568
23 Other Current Liabilities	13,343	13,845	8,106	11,649	10,728
24 Total Current Liabilities	81,527	187,734	57,526	71,051	96,290
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	74,990	78,498	436,526	90,394	101,043
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC	44	109	238	450	7,458
27 Non-Current Deferred Taxes	58,305	50,650	120,176	49,525	121,773
28 Other Deferred Credits	18,681	16,553	16,729	13,305	13,074
29 Other Jurisdictional Differences - Net					1,310
30 Other Liabilities	38,766	41,954	34,794	31,016	18,300
31 Total Other Liab. and Def. Credits	115,796	109,266	171,937	94,297	161,914
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	28,565	28,565	31,987	31,961	31,979
33 Preferred Stock	1,013	1,013	1,015	1,020	1,132
34 Other Paid in Capital	92,941	92,335	85,172	89,612	89,135
35 Retained Earnings	344,678	331,036	333,627	318,651	279,893
36 Total Stockholder's Equity	467,198	452,950	451,801	441,245	402,139
37 Total Liab. and Stockholder's Equity	\$739,511	\$828,448	\$1,117,790	\$696,986	\$761,387

Table 2 BT

**Telecommunication Industry (Class B)**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**  
**(\$000s)**

<b>INCOME STATEMENT</b>			<b>2002</b>	<b>2001</b>	<b>2000</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$101,005	\$101,064	\$99,688	\$99,304	\$99,006	1
Network Access Services	155,443	159,942	156,960	154,042	152,693	2
Long Distance Network Services	6,618	7,279	7,493	8,310	9,549	3
Miscellaneous Revenues	52,755	51,933	57,115	59,007	57,482	4
Less: Uncollectible Revenues	1,842	2,521	2,683	1,797	1,634	5
<b>Total Operating Revenues</b>	<b>313,979</b>	<b>317,696</b>	<b>318,573</b>	<b>318,866</b>	<b>317,095</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	819	728	829	850	1,058	7
General Support Expenses	15,619	15,345	13,905	14,417	16,015	8
Central Office Switching	11,756	10,882	11,168	10,588	11,159	9
Operator Systems Expense	9	0	0	4	5	10
Central Office Transmission	5,856	6,895	6,210	5,666	3,875	11
Info. Origination/Termination	6,345	7,185	6,157	6,118	6,137	12
Cable & Wire Facilities	17,785	18,152	18,313	17,320	17,264	13
<b>Total Plant Specific Operations</b>	<b>58,188</b>	<b>59,188</b>	<b>56,584</b>	<b>54,963</b>	<b>55,513</b>	<b>14</b>
Other Plant, Property & Equipment	167	235	384	240	299	15
Network Operations	17,411	19,226	19,989	17,280	14,776	16
Access Expense	7,926	6,456	5,097	4,263	3,246	17
Depreciation and Amortization	56,056	47,794	53,320	54,878	48,244	18
<b>Total Plant Non-Specific Operations</b>	<b>81,560</b>	<b>73,712</b>	<b>78,790</b>	<b>76,661</b>	<b>66,565</b>	<b>19</b>
Marketing Expense	7,223	7,286	8,982	8,991	7,153	20
Services Expense	27,157	27,071	30,231	32,388	31,410	21
<b>Total Customer Operations</b>	<b>34,380</b>	<b>34,358</b>	<b>39,213</b>	<b>41,379</b>	<b>38,563</b>	<b>22</b>
Executive & Planning	19,563	14,251	15,842	15,839	15,386	23
General & Administrative	32,323	38,955	42,511	35,367	31,283	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>51,886</b>	<b>53,206</b>	<b>58,352</b>	<b>51,206</b>	<b>46,669</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>226,014</b>	<b>220,464</b>	<b>232,939</b>	<b>224,209</b>	<b>207,310</b>	<b>28</b>
Other Operating Income & Expenses	88	(42)	(108)	(76)	(44)	29
State & Local Income Taxes	110	202	165	198	231	30
Other Taxes	17,215	16,615	17,176	17,792	19,026	31
<b>Net Operating Income Before FIT</b>	<b>70,728</b>	<b>80,373</b>	<b>68,184</b>	<b>76,592</b>	<b>90,484</b>	<b>32</b>
Investment Tax Credits - Net	62	125	160	298	405	33
Federal Income Taxes	18,701	20,348	10,532	26,069	19,127	34
Provision - Def. Operating Income Taxes - Net	4,434	3,116	3,275	489	28,197	35
<b>Net Operating Income</b>	<b>\$47,655</b>	<b>\$57,033</b>	<b>\$54,538</b>	<b>\$50,331</b>	<b>\$43,565</b>	<b>36</b>

Table 3 BT

**Telecommunication Industry (Class B)**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**  
**(\$000s)**

	2004	2003	2002	2001	2000
37 <b>Net Operating Income</b>	\$47,655	\$57,033	\$54,538	\$50,331	\$43,565
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income	487	303	282	270	178
39 Interest Income	4,002	1,219	1,219	2,093	2,813
40 Income - Sinking and Other Funds		1			
41 Allowance for Funds Used During Construction	443	370	787	1,277	929
42 Gains/Losses - Disposal of Property	381	62	(199)	36	107
43 Equity in Earnings of Affiliated Companies	(2,276)	(4,099)	8,286	2,222	3,119
44 Other Non-Operating Income	14,224	10,489	4,208	288	479
45 Special Charges	812	1,905	626	829	501
46 Total Non-Operating Income & Expenses	16,450	6,439	13,957	5,356	7,124
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	5,805	(350)	1,948	303	(1,529)
48 Other	69	(763)	66	64	95
49 Total Non-Operating Taxes	5,874	(1,116)	2,014	367	(1,433)
50 Income Available Before Interest Charges	58,231	64,589	66,481	55,320	52,122
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	5,168	5,682	6,061	6,821	7,248
52 Other Interest Expense	996	7,702	6,951	2,100	2,667
53 Total Interest Charges	6,165	36,634	13,011	8,921	9,916
54 Income Before Extraordinary & Nonreg Items	52,066	27,954	53,470	46,399	42,206
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items			(1)		
56 Nonregulated Revenues	(123)	(27)	46	228	(764)
57 Total Extraordinary & Nonregulated Items	(123)	(27)	45	228	(764)
58 <b>Net Income</b>	\$51,944	\$27,927	\$53,515	\$46,627	\$41,443
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$318,510	\$309,264	\$297,315	\$257,851	\$307,925
60 Transferred from Income	54,219	32,027	45,229	44,405	38,324
61 Appropriations					
Dividends Declared:					
62 Preferred Stock	54	54	54	54	61
63 Common Stock	35,457	27,162	32,987	14,263	29,689
64 Adjustments	(453)	(1,785)	(239)	9,376	(58,648)
65 Ending Year Balance	336,765	312,289	309,264	297,315	257,851
66 Appropriated/Undistr Affiliate Retained Earnings	7,914	18,796	24,363	21,336	22,041
67 <b>Total Retained Earnings</b>	\$344,678	\$331,085	\$333,627	\$318,651	\$279,893

**ALLTEL New York, Inc.**  
**Comparative Balance Sheet**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$6,165,133	\$1,231,496	\$338,936	\$241,807	\$423,350
2 Accounts Receivable (Net)	5,700,495	7,563,360	7,867,237	8,831,220	9,561,690
3 Current Deferred Income Taxes				588,719	588,719
4 Other Current Assets	335,735	589,136	798,142	380,222	812,540
5 Total Current Assets	12,201,363	9,383,992	9,004,315	10,041,968	11,386,299
<b>NON-CURRENT ASSETS</b>					
6 Investments	36,000	36,000	36,000	36,000	36,000
7 Unamortized Debt Issuance Costs	71,776	83,201	95,733	108,632	121,532
8 Deferred Charges			(23,548)	9,935	80,621
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes					
11 Other Non-Current Assets	4,010,107	3,321,045	4,262,757	4,410,362	4,949,329
12 Total Non-Current Assets	4,117,883	3,440,246	4,370,942	4,564,929	5,187,482
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	195,208,908	192,803,748	186,169,525	190,685,014	185,940,734
14 Less: Accumulated Depr and Amort.	114,021,473	107,836,078	97,343,835	99,528,135	92,392,517
15 Net Regulated Plant	81,187,435	84,967,670	88,825,690	91,156,879	93,548,217
16 <b>Total Assets &amp; Other Debits</b>	<b>\$97,506,681</b>	<b>\$97,791,908</b>	<b>\$102,200,947</b>	<b>\$105,763,776</b>	<b>\$110,121,998</b>
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$2,587,020	\$2,493,049	\$3,273,743	\$4,551,082	\$5,807,217
18 Notes Payable					
19 Advanced Billings	985,418	1,002,353	489,114	1,461,141	4,486,061
20 Customer Deposits	14,090	14,450	10,543	4,746	7,596
21 Current Maturities - Long-Term Debt	2,272,400	2,272,400	2,272,400	2,272,400	2,272,400
22 Current Deferred Income Taxes					
23 Other Current Liabilities	1,230,700	1,784,952	2,314,275	2,656,288	2,609,245
24 Total Current Liabilities	7,089,628	7,567,204	8,360,075	10,945,657	15,182,519
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	10,729,200	13,001,600	16,190,664	19,583,932	20,439,298
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC					30,144
27 Non-Current Deferred Taxes	18,613,527	16,960,510	17,139,068	17,357,418	16,918,011
28 Other Deferred Credits	1,456,738	2,127,005	2,415,734	627,361	854,551
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	681,856	115,437	1,258,726	1,549,498	1,548,000
31 Total Other Liab. and Def. Credits	20,752,121	19,202,952	20,813,528	19,534,277	19,350,706
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	16,705,393	16,705,393	16,705,393	16,705,393	16,705,393
33 Preferred Stock					
34 Other Paid in Capital	4,527,661	4,527,661	4,527,661	4,527,661	4,527,661
35 Retained Earnings	37,702,677	36,787,098	35,603,626	34,466,856	33,916,421
36 Total Stockholder's Equity	58,935,731	58,020,152	56,836,680	55,699,910	55,149,475
37 <b>Total Liab. and Stockholder's Equity</b>	<b>\$97,506,680</b>	<b>\$97,791,908</b>	<b>\$102,200,947</b>	<b>\$105,763,776</b>	<b>\$110,121,998</b>

**ALLTEL New York, Inc.**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

<b>INCOME STATEMENT</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$26,745,285	\$27,489,753	\$27,595,093	\$27,857,863	\$28,514,392	1
Network Access Services	22,142,551	22,080,878	19,725,028	19,757,958	19,757,448	2
Long Distance Network Services	1,855,933	2,126,556	2,391,134	2,751,357	2,904,895	3
Miscellaneous Revenues	6,954,226	7,100,083	7,923,143	7,663,610	6,977,352	4
Less: Uncollectible Revenues	689,099	620,168	796,917	389,000	190,000	5
<b>Total Operating Revenues</b>	<b>57,008,896</b>	<b>58,177,102</b>	<b>56,837,481</b>	<b>57,641,788</b>	<b>57,964,087</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	409,113	357,906	385,110	304,103	463,806	7
General Support Expenses	2,157,114	2,327,021	2,170,916	4,915,744	4,565,191	8
Central Office Switching	1,980,410	2,114,433	1,873,853	2,034,405	1,887,996	9
Operator Systems Expense						10
Central Office Transmission	829,904	947,655	974,196	1,029,410	537,189	11
Info. Origination/Termination	228,324	236,230	244,708	255,112	302,681	12
Cable & Wire Facilities	3,477,026	4,120,442	3,602,462	3,570,658	3,405,059	13
<b>Total Plant Specific Operations</b>	<b>9,081,891</b>	<b>10,103,687</b>	<b>9,251,245</b>	<b>12,109,432</b>	<b>11,161,922</b>	<b>14</b>
Other Plant, Property & Equipment	25,826	59,347	48,806	43,145	134,554	15
Network Operations	3,046,745	2,940,691	3,155,846	3,102,270	3,447,487	16
Access Expense	1,429,716	1,301,041	947,227	1,000,661	706,638	17
Depreciation and Amortization	9,553,704	9,395,139	9,774,592	9,514,692	9,447,953	18
<b>Total Plant Non-Specific Operations</b>	<b>14,055,991</b>	<b>13,696,218</b>	<b>13,926,471</b>	<b>13,660,768</b>	<b>13,736,632</b>	<b>19</b>
Marketing Expense	1,756,540	1,877,241	1,896,661	1,862,723	1,691,017	20
Services Expense	3,379,559	3,635,801	3,630,643	4,023,887	3,476,479	21
<b>Total Customer Operations</b>	<b>5,136,099</b>	<b>5,513,042</b>	<b>5,527,304</b>	<b>5,886,610</b>	<b>5,167,496</b>	<b>22</b>
Executive & Planning	408,842	433,313	468,118	278,398	373,871	23
General & Administrative	3,848,097	4,246,896	5,686,603	4,122,077	4,532,011	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>4,256,939</b>	<b>4,680,209</b>	<b>6,154,721</b>	<b>4,400,475</b>	<b>4,905,882</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>32,530,920</b>	<b>33,993,156</b>	<b>34,859,741</b>	<b>36,057,285</b>	<b>34,971,932</b>	<b>28</b>
Other Operating Income & Expenses					300	29
State & Local Income Taxes						30
Other Taxes	4,574,631	4,673,686	4,678,423	4,099,588	4,897,934	31
<b>Net Operating Income Before FIT</b>	<b>19,903,345</b>	<b>19,510,260</b>	<b>17,299,317</b>	<b>17,484,915</b>	<b>18,094,521</b>	<b>32</b>
Investment Tax Credits - Net				30,144	84,492	33
Federal Income Taxes	4,589,005	6,222,831	4,803,762	4,692,431	3,804,783	34
Provision - Def. Operating Income Taxes - Net	2,273,659	442,082	991,010	1,043,814	2,091,700	35
<b>Net Operating Income</b>	<b>\$13,040,681</b>	<b>\$12,845,347</b>	<b>\$11,504,545</b>	<b>\$11,778,814</b>	<b>\$12,282,530</b>	<b>36</b>

**ALLTEL New York, Inc.**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
37 <b>Net Operating Income</b>	\$13,040,681	\$12,845,347	\$11,504,545	\$11,778,814	\$12,282,530
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income	2,160	1,512	1,512	1,962	
39 Interest Income	104,830	56,149	22,193	146,036	96,784
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction	87,835	90,558	138,750	66,415	101,207
42 Gains/Losses - Disposal of Property		5,218			
43 Equity in Earnings of Affiliated Companies					
44 Other Non-Operating Income	(7,250,603)	(7,413,652)	(7,504,317)	(7,775,373)	(7,358,530)
45 Special Charges			307	13,466	10,253
46 Total Non-Operating Income & Expenses	(7,055,778)	(7,260,215)	(7,342,169)	(7,574,426)	(7,170,792)
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	(2,500,262)	(2,572,774)	(2,610,728)	(2,669,585)	(2,541,612)
48 Other					
49 Total Non-Operating Taxes	(2,500,262)	(2,572,774)	(2,610,728)	(2,669,585)	(2,541,612)
50 Income Available Before Interest Charges	8,485,165	8,157,906	6,773,104	6,873,973	7,653,350
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	1,368,768	1,582,889	1,794,189	2,005,489	2,163,536
52 Other Interest Expense	11,816	28,542	129,145	208,979	250,864
53 Total Interest Charges	1,380,584	1,611,431	1,923,334	2,214,468	2,414,400
54 Income Before Extraordinary & Nonreg Items	7,104,581	6,546,475	4,849,770	4,659,505	5,238,950
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	<b>\$7,104,581</b>	<b>\$6,546,475</b>	<b>\$4,849,770</b>	<b>\$4,659,505</b>	<b>\$5,238,950</b>
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$36,787,098	\$35,603,626	\$34,466,856	\$33,916,421	\$32,552,471
60 Transferred from Income	7,104,581	6,546,475	4,849,770	4,659,505	5,238,950
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock	6,189,002	5,363,003	3,713,000	4,109,070	3,875,000
64 Adjustments					
65 Ending Year Balance	37,702,677	36,787,098	35,603,626	34,466,856	33,916,421
66 Appropriated/Undistr Affiliate Retained Earnings					
67 <b>Total Retained Earnings</b>	<b>\$37,702,677</b>	<b>\$36,787,098</b>	<b>\$35,603,626</b>	<b>\$34,466,856</b>	<b>\$33,916,421</b>

**Armstrong Telephone Company**  
**Comparative Balance Sheet**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$1,454,246	\$1,171,996	\$1,481,386	\$1,255,447	\$881,881
2 Accounts Receivable (Net)	864,553	858,297	1,045,885	901,143	1,241,317
3 Current Deferred Income Taxes	138,450	11,511	9,303	7,284	5,194
4 Other Current Assets	134,911	146,520	134,416	117,365	115,000
5 Total Current Assets	2,467,555	2,188,324	2,670,990	2,281,239	2,243,392
<b>NON-CURRENT ASSETS</b>					
6 Investments					311,978
7 Unamortized Debt Issuance Costs	1,003	2,118	3,234	4,350	5,466
8 Deferred Charges					
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes	712,400	712,400	712,400	712,400	712,400
11 Other Non-Current Assets					
12 Total Non-Current Assets	8,127	9,242	10,358	11,474	324,568
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	1,286,388	12,223,945	11,437,974	10,591,220	10,277,362
14 Less: Accumulated Depr and Amort.	647,988	5,742,660	5,167,483	4,657,086	4,200,159
15 Net Regulated Plant	6,383,998	6,481,285	6,270,491	5,934,134	6,077,203
16 Total Assets & Other Debits	\$8,859,680	\$8,678,851	\$8,951,839	\$8,226,847	\$8,645,163
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$215,496	\$149,589	\$462,842	\$161,690	\$425,782
18 Notes Payable					100,000
19 Advanced Billings	100,840	95,434	88,282	79,317	73,421
20 Customer Deposits					
21 Current Maturities - Long-Term Debt	142,380	138,008	131,790	166,647	160,436
22 Current Deferred Income Taxes					
23 Other Current Liabilities	148,568	159,417	314,177	194,256	181,182
24 Total Current Liabilities	607,284	542,448	997,091	601,910	940,821
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	3,635,270	3,773,292	3,911,304	4,002,301	4,156,030
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC	4,973	4,973	8,098	12,161	16,847
27 Non-Current Deferred Taxes	1,072,303	1,052,142	993,740	942,902	1,041,896
28 Other Deferred Credits	39,271	32,603	26,294	20,526	15,278
29 Other Jurisdictional Differences - Net					
30 Other Liabilities					
31 Total Other Liab. and Def. Credits	1,116,547	1,089,718	1,028,132	975,589	1,074,021
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	243,000	243,000	243,000	243,000	243,000
33 Preferred Stock					
34 Other Paid in Capital	21,000	21,000	21,000	21,000	21,000
35 Retained Earnings	3,236,579	3,009,393	2,751,312	2,383,047	2,210,291
36 Total Stockholder's Equity	3,500,579	3,273,393	3,015,312	2,647,047	2,474,291
37 Total Liab. and Stockholder's Equity	\$8,859,680	\$8,678,851	\$8,951,839	\$8,226,847	\$8,645,163

**Armstrong Telephone Company**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

<b>INCOME STATEMENT</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$829,674	\$837,798	\$830,485	\$813,351	\$799,867	1
Network Access Services	3,233,824	2,911,006	3,004,379	2,973,878	2,680,153	2
Long Distance Network Services	75,679	90,113	93,254	75,299	56,993	3
Miscellaneous Revenues	447,527	392,475	323,422	243,119	274,388	4
Less: Uncollectible Revenues	19,401	47,955	52,407	106,456	12,639	5
<b>Total Operating Revenues</b>	<b>4,567,303</b>	<b>4,183,437</b>	<b>4,199,133</b>	<b>3,999,191</b>	<b>3,798,762</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses						7
General Support Expenses	97,971	92,372	73,308	88,638	84,208	8
Central Office Switching	256,665	262,501	241,799	222,327	204,795	9
Operator Systems Expense						10
Central Office Transmission	98,348	40,817	13,022	35,719	29,015	11
Info. Origination/Termination	281,293	133,517	44,128	18,916	46,918	12
Cable & Wire Facilities	353,973	431,723	344,315	382,674	363,684	13
<b>Total Plant Specific Operations</b>	<b>1,088,250</b>	<b>960,930</b>	<b>716,572</b>	<b>748,274</b>	<b>728,620</b>	<b>14</b>
Other Plant, Property & Equipment						15
Network Operations	274,230	344,729	316,489	287,521	309,868	16
Access Expense	23,822	19,144	12,269	9,468		17
Depreciation and Amortization	864,309	621,521	671,216	666,421	642,552	18
<b>Total Plant Non-Specific Operations</b>	<b>1,162,361</b>	<b>985,394</b>	<b>999,974</b>	<b>963,410</b>	<b>952,420</b>	<b>19</b>
Marketing Expense	8,580	12,079	30,427	23,699	3,315	20
Services Expense	291,599	277,638	266,555	288,510	273,876	21
<b>Total Customer Operations</b>	<b>300,179</b>	<b>289,717</b>	<b>296,982</b>	<b>312,209</b>	<b>277,191</b>	<b>22</b>
Executive & Planning	529,481	361,289	357,724	272,314	262,806	23
General & Administrative	804,384	851,575	853,778	775,972	698,894	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>1,333,865</b>	<b>1,212,864</b>	<b>1,211,502</b>	<b>1,048,286</b>	<b>961,700</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>3,884,655</b>	<b>3,448,905</b>	<b>3,225,030</b>	<b>3,072,179</b>	<b>2,919,931</b>	<b>28</b>
Other Operating Income & Expenses						29
State & Local Income Taxes						30
Other Taxes	260,959	261,802	246,736	199,885	273,583	31
<b>Net Operating Income Before FIT</b>	<b>421,689</b>	<b>472,730</b>	<b>727,367</b>	<b>727,127</b>	<b>605,248</b>	<b>32</b>
Investment Tax Credits - Net		3,125	4,063	4,686	5,887	33
Federal Income Taxes	(4,691)	(14,678)	137,750	162,857	124,815	34
Provision - Def. Operating Income Taxes - Net	17,828	56,194	(29,462)	9,358	52,699	35
<b>Net Operating Income</b>	<b>\$408,552</b>	<b>\$434,339</b>	<b>\$623,142</b>	<b>\$559,598</b>	<b>\$433,621</b>	<b>36</b>

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**Armstrong Telephone Company**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
37 <b>Net Operating Income</b>	\$408,552	\$434,339	\$623,142	\$559,598	\$433,621
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income					
39 Interest Income	17,469	9,148	21,383	32,244	54,578
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction		12,778	8,975	4,762	3,429
42 Gains/Losses - Disposal of Property					
43 Equity in Earnings of Affiliated Companies					
44 Other Non-Operating Income		2,000		(195,739)	
45 Special Charges	2,655	1,080	810	665	100,361
46 Total Non-Operating Income & Expenses	14,814	22,846	29,548	(159,398)	(42,354)
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	3,607	322	79,686	(67,242)	(70,200)
48 Other					
49 Total Non-Operating Taxes	3,607	322	79,686	(67,242)	(70,200)
50 Income Available Before Interest Charges	419,759	456,863	573,004	467,442	461,467
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	191,457	197,667	203,624	209,475	215,631
52 Other Interest Expense	1,116	1,116	1,116	1,116	1,116
53 Total Interest Charges	192,573	198,783	204,740	210,591	216,747
54 Income Before Extraordinary & Nonreg Items	227,186	258,080	368,264	256,851	244,720
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	\$227,186	\$258,080	\$368,264	\$256,851	\$244,720
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$3,009,391	\$2,751,311	\$2,383,047	\$2,210,291	\$2,544,216
60 Transferred from Income	227,186	258,080	368,264	256,851	244,720
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock					100,000
64 Adjustments				(84,095)	(478,645)
65 Ending Year Balance	3,236,577	3,009,391	2,751,311	2,383,047	2,210,291
66 Appropriated/Undistr Affiliate Retained Earnings					
67 <b>Total Retained Earnings</b>	\$3,236,577	\$3,009,391	\$2,751,311	\$2,383,047	\$2,210,291

**Berkshire Telephone Corporation**  
**Comparative Balance Sheet**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$1,564,044	\$1,952,416	\$1,240,431	\$655,614	\$629,345
2 Accounts Receivable (Net)	585,065	577,255	947,447	902,721	1,043,842
3 Current Deferred Income Taxes					
4 Other Current Assets	374,890	313,243	306,333	325,681	353,704
5 Total Current Assets	2,523,999	2,842,914	2,494,211	1,884,016	2,026,891
<b>NON-CURRENT ASSETS</b>					
6 Investments	4,182,083	4,740,351	4,400,832	4,291,536	4,197,966
7 Unamortized Debt Issuance Costs	31,100	34,586	38,071	41,557	50,340
8 Deferred Charges					
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes	125,822	598,946	576,286		
11 Other Non-Current Assets	7,787	175,765	568,665	571,162	848,694
12 Total Non-Current Assets	4,346,792	5,549,648	5,583,854	4,904,255	5,097,000
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	14,628,188	14,209,490	13,651,563	13,538,518	13,106,536
14 Less: Accumulated Depr and Amort.	7,499,948	6,633,384	5,883,149	5,291,290	4,650,896
15 Net Regulated Plant	7,128,240	7,576,106	7,768,414	8,247,228	8,455,640
16 Total Assets & Other Debits	\$13,999,031	\$15,968,668	\$15,846,479	\$15,035,499	\$15,579,531
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$493,579	\$483,786	\$541,108	\$710,190	\$798,205
18 Notes Payable					175,776
19 Advanced Billings	12,958	3,870	11,166	4,935	21,918
20 Customer Deposits					
21 Current Maturities - Long-Term Debt					
22 Current Deferred Income Taxes					
23 Other Current Liabilities	(169,527)	1,311,780	1,200,292	805,783	533,143
24 Total Current Liabilities	337,010	1,799,436	1,752,566	1,520,908	1,529,042
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	2,787,460	3,058,186	3,311,587	3,548,616	3,770,621
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC					
27 Non-Current Deferred Taxes	982,786	1,031,872	933,543	458,946	486,809
28 Other Deferred Credits	333,377	369,588	402,127	227,769	260,308
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	166,838	203,512	164,505		302,612
31 Total Other Liab. and Def. Credits	1,483,001	1,604,972	1,500,175	686,715	1,049,729
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	81,160	81,160	81,160	81,160	81,160
33 Preferred Stock					106,800
34 Other Paid in Capital		(38,681)	(65,178)	(39,110)	(19,028)
35 Retained Earnings	9,310,400	9,463,595	9,266,169	9,237,210	9,061,207
36 Total Stockholder's Equity	9,391,560	9,506,074	9,282,151	9,279,260	9,230,139
37 Total Liab. and Stockholder's Equity	\$13,999,031	\$15,968,668	\$15,846,479	\$15,035,499	\$15,579,531

**Berkshire Telephone Corporation**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

<b>INCOME STATEMENT</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$1,514,717	\$1,392,146	\$1,386,528	\$1,452,032	\$1,506,470	1
Network Access Services	2,372,411	2,501,935	2,729,114	2,827,926	2,927,108	2
Long Distance Network Services	(339)	(433)	(549)	(967)	13,238	3
Miscellaneous Revenues	451,713	520,138	539,673	559,817	598,320	4
Less: Uncollectible Revenues	16,200	16,200	22,200	24,696	51,007	5
<b>Total Operating Revenues</b>	<b>4,322,302</b>	<b>4,397,586</b>	<b>4,632,566</b>	<b>4,814,112</b>	<b>4,994,129</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	19,565	18,609	13,362	15,123	16,091	7
General Support Expenses	336,339	392,397	294,616	281,196	294,714	8
Central Office Switching	241,275	189,800	211,332	296,114	240,969	9
Operator Systems Expense						10
Central Office Transmission	36,443	73,983	63,112	48,942	41,355	11
Info. Origination/Termination	31,537	38,643	40,178	30,105	31,637	12
Cable & Wire Facilities	395,080	352,534	412,386	448,670	350,025	13
<b>Total Plant Specific Operations</b>	<b>1,060,239</b>	<b>1,065,966</b>	<b>1,034,986</b>	<b>1,120,150</b>	<b>974,791</b>	<b>14</b>
Other Plant, Property & Equipment		2,474	3,260	3,228	3,612	15
Network Operations	19,075	25,432	36,495	76,262	60,128	16
Access Expense						17
Depreciation and Amortization	895,832	864,102	856,523	829,287	807,827	18
<b>Total Plant Non-Specific Operations</b>	<b>914,907</b>	<b>892,008</b>	<b>896,278</b>	<b>908,777</b>	<b>871,567</b>	<b>19</b>
Marketing Expense	13,737	74,802	66,060	49,088	55,903	20
Services Expense	546,320	524,334	573,844	755,414	596,264	21
<b>Total Customer Operations</b>	<b>560,057</b>	<b>599,136</b>	<b>639,904</b>	<b>804,502</b>	<b>652,167</b>	<b>22</b>
Executive & Planning	409,587	457,611	530,927	552,283	493,778	23
General & Administrative	557,202	823,477	725,604	860,109	785,223	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>966,789</b>	<b>1,281,088</b>	<b>1,256,531</b>	<b>1,412,392</b>	<b>1,279,001</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>3,501,992</b>	<b>3,838,198</b>	<b>3,827,699</b>	<b>4,245,821</b>	<b>3,777,526</b>	<b>28</b>
Other Operating Income & Expenses						29
State & Local Income Taxes						30
Other Taxes	230,822	234,104	220,518	213,741	232,388	31
<b>Net Operating Income Before FIT</b>	<b>589,488</b>	<b>325,284</b>	<b>584,349</b>	<b>354,550</b>	<b>984,215</b>	<b>32</b>
Investment Tax Credits - Net						33
Federal Income Taxes	(227,364)	(4,240)	102,974	4,826	140,783	34
Provision - Def. Operating Income Taxes - Net	371,572	29,480	(27,766)	(50,057)	171,903	35
<b>Net Operating Income</b>	<b>\$445,280</b>	<b>\$300,044</b>	<b>\$509,141</b>	<b>\$399,781</b>	<b>\$671,529</b>	<b>36</b>

**Berkshire Telephone Corporation**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
37 <b>Net Operating Income</b>	\$445,280	\$300,044	\$509,141	\$399,781	\$671,529
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income	86,938	62,062	59,342	62,059	41,666
39 Interest Income	14,422	15,685	7,929	11,967	16,397
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction					
42 Gains/Losses - Disposal of Property				(12,432)	
43 Equity in Earnings of Affiliated Companies	(280,409)	274,868	154,260	168,516	8,590
44 Other Non-Operating Income				(15,698)	4,103
45 Special Charges	26,343	46,694	41,802	8,597	485
46 Total Non-Operating Income & Expenses	(205,392)	305,921	179,729	205,815	70,271
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	12,280	8,224	5,292	3,502	
48 Other					
49 Total Non-Operating Taxes	12,280	8,224	5,292	3,502	
50 Income Available Before Interest Charges	227,608	597,741	683,578	602,094	741,800
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	222,796	242,218	260,542	278,133	290,745
52 Other Interest Expense	3,486	3,575	9,769	21,238	17,156
53 Total Interest Charges	226,282	245,793	270,311	299,371	307,901
54 Income Before Extraordinary & Nonreg Items	1,326	351,948	413,267	302,723	433,899
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	<b>\$1,326</b>	<b>\$351,948</b>	<b>\$413,267</b>	<b>\$302,723</b>	<b>\$433,899</b>
<hr/>					
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$6,738,533	\$6,815,975	\$6,941,276	\$6,933,789	\$6,560,741
60 Transferred from Income	281,735	77,080	259,007	134,207	425,309
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					6,408
63 Common Stock	154,521	154,522	158,976	126,720	124,416
64 Adjustments			(225,332)		78,563
65 Ending Year Balance	6,865,747	6,738,533	6,815,975	6,941,276	6,933,789
66 Appropriated/Undistr Affiliate Retained Earnings	2,444,653	2,725,062	2,450,194	2,295,934	2,127,418
67 <b>Total Retained Earnings</b>	<b>\$9,310,400</b>	<b>\$9,463,595</b>	<b>\$9,266,169</b>	<b>\$9,237,210</b>	<b>\$9,061,207</b>

**Cassadaga Telephone Corp.**  
**Comparative Balance Sheet**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$4,028	\$1,323	\$55,697	\$58,245	\$28,535
2 Accounts Receivable (Net)	204,065	189,922	156,130	150,941	178,029
3 Current Deferred Income Taxes	2,458	2,016	1,579	1,183	861
4 Other Current Assets	13,215	4,788	53,179	50,749	107,986
5 Total Current Assets	223,766	198,049	266,585	261,118	315,411
<b>NON-CURRENT ASSETS</b>					
6 Investments	86,862	264,394	160,257	217,085	99,758
7 Unamortized Debt Issuance Costs		1,102	1,303	1,503	1,703
8 Deferred Charges					
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes	49,097	19,290	(4,069)	(2,652)	(1,236)
11 Other Non-Current Assets					
12 Total Non-Current Assets	135,959	284,786	157,491	215,936	100,225
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	2,626,661	3,044,491	2,307,412	2,235,827	2,147,393
14 Less: Accumulated Depr and Amort.	1,083,126	1,490,623	1,379,774	1,277,684	1,189,057
15 Net Regulated Plant	1,543,535	1,553,868	927,638	958,143	958,336
16 Total Assets & Other Debits	\$1,903,260	\$2,036,703	\$1,351,714	\$1,435,197	\$1,373,972
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$498,027	\$527,653	\$71,907	\$77,169	\$76,861
18 Notes Payable	(250,000)	(270,000)	(340,000)	(249,000)	(150,000)
19 Advanced Billings					
20 Customer Deposits	8,343	10,175	10,674	11,854	13,259
21 Current Maturities - Long-Term Debt		22,993	21,879	20,819	19,809
22 Current Deferred Income Taxes					
23 Other Current Liabilities	(56,325)	4,147	45,364	23,667	55,248
24 Total Current Liabilities	200,045	294,968	(190,176)	(115,491)	15,177
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt		118,674	141,577	163,360	184,095
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC	1,869	3,833	5,413	8,163	10,913
27 Non-Current Deferred Taxes	236,022	131,730	97,925	108,424	119,746
28 Other Deferred Credits	13,052	973	502	745	1,296
29 Other Jurisdictional Differences - Net					
30 Other Liabilities					
31 Total Other Liab. and Def. Credits	250,943	136,536	103,840	117,332	131,955
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	27,800	27,800	27,800	27,800	27,800
33 Preferred Stock					
34 Other Paid in Capital					
35 Retained Earnings	1,424,472	1,458,725	1,268,673	1,242,196	1,014,945
36 Total Stockholder's Equity	1,452,272	1,486,525	1,296,473	1,269,996	1,042,745
37 Total Liab. and Stockholder's Equity	\$1,903,260	\$2,036,703	\$1,351,714	\$1,435,197	\$1,373,972

**Cassadaga Telephone Corp.**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

<b>INCOME STATEMENT</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$228,391	\$192,867	\$188,112	\$181,268	\$173,469	1
Network Access Services	664,491	657,905	607,674	612,707	581,060	2
Long Distance Network Services	2,999	5,464	3,839	3,792	4,016	3
Miscellaneous Revenues	104,222	121,156	121,147	124,925	134,589	4
Less: Uncollectible Revenues	8,032	2,463	6,457	6,021	(489)	5
<b>Total Operating Revenues</b>	<b>992,071</b>	<b>974,929</b>	<b>914,315</b>	<b>916,671</b>	<b>893,623</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	895	(326)	309	33,541	30	7
General Support Expenses	64,430	70,499	71,777	33,651	60,874	8
Central Office Switching	77,040	108,428	115,184	107,869	111,928	9
Operator Systems Expense						10
Central Office Transmission	58,870	55,160	41,285	32,419	29,040	11
Info. Origination/Termination						12
Cable & Wire Facilities	45,379	51,885	45,933	51,609	71,570	13
<b>Total Plant Specific Operations</b>	<b>246,614</b>	<b>285,646</b>	<b>274,488</b>	<b>259,089</b>	<b>273,442</b>	<b>14</b>
Other Plant, Property & Equipment	1,176	(3,952)	3,990	21,770	502	15
Network Operations	73,296	53,008	39,503	32,851	37,664	16
Access Expense	10,741					17
Depreciation and Amortization	150,366	115,739	110,260	104,292	98,733	18
<b>Total Plant Non-Specific Operations</b>	<b>235,579</b>	<b>164,795</b>	<b>153,753</b>	<b>158,913</b>	<b>136,899</b>	<b>19</b>
Marketing Expense	18,676	20,928	20,940	21,775	30,462	20
Services Expense	107,589	128,836	103,825	108,187	108,662	21
<b>Total Customer Operations</b>	<b>126,265</b>	<b>149,764</b>	<b>124,765</b>	<b>129,962</b>	<b>139,124</b>	<b>22</b>
Executive & Planning	179,274	166,762	136,401	132,546	148,098	23
General & Administrative	87,336	45,290	83,045	54,605	87,266	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>266,610</b>	<b>212,052</b>	<b>219,446</b>	<b>187,151</b>	<b>235,364</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>875,068</b>	<b>812,257</b>	<b>772,452</b>	<b>735,115</b>	<b>784,829</b>	<b>28</b>
Other Operating Income & Expenses	2,950					29
State & Local Income Taxes						30
Other Taxes	45,475	40,151	32,468	31,907	42,557	31
<b>Net Operating Income Before FIT</b>	<b>74,478</b>	<b>122,521</b>	<b>109,395</b>	<b>149,649</b>	<b>66,237</b>	<b>32</b>
Investment Tax Credits - Net			5,400			33
Federal Income Taxes	(54,622)	16,104	45,905	58,189	36,193	34
Provision - Def. Operating Income Taxes - Net	82,860	28,652	(8,245)	(8,994)	(10,360)	35
<b>Net Operating Income</b>	<b>\$46,240</b>	<b>\$77,765</b>	<b>\$77,135</b>	<b>\$100,454</b>	<b>\$40,404</b>	<b>36</b>

**Cassadaga Telephone Corp.**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
37 <b>Net Operating Income</b>	\$46,240	\$77,765	\$77,135	\$100,454	\$40,404
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income					
39 Interest Income					4,210
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction	30,794	1,537			
42 Gains/Losses - Disposal of Property					
43 Equity in Earnings of Affiliated Companies	92,468	104,137	(56,828)	117,327	61,055
44 Other Non-Operating Income					
45 Special Charges		116		35	
46 Total Non-Operating Income & Expenses	123,262	105,558	(56,828)	117,292	65,265
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes				(5,400)	(5,400)
48 Other					
49 Total Non-Operating Taxes				(5,400)	(5,400)
50 Income Available Before Interest Charges	169,502	183,323	20,307	223,146	111,069
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	2,337	7,587	8,631	9,691	10,613
52 Other Interest Expense	(7,082)	(14,316)	(14,801)	(13,796)	(816)
53 Total Interest Charges	(4,745)	(6,729)	(6,170)	(4,105)	9,797
54 Income Before Extraordinary & Nonreg Items	174,247	190,052	26,477	227,251	101,272
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	<b>\$174,247</b>	<b>\$190,052</b>	<b>\$26,477</b>	<b>\$227,251</b>	<b>\$101,272</b>
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$1,264,331	\$1,178,416	\$1,095,111	\$985,187	\$944,970
60 Transferred from Income	81,779	85,915	83,305	109,924	40,217
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock	208,500				
64 Adjustments					
65 Ending Year Balance	1,137,610	1,264,331	1,178,416	1,095,111	985,187
66 Appropriated/Undistr Affiliate Retained Earnings	286,862	194,394	90,257	147,085	29,758
67 <b>Total Retained Earnings</b>	<b>\$1,424,472</b>	<b>\$1,458,725</b>	<b>\$1,268,673</b>	<b>\$1,242,196</b>	<b>\$1,014,945</b>

**Champlain Telephone Company  
Comparative Balance Sheet  
For the Year Ended December 31,**

	2004	2003	2002	2001	2000
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$481,622	\$275,263	\$447,004	\$285,532	\$268,720
2 Accounts Receivable (Net)	606,712	757,240	1,603,187	961,702	1,514,266
3 Current Deferred Income Taxes	15,535	13,641	11,378	9,311	7,389
4 Other Current Assets	277,368	297,874	288,741	304,776	485,188
5 Total Current Assets	1,381,237	1,344,018	2,350,310	1,561,321	2,275,563
<b>NON-CURRENT ASSETS</b>					
6 Investments		231,027	156,834	1,358,183	2,324,901
7 Unamortized Debt Issuance Costs	15,574	17,023	18,471	19,920	21,369
8 Deferred Charges					
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes	1,120,573	973,742	14,098	20,392	27,306
11 Other Non-Current Assets					
12 Total Non-Current Assets	1,136,147	1,221,792	189,403	1,398,495	2,373,576
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	12,939,157	11,925,921	11,638,045	13,686,469	12,684,688
14 Less: Accumulated Depr and Amort.	6,417,400	5,857,919	5,526,725	7,801,735	7,207,534
15 Net Regulated Plant	6,521,757	6,068,002	6,111,320	5,884,734	5,477,154
16 Total Assets & Other Debits	\$9,039,141	\$8,633,812	\$8,651,033	\$8,844,550	\$10,126,293
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$447,968	\$556,060	\$524,105	\$600,118	\$988,200
18 Notes Payable			530,000	530,000	1,080,000
19 Advanced Billings	120	(271)			16,000
20 Customer Deposits					
21 Current Maturities - Long-Term Debt	120,297	108,887	108,887	108,887	103,609
22 Current Deferred Income Taxes					
23 Other Current Liabilities	1,056,439	583,120	54,425	124,801	(170,594)
24 Total Current Liabilities	1,624,824	1,247,796	1,217,417	1,363,806	2,017,215
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	1,651,577	1,775,530	1,889,975	1,998,898	2,107,761
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC	3,768	15,168	27,368	39,584	53,007
27 Non-Current Deferred Taxes	797,366	740,127	688,981	514,852	508,687
28 Other Deferred Credits	2,402,826	2,405,073	2,493,733	847,671	849,039
29 Other Jurisdictional Differences - Net					
30 Other Liabilities		267,728			
31 Total Other Liab. and Def. Credits	3,203,960	3,428,096	3,210,082	1,402,107	1,410,733
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	210,000	210,000	210,000	210,000	210,000
33 Preferred Stock	138,850	138,850	138,850	138,850	138,850
34 Other Paid in Capital					
35 Retained Earnings	2,209,930	1,833,540	1,984,709	3,730,889	4,241,734
36 Total Stockholder's Equity	2,558,780	2,182,390	2,333,559	4,079,739	4,590,584
37 Total Liab. and Stockholder's Equity	\$9,039,141	\$8,633,812	\$8,651,033	\$8,844,550	\$10,126,293

**Champlain Telephone Company**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

INCOME STATEMENT	2004	2003	2002	2001	2000	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$1,486,194	\$1,476,143	\$1,477,958	\$1,468,142	\$1,365,924	1
Network Access Services 1	3,655,384	3,906,294	4,640,838	4,930,796	5,211,476	2
Long Distance Network Services						3
Miscellaneous Revenues	161,370	240,597	324,661	412,074	338,581	4
Less: Uncollectible Revenues	3,000	1,760	9,567	6,030	11,752	5
Total Operating Revenues	5,299,948	5,621,274	6,433,890	6,804,982	6,904,229	6
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	23,246	6,981	14,021	77,880	66,216	7
General Support Expenses	496,587	563,272	546,043	581,699	556,448	8
Central Office Switching	302,027	311,941	423,256	645,161	1,382,568	9
Operator Systems Expense						10
Central Office Transmission	103,196	119,844	123,258	149,015	167,549	11
Info. Origination/Termination						12
Cable & Wire Facilities	313,770	346,956	347,405	390,481	421,281	13
Total Plant Specific Operations	1,238,826	1,348,994	1,453,983	1,844,236	2,594,062	14
Other Plant, Property & Equipment		56				15
Network Operations	343,777	371,982	382,806	346,748	301,927	16
Access Expense	35,483	38,657	26,488	19,224	15,382	17
Depreciation and Amortization	612,248	588,149	636,556	643,087	515,967	18
Total Plant Non-Specific Operations	991,508	998,844	1,045,850	1,009,059	833,276	19
Marketing Expense	27,321	98,276	162,041	182,641	220,048	20
Services Expense	282,857	323,083	294,784	323,145	377,292	21
Total Customer Operations	310,178	421,359	456,825	505,786	597,340	22
Executive & Planning	715,306	610,203	1,283,470	1,031,984	1,037,238	23
General & Administrative	777,455	967,051	1,190,967	1,168,550	998,626	24
Provision - Uncollectible Notes Rec.						25
Other						26
Total Corporate Operations	1,492,761	1,577,254	2,474,437	2,200,534	2,035,864	27
Total Operations Expense	4,033,273	4,346,451	5,431,095	5,559,615	6,060,542	28
Other Operating Income & Expenses	1,010	10		(494)		29
State & Local Income Taxes						30
Other Taxes	237,358	202,943	239,645	297,088	287,115	31
<b>Net Operating Income Before FIT</b>	<b>1,030,327</b>	<b>1,071,890</b>	<b>763,150</b>	<b>947,785</b>	<b>556,572</b>	<b>32</b>
Investment Tax Credits - Net	11,400	12,200	12,216	13,423	20,170	33
Federal Income Taxes 1	375,217	1,148,684	(136,095)	262,498	327,736	34
Provision - Def. Operating Income Taxes - Net	(51,035)	(828,643)	135,702	4,243	(49,207)	35
<b>Net Operating Income</b>	<b>\$717,545</b>	<b>\$764,049</b>	<b>\$775,759</b>	<b>\$694,467</b>	<b>\$298,213</b>	<b>36</b>

1 Restated in 2001

**Champlain Telephone Company**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
37 <b>Net Operating Income</b>	\$717,545	\$764,049	\$775,759	\$694,467	\$298,213
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income					
39 Interest Income	2,828	3,898	1,716	34,918	64,356
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction					
42 Gains/Losses - Disposal of Property					
43 Equity in Earnings of Affiliated Companies	(231,027)	74,193	(1,201,350)	625,062	923,447
44 Other Non-Operating Income	17,750	30,500	15,000	15,100	15,000
45 Special Charges	17,085	1,119,458	38,239	21,316	30,466
46 Total Non-Operating Income & Expenses	(227,534)	(1,010,867)	(1,222,873)	653,764	972,337
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	3,169	(367,884)	(7,318)	9,759	(229,095)
48 Other					
49 Total Non-Operating Taxes	3,169	(367,884)	(7,318)	9,759	(229,095)
50 Income Available Before Interest Charges	486,842	121,066	(439,796)	1,338,472	1,499,645
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	90,142	95,387	101,599	106,938	112,268
52 Other Interest Expense	358	58,976	165,984	68,467	107,250
53 Total Interest Charges	90,500	154,363	267,583	175,405	219,518
54 Income Before Extraordinary & Nonreg Items	396,342	(33,297)	(707,379)	1,163,067	1,280,127
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					(722,699)
57 Total Extraordinary & Nonregulated Items					(722,699)
58 <b>Net Income</b>	\$396,342	(\$33,297)	(\$707,379)	\$1,163,067	\$557,428
<hr/>					
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$2,322,474	\$2,498,876	\$2,073,817	\$3,209,724	\$3,644,655
60 Transferred from Income	627,369	(107,490)	493,971	538,005	(366,019)
61 Appropriations					
Dividends Declared:					
62 Preferred Stock	9,024	9,024	9,024	9,024	9,024
63 Common Stock	59,888	59,888	59,888	1,664,888	59,888
64 Adjustments					
65 Ending Year Balance	2,880,931	2,322,474	2,498,876	2,073,817	3,209,724
66 Appropriated/Undistr Affiliate Retained Earnings	(671,001)	(439,974)	(514,167)	1,657,072	1,032,010
67 <b>Total Retained Earnings</b>	\$2,209,930	\$1,882,500	\$1,984,709	\$3,730,889	\$4,241,734

**Chautauqua & Erie Telephone Corporation**  
**Comparative Balance Sheet**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$18,386	\$18,859	\$17,090	\$17,600	\$257,781
2 Accounts Receivable (Net)	2,110,350	2,454,170	2,456,400	2,535,414	7,128,689
3 Current Deferred Income Taxes	13,575	10,916			
4 Other Current Assets	480,128	505,089	503,554	681,519	516,982
5 Total Current Assets	2,622,439	2,989,034	2,977,044	3,234,533	7,903,451
<b>NON-CURRENT ASSETS</b>					
6 Investments	578,731	542,497	358,403	293,922	198,982
7 Unamortized Debt Issuance Costs					
8 Deferred Charges					9,921
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes	37,490	32,942			
11 Other Non-Current Assets					
12 Total Non-Current Assets	616,221	575,439	358,403	293,922	208,903
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	29,248,397	28,997,636	28,858,977	28,997,315	28,006,900
14 Less: Accumulated Depr and Amort.	15,410,268	13,743,722	12,403,580	11,384,806	10,245,399
15 Net Regulated Plant	13,838,129	15,253,913	16,455,396	17,612,509	17,761,501
16 Total Assets & Other Debits	\$17,076,790	\$18,818,387	\$19,790,843	\$21,140,964	\$25,873,855
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$1,668,248	\$1,763,448	\$1,868,995	\$1,803,088	\$7,805,101
18 Notes Payable	382,000	407,000	426,500	464,000	534,500
19 Advanced Billings	16,559	30,064	2,273	297	
20 Customer Deposits	53,484	52,826	47,944	47,558	46,163
21 Current Maturities - Long-Term Debt					
22 Current Deferred Income Taxes					
23 Other Current Liabilities	210,334	307,328	370,262	196,903	351,553
24 Total Current Liabilities	2,330,625	2,560,666	2,715,974	2,511,847	8,737,317
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt					
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC				15,673	46,909
27 Non-Current Deferred Taxes	2,120,966	2,298,222	2,354,992	2,440,333	2,479,994
28 Other Deferred Credits			269	632	1,501
29 Other Jurisdictional Differences - Net					
30 Other Liabilities					
31 Total Other Liab. and Def. Credits	2,120,966	2,298,222	2,355,261	2,456,639	2,528,404
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	775,320	775,320	775,320	775,320	775,320
33 Preferred Stock					
34 Other Paid in Capital	3,922,500	3,922,500	3,922,500	3,922,500	3,337,500
35 Retained Earnings	7,927,379	9,261,679	10,021,788	11,474,659	10,495,314
36 Total Stockholder's Equity	12,625,199	13,959,499	14,719,608	16,172,479	14,608,134
37 Total Liab. and Stockholder's Equity	\$17,076,790	\$18,818,386	\$19,790,843	\$21,140,964	\$25,873,855

**Chautauqua & Erie Telephone Corp.**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

INCOME STATEMENT	2004	2003	2002	2001	2000	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$2,033,309	\$2,095,886	\$2,115,604	\$2,160,241	\$2,192,548	1
Network Access Services	5,845,267	5,685,865	5,626,280	6,184,113	5,958,351	2
Long Distance Network Services	165,732	181,047	182,902	195,021	266,762	3
Miscellaneous Revenues	460,318	456,740	1,047,120	1,111,919	1,050,386	4
Less: Uncollectible Revenues	63,640	6,654	31,682	75,022	55,013	5
<b>Total Operating Revenues</b>	<b>8,440,986</b>	<b>8,412,884</b>	<b>8,940,224</b>	<b>9,576,272</b>	<b>9,413,034</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses			4,980	10,650	11,395	7
General Support Expenses	258,064	306,318	186,734	303,874	485,750	8
Central Office Switching	691,309	637,082	842,689	856,610	854,979	9
Operator Systems Expense						10
Central Office Transmission	27,255	32,277	27,391	38,448	24,216	11
Info. Origination/Termination	33		44,928	65,453	138,033	12
Cable & Wire Facilities	552,977	550,899	469,701	494,657	466,819	13
<b>Total Plant Specific Operations</b>	<b>1,529,638</b>	<b>1,526,576</b>	<b>1,576,423</b>	<b>1,769,692</b>	<b>1,981,192</b>	<b>14</b>
Other Plant, Property & Equipment						15
Network Operations	347,326	308,917	337,710	394,665	420,544	16
Access Expense	191,826	128,154	75,265	46,332	33,433	17
Depreciation and Amortization	1,839,135	1,794,101	1,798,527	1,739,753	1,463,406	18
<b>Total Plant Non-Specific Operations</b>	<b>2,378,287</b>	<b>2,231,172</b>	<b>2,211,502</b>	<b>2,180,750</b>	<b>1,917,383</b>	<b>19</b>
Marketing Expense	472,154	489,336	528,874	548,284	485,540	20
Services Expense	719,339	588,354	592,125	698,465	602,113	21
<b>Total Customer Operations</b>	<b>1,191,493</b>	<b>1,077,690</b>	<b>1,120,999</b>	<b>1,246,749</b>	<b>1,087,653</b>	<b>22</b>
Executive & Planning	372,015	360,008	548,545	767,497	770,968	23
General & Administrative	1,264,256	1,355,227	1,363,285	1,517,425	1,340,873	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>1,636,271</b>	<b>1,715,235</b>	<b>1,911,830</b>	<b>2,284,922</b>	<b>2,111,841</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>6,735,689</b>	<b>6,550,673</b>	<b>6,820,754</b>	<b>7,482,113</b>	<b>7,098,069</b>	<b>28</b>
Other Operating Income & Expenses	10,157	12,033				29
State & Local Income Taxes						30
Other Taxes	516,439	496,642	374,847	606,948	455,824	31
<b>Net Operating Income Before FIT</b>	<b>1,199,015</b>	<b>1,377,602</b>	<b>1,744,623</b>	<b>1,487,211</b>	<b>1,859,141</b>	<b>32</b>
Investment Tax Credits - Net			15,673	31,236	31,644	33
Federal Income Taxes	579,756	546,224	665,653	475,216	608,959	34
Provision - Def. Operating Income Taxes - Net	(173,654)	(80,652)	(75,055)	15,490	(5,687)	35
<b>Net Operating Income</b>	<b>\$792,913</b>	<b>\$912,030</b>	<b>\$1,169,698</b>	<b>\$1,027,741</b>	<b>\$1,287,513</b>	<b>36</b>

**Chautauqua & Erie Telephone Corp.**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
37 <b>Net Operating Income</b>	\$792,913	\$912,030	\$1,169,698	\$1,027,741	\$1,287,513
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income					
39 Interest Income	1,983	91	134	359	7,719
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction					
42 Gains/Losses - Disposal of Property					
43 Equity in Earnings of Affiliated Companies	(58,370)	298,094	192,211	83,698	28,290
44 Other Non-Operating Income	4,512	11,565	13,877	(133,248)	(36,546)
45 Special Charges	13,475	18,414	27,731	39,176	41,377
46 Total Non-Operating Income & Expenses	(65,351)	291,336	178,491	(88,367)	(41,914)
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	(7,368)	(6,800)	(13,614)	(70,203)	(15,585)
48 Other					
49 Total Non-Operating Taxes	(7,368)	(6,800)	(13,614)	(70,203)	(15,585)
50 Income Available Before Interest Charges	734,930	1,210,166	1,361,803	1,009,576	1,261,184
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt					
52 Other Interest Expense	24,838	25,275	27,675	30,232	37,582
53 Total Interest Charges	24,838	25,275	27,675	30,232	37,582
54 Income Before Extraordinary & Nonreg Items	710,093	1,184,891	1,334,129	979,345	1,223,602
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	<b>\$710,093</b>	<b>\$1,184,891</b>	<b>\$1,334,129</b>	<b>\$979,345</b>	<b>\$1,223,602</b>
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$14,497,776	\$13,610,979	\$12,469,062	\$11,573,414	\$10,378,102
60 Transferred from Income	768,463	886,797	1,141,917	895,647	1,195,312
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock					
64 Adjustments					
65 Ending Year Balance	15,266,239	14,497,776	13,610,979	12,469,062	11,573,414
66 Appropriated/Undistr Affiliate Retained Earnings	(7,338,862)	(5,236,096)	(3,589,191)	(994,402)	(1,078,100)
67 <b>Total Retained Earnings</b>	<b>\$7,927,377</b>	<b>\$9,261,680</b>	<b>\$10,021,788</b>	<b>\$11,474,659</b>	<b>\$10,495,314</b>

**Chazy & Westport Telephone Corporation**  
**Comparative Balance Sheet**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$21,698	\$69,328	\$256,839	\$128,078	\$157,920
2 Accounts Receivable (Net)	2,978,247	2,418,214	1,282,096	1,223,871	1,289,049
3 Current Deferred Income Taxes	3,961	3,961	3,392	2,545	1,862
4 Other Current Assets	257,275	364,309	309,199	250,270	262,694
5 Total Current Assets	3,261,181	2,855,812	1,851,526	1,604,764	1,711,525
<b>NON-CURRENT ASSETS</b>					
6 Investments	1,516,667	2,507,559	3,107,886	2,753,310	3,345,462
7 Unamortized Debt Issuance Costs	2,839	3,404	3,969	4,534	5,099
8 Deferred Charges	27,813	77,345	8,786	8,786	152,063
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes	291,342	148,950	1,524	3,972	6,458
11 Other Non-Current Assets	736,735	782,967	848,238	560,854	492,704
12 Total Non-Current Assets	2,575,396	3,520,225	3,970,403	3,331,456	4,001,786
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	12,930,028	12,739,437	12,680,087	12,185,835	11,554,848
14 Less: Accumulated Depr and Amort.	6,987,606	6,509,066	6,107,882	5,596,400	5,039,374
15 Net Regulated Plant	5,942,422	6,230,371	6,572,205	6,589,435	6,515,474
16 Total Assets & Other Debits	\$11,778,999	\$12,606,408	\$12,394,134	\$11,525,655	\$12,228,785
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$466,213	\$466,208	\$714,475	\$904,242	\$236,505
18 Notes Payable	490,273	409,817			300,000
19 Advanced Billings	20,433	16,717	21,273	15,825	13,614
20 Customer Deposits	4,241	3,981	4,001	4,273	4,222
21 Current Maturities - Long-Term Debt					
22 Current Deferred Income Taxes					
23 Other Current Liabilities	214,861	155,447	41,716	(341,846)	(43,952)
24 Total Current Liabilities	1,196,021	1,052,170	781,465	582,494	510,389
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	1,439,678	1,667,972	1,923,396	2,037,718	2,272,916
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC			4,483	11,683	18,994
27 Non-Current Deferred Taxes	1,203,499	1,177,348	1,202,071	1,074,797	1,077,063
28 Other Deferred Credits	719,506	429,455	185,366	38,106	43,543
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	169,000	207,000			
31 Total Other Liab. and Def. Credits	2,092,005	1,813,803	1,391,920	1,124,586	1,139,600
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	62,100	62,100	62,100	62,100	62,100
33 Preferred Stock	130,000	130,000	130,000	130,000	130,000
34 Other Paid in Capital	3,069	(3,778)	196,719	(9,625)	
35 Retained Earnings	6,856,126	7,884,141	7,908,534	7,598,382	8,113,779
36 Total Stockholder's Equity	7,051,295	8,072,463	8,297,353	7,780,857	8,305,879
37 Total Liab. and Stockholder's Equity	\$11,778,999	\$12,606,408	\$12,394,134	\$11,525,655	\$12,228,784

**Chazy & Westport Telephone Corporation**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

INCOME STATEMENT	2004	2003	2002	2001	2000	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$907,535	\$991,966	\$957,459	\$1,192,291	\$1,298,107	1
Network Access Services	1,812,416	2,110,610	2,338,926	2,055,493	2,322,989	2
Long Distance Network Services	64,504	72,110	79,095	79,570	65,891	3
Miscellaneous Revenues	227,599	350,978	291,862	353,993	358,827	4
Less: Uncollectible Revenues	21,343	4,800	4,800	4,800	4,800	5
<b>Total Operating Revenues</b>	<b>2,990,711</b>	<b>3,520,864</b>	<b>3,662,542</b>	<b>3,676,547</b>	<b>4,041,014</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	9,548	12,751	12,024	13,570	15,783	7
General Support Expenses	111,471	154,573	171,230	204,870	213,251	8
Central Office Switching	235,986	204,065	206,964	213,034	196,612	9
Operator Systems Expense						10
Central Office Transmission	15,756	7,895	10,440	5,319	4,967	11
Info. Origination/Termination	3,908	304	3,085	4,233	8,022	12
Cable & Wire Facilities	254,540	276,529	252,825	221,154	73,067	13
<b>Total Plant Specific Operations</b>	<b>631,209</b>	<b>656,117</b>	<b>656,568</b>	<b>662,180</b>	<b>511,702</b>	<b>14</b>
Other Plant, Property & Equipment						15
Network Operations	32,514	33,119	55,196	104,177	92,419	16
Access Expense	39,571	26,237	3,711	25,716	194	17
Depreciation and Amortization	624,557	663,274	771,946	733,901	689,782	18
<b>Total Plant Non-Specific Operations</b>	<b>696,642</b>	<b>722,630</b>	<b>830,853</b>	<b>863,794</b>	<b>782,395</b>	<b>19</b>
Marketing Expense	31,392	112,775	115,121	76,785	49,733	20
Services Expense	341,832	440,038	529,608	483,583	471,792	21
<b>Total Customer Operations</b>	<b>373,224</b>	<b>552,813</b>	<b>644,729</b>	<b>560,368</b>	<b>521,525</b>	<b>22</b>
Executive & Planning	375,360	521,314	564,293	632,241	637,889	23
General & Administrative	421,909	537,652	558,619	523,712	577,783	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>797,269</b>	<b>1,058,966</b>	<b>1,122,912</b>	<b>1,155,953</b>	<b>1,215,672</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>2,498,344</b>	<b>2,990,526</b>	<b>3,255,062</b>	<b>3,242,295</b>	<b>3,031,294</b>	<b>28</b>
Other Operating Income & Expenses	193	69	84	115	207	29
State & Local Income Taxes						30
Other Taxes	189,163	173,356	163,534	159,921	166,818	31
<b>Net Operating Income Before FIT</b>	<b>303,397</b>	<b>357,051</b>	<b>244,030</b>	<b>274,446</b>	<b>843,109</b>	<b>32</b>
Investment Tax Credits - Net						33
Federal Income Taxes	199,578	(31,575)	27,929	47,955	209,509	34
Provision - Def. Operating Income Taxes - Net	(91,470)	52,969	87,805	(2,949)	(474)	35
<b>Net Operating Income</b>	<b>\$195,289</b>	<b>\$335,657</b>	<b>\$128,296</b>	<b>\$229,440</b>	<b>\$634,074</b>	<b>36</b>

**Chazy & Westport Telephone Corporation**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
37 <b>Net Operating Income</b>	\$195,289	\$335,657	\$128,296	\$229,440	\$634,074
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income	51,701	31,451	25,605	20,519	
39 Interest Income	46	1,054	1,322	961	983
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction					
42 Gains/Losses - Disposal of Property					
43 Equity in Earnings of Affiliated Companies	(581,149)	(407,785)	214,353	(577,568)	(187,289)
44 Other Non-Operating Income	550	626,932	(178,373)	(6,140)	(2,746)
45 Special Charges	143,784	12,144	(176,869)	30,794	8,786
46 Total Non-Operating Income & Expenses	(672,636)	239,508	239,776	(593,022)	(197,838)
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	1,925	219,726	(78,852)	(5,030)	(17,725)
48 Other					
49 Total Non-Operating Taxes	1,925	219,726	(78,852)	(5,030)	(17,725)
50 Income Available Before Interest Charges	(479,272)	355,439	446,924	(358,552)	453,961
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	81,864	95,331	106,975	117,512	127,694
52 Other Interest Expense	28,669	28,653	23,298	32,833	39,378
53 Total Interest Charges	110,533	123,984	130,273	150,345	167,072
54 Income Before Extraordinary & Nonreg Items	(589,805)	231,455	316,651	(508,897)	286,889
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	(\$589,805)	\$231,455	\$316,651	(\$508,897)	\$286,889

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**RETAINED EARNINGS STATEMENT**

Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$6,094,074	\$5,710,682	\$5,614,884	\$5,552,713	\$5,085,035
60 Transferred from Income	(8,656)	639,240	102,298	68,671	474,178
61 Appropriations					
Dividends Declared:					
62 Preferred Stock	6,500	6,500	6,500	6,500	6,500
63 Common Stock					
64 Adjustments	(10,363)	(249,348)			
65 Ending Year Balance	6,068,555	6,094,074	5,710,682	5,614,884	5,552,713
66 Appropriated/Undistr Affiliate Retained Earnings	787,570	1,790,066	2,197,851	1,983,498	2,561,066
67 <b>Total Retained Earnings</b>	\$6,856,125	\$7,884,140	\$7,908,533	\$7,598,382	\$8,113,779

**Citizens Telecommunications Co. of New York, Inc.**  
**Comparative Balance Sheet**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$389,002	(\$52,855)	(\$711,338)	\$2,183	(\$4,991)
2 Accounts Receivable (Net)	58,113,702	821,143,006	39,481,120	37,535,677	35,722,788
3 Current Deferred Income Taxes					
4 Other Current Assets	952,287	675,911	1,574,763	2,779,915	2,049,343
5 Total Current Assets	59,454,990	821,766,062	40,344,545	40,317,775	37,767,140
<b>NON-CURRENT ASSETS</b>					
6 Investments	(109,627,704)				
7 Unamortized Debt Issuance Costs					
8 Deferred Charges	4,814,976	4,831,872	6,427,367	6,373,493	6,385,108
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes					
11 Other Non-Current Assets					
12 Total Non-Current Assets	(104,812,727)	4,831,872	6,427,367	6,373,493	6,385,108
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	1,025,449,409	1,000,242,144	981,085,071	946,234,850	907,110,474
14 Less: Accumulated Depr and Amort.	568,540,944	515,345,570	465,888,491	414,052,311	374,355,311
15 Net Regulated Plant	456,908,465	484,896,574	515,196,580	532,182,539	532,755,163
16 <b>Total Assets &amp; Other Debits</b>	<b>\$411,550,728</b>	<b>\$1,311,494,508</b>	<b>\$561,968,492</b>	<b>\$578,873,807</b>	<b>\$576,907,411</b>
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$46,272,063	\$923,032,500	\$5,190,099	\$8,237,701	\$10,722,282
18 Notes Payable					
19 Advanced Billings	5,281,084	5,024,485	4,754,689	4,467,770	4,211,914
20 Customer Deposits	(45,483)	(44,511)	(46,499)	(42,930)	21,591
21 Current Maturities - Long-Term Debt					
22 Current Deferred Income Taxes					
23 Other Current Liabilities	575,222	618,520	(8,061,232)	1,089,826	3,131,692
24 Total Current Liabilities	52,082,886	928,630,994	1,837,057	13,752,367	18,087,479
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt			225,145,745	285,131,046	319,130,871
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC					
27 Non-Current Deferred Taxes	73,455,271	79,750,903	77,212,786	64,817,761	49,393,853
28 Other Deferred Credits	13,392,296	12,806,679	17,764,389	20,997,709	22,340,715
29 Other Jurisdictional Differences - Net					
30 Other Liabilities			5,397,193	5,378,442	10,178,280
31 Total Other Liab. and Def. Credits	86,847,567	92,557,582	100,374,368	91,193,912	81,912,848
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	1,000	1,000	1,000	997	997
33 Preferred Stock					
34 Other Paid in Capital					
35 Retained Earnings	272,619,275	290,304,932	234,610,322	188,795,485	157,775,216
36 Total Stockholder's Equity	272,620,275	290,305,932	234,611,322	188,796,482	157,776,213
37 <b>Total Liab. and Stockholder's Equity</b>	<b>\$411,550,729</b>	<b>\$1,311,494,508</b>	<b>\$561,968,492</b>	<b>\$578,873,807</b>	<b>\$576,907,411</b>

**Citizens Telecommunications Co. of New York, Inc.**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

<b>INCOME STATEMENT</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$82,569,473	\$80,443,958	\$77,948,089	\$75,960,892	\$77,241,175	1
Network Access Services	140,353,267	138,437,761	131,005,720	124,947,071	119,324,423	2
Long Distance Network Services	160,319	(999)	10,621	90,961	522,852	3
Miscellaneous Revenues	29,270,366	29,594,869	29,939,675	27,902,427	21,423,056	4
Less: Uncollectible Revenues	1,793,509	1,967,669	1,597,056	595,910	2,218,290	5
<b>Total Operating Revenues</b>	<b>250,559,916</b>	<b>246,507,920</b>	<b>237,307,049</b>	<b>228,305,441</b>	<b>216,293,216</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	70,570	470	1,133,302			7
General Support Expenses	14,716,908	11,155,493	13,968,177	13,601,310	12,327,133	8
Central Office Switching	5,525,226	4,839,597	4,335,376	4,251,094	6,198,873	9
Operator Systems Expense	22,233	899	2,099	1,457	1,198	10
Central Office Transmission	1,606,839	1,668,098	1,607,623	1,694,385	1,265,279	11
Info. Origination/Termination	6,267,735	5,842,247	5,104,073	5,886,439	5,704,762	12
Cable & Wire Facilities	13,572,787	11,805,819	12,031,355	10,955,407	13,713,277	13
<b>Total Plant Specific Operations</b>	<b>41,782,298</b>	<b>35,312,623</b>	<b>38,182,005</b>	<b>36,390,092</b>	<b>39,210,523</b>	<b>14</b>
Other Plant, Property & Equipment	2,469	2,793	54,590	147,853	180,920	15
Network Operations	14,234,862	14,446,949	13,274,399	16,735,353	14,264,056	16
Access Expense	4,282,906	3,457,017	1,482,093	5,222,143	2,772,823	17
Depreciation and Amortization	52,105,584	56,158,787	56,486,076	59,285,857	48,498,325	18
<b>Total Plant Non-Specific Operations</b>	<b>70,625,822</b>	<b>74,065,546</b>	<b>71,297,158</b>	<b>81,391,206</b>	<b>65,716,124</b>	<b>19</b>
Marketing Expense	3,737,540	3,696,715	3,547,724	4,218,889	5,559,229	20
Services Expense	11,486,198	11,037,933	12,062,535	10,675,809	15,234,679	21
<b>Total Customer Operations</b>	<b>15,223,738</b>	<b>14,734,648</b>	<b>15,610,259</b>	<b>14,894,698</b>	<b>20,793,908</b>	<b>22</b>
Executive & Planning	13,033,509	1,669,539	4,688,370	4,063,645	2,449,739	23
General & Administrative	17,316,117	14,424,362	18,274,458	26,565,485	31,905,589	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>30,349,627</b>	<b>16,093,901</b>	<b>22,962,828</b>	<b>30,629,130</b>	<b>34,355,328</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>157,981,485</b>	<b>140,206,718</b>	<b>148,052,250</b>	<b>163,305,126</b>	<b>160,075,882</b>	<b>28</b>
Other Operating Income & Expenses				1,076		29
State & Local Income Taxes		(39)				30
Other Taxes	13,434,243	13,514,307	13,662,432	11,710,813	15,505,682	31
<b>Net Operating Income Before FIT</b>	<b>79,144,189</b>	<b>92,786,934</b>	<b>75,592,367</b>	<b>53,290,578</b>	<b>40,711,652</b>	<b>32</b>
Investment Tax Credits - Net						33
Federal Income Taxes	24,997,298	22,084,772	12,349,061	14,806,992	14,139,802	34
Provision - Def. Operating Income Taxes - Net	2,703,167	10,390,642	12,263,628	3,890,237	470,968	35
<b>Net Operating Income</b>	<b>\$51,443,723</b>	<b>\$60,311,520</b>	<b>\$50,979,678</b>	<b>\$34,593,349</b>	<b>\$26,100,882</b>	<b>36</b>

**Citizens Telecommunications Co. of New York, Inc.**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
37 <b>Net Operating Income</b>	\$51,443,723	\$60,311,520	\$50,979,678	\$34,593,349	\$26,100,882
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income					
39 Interest Income					
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction	119,917	563,015	896,566	917,046	820,640
42 Gains/Losses - Disposal of Property					(36,514)
43 Equity in Earnings of Affiliated Companies					
44 Other Non-Operating Income	(5,817,610)	(5,849,773)	(5,849,773)	(4,371,106)	(3,596,068)
45 Special Charges	387,468	439,312	232,258		8,574,142
46 Total Non-Operating Income & Expenses	(6,085,162)	(5,726,070)	(5,185,465)	(3,454,060)	(11,386,084)
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	(1,615,859)	(2,262,804)	(89,858)	(1,701,644)	(3,964,455)
48 Other					1,258,782
49 Total Non-Operating Taxes	(1,615,859)	(2,262,804)	(89,858)	(1,701,644)	(2,705,673)
50 Income Available Before Interest Charges	46,974,420	56,848,254	45,884,071	32,840,933	17,420,471
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt					
52 Other Interest Expense	76	1,153,644	1,248,039	1,407,779	2,311,264
53 Total Interest Charges	76	1,153,644	1,248,039	1,407,779	2,311,264
54 Income Before Extraordinary & Nonreg Items	46,974,344	55,694,610	44,636,032	31,433,154	15,109,207
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	\$46,974,344	\$55,694,610	\$44,636,032	\$31,433,154	\$15,109,207

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**RETAINED EARNINGS STATEMENT**

Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$290,304,932	\$234,610,322	\$188,795,485	\$157,775,216	\$142,477,070
60 Transferred from Income	46,974,344	55,694,610	44,636,032	31,433,154	15,109,207
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock	64,660,000				
64 Adjustments			1,178,805	(412,885)	188,939
65 Ending Year Balance	272,619,276	290,304,932	234,610,322	188,795,485	157,775,216
66 Appropriated/Undistr Affiliate Retained Earnings					
67 <b>Total Retained Earnings</b>	\$272,619,276	\$290,304,932	\$234,610,322	\$188,795,485	\$157,775,216

**Citizens Telephone Company of Hammond, N. Y., Inc.**  
**Comparative Balance Sheet**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$329,467	\$261,003	\$498,175	\$435,346	\$443,794
2 Accounts Receivable (Net)	707,101	735,690	444,516	384,097	284,381
3 Current Deferred Income Taxes					1,186
4 Other Current Assets	321,917	251,192	211,245	246,436	232,078
5 Total Current Assets	1,358,486	1,247,885	1,153,935	1,065,880	961,440
<b>NON-CURRENT ASSETS</b>					
6 Investments	3,606,039	3,763,310	3,830,295	4,373,546	4,010,717
7 Unamortized Debt Issuance Costs	27,714	26,495	23,362	24,603	25,843
8 Deferred Charges					
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes	531,022	414,364	385,464	328,846	183,751
11 Other Non-Current Assets					
12 Total Non-Current Assets	4,164,775	4,204,169	4,239,121	4,726,994	4,220,310
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	10,013,135	10,121,782	9,798,368	9,541,591	8,869,865
14 Less: Accumulated Depr and Amort.	5,130,570	5,262,608	4,699,803	4,157,329	3,645,642
15 Net Regulated Plant	4,882,565	4,859,174	5,098,565	5,384,262	5,224,223
16 <b>Total Assets &amp; Other Debits</b>	<b>\$10,405,826</b>	<b>\$10,311,227</b>	<b>\$10,491,621</b>	<b>\$11,177,135</b>	<b>\$10,405,973</b>
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$407,356	\$208,960	\$288,385	\$508,905	\$520,672
18 Notes Payable	400,000	150,000		200,000	
19 Advanced Billings	15,459	15,018	13,917	11,612	11,803
20 Customer Deposits	2,008	2,937	2,575	2,439	1,686
21 Current Maturities - Long-Term Debt					
22 Current Deferred Income Taxes					
23 Other Current Liabilities	(181,988)	(92,978)	(58,426)	(95,126)	(223,402)
24 Total Current Liabilities	642,834	283,937	246,452	627,830	310,760
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	3,036,226	3,239,398	3,431,730	3,210,661	3,371,154
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC					
27 Non-Current Deferred Taxes	541,842	548,268	645,729	652,031	800,427
28 Other Deferred Credits	126,198	123,823	120,837	118,092	115,291
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	1,151,305	1,094,894	1,012,885	846,435	628,574
31 Total Other Liab. and Def. Credits	1,819,346	1,766,986	1,779,452	1,616,558	1,544,292
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	42,000	42,000	42,000	42,000	42,000
33 Preferred Stock	23,000	23,000	23,000	23,000	23,000
34 Other Paid in Capital	(18,784)	(18,720)	(19,202)	449,707	127,080
35 Retained Earnings	4,861,203	4,974,627	4,988,189	5,207,380	4,987,688
36 Total Stockholder's Equity	4,907,419	5,020,907	5,033,987	5,722,087	5,179,768
37 <b>Total Liab. and Stockholder's Equity</b>	<b>\$10,405,826</b>	<b>\$10,311,227</b>	<b>\$10,491,621</b>	<b>\$11,177,135</b>	<b>\$10,405,973</b>

**Citizens Telephone Company Of Hammond, N. Y., Inc.**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

INCOME STATEMENT	2004	2003	2002	2001	2000	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$204,260	\$199,240	\$199,670	\$195,712	\$185,876	1
Network Access Services	2,744,974	2,840,154	2,929,333	3,011,427	3,329,762	2
Long Distance Network Services						3
Miscellaneous Revenues	335,596	336,830	227,319	225,559	243,610	4
Less: Uncollectible Revenues	4,400					5
<b>Total Operating Revenues</b>	<b>3,280,430</b>	<b>3,376,225</b>	<b>3,356,322</b>	<b>3,432,698</b>	<b>3,759,248</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	5,625	3,146	11,870	7,225	945	7
General Support Expenses	310,766	224,369	238,381	297,992	280,147	8
Central Office Switching	130,223	129,679	135,047	67,271	85,815	9
Operator Systems Expense						10
Central Office Transmission	40,609	36,642	17,090	15,742	29,345	11
Info. Origination/Termination	157,448	138,528	74,029	76,427	85,340	12
Cable & Wire Facilities	130,244	189,225	246,046	207,398	443,813	13
<b>Total Plant Specific Operations</b>	<b>774,915</b>	<b>721,589</b>	<b>722,464</b>	<b>672,055</b>	<b>925,405</b>	<b>14</b>
Other Plant, Property & Equipment	4,853	2,369	1,530	330	478	15
Network Operations	391,301	376,150	324,508	372,417	359,299	16
Access Expense	25,818	11,089	842			17
Depreciation and Amortization	577,487	602,333	589,039	561,752	525,216	18
<b>Total Plant Non-Specific Operations</b>	<b>999,459</b>	<b>991,941</b>	<b>915,920</b>	<b>934,499</b>	<b>884,993</b>	<b>19</b>
Marketing Expense	6,524	6,930	6,146	7,187	6,077	20
Services Expense	292,390	265,069	275,476	507,649	476,946	21
<b>Total Customer Operations</b>	<b>298,914</b>	<b>271,999</b>	<b>281,622</b>	<b>514,836</b>	<b>483,024</b>	<b>22</b>
Executive & Planning	388,611	446,154	412,151	78,611	79,278	23
General & Administrative	402,685	465,681	542,849	718,212	702,245	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>791,296</b>	<b>911,835</b>	<b>954,999</b>	<b>796,823</b>	<b>781,523</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>2,864,585</b>	<b>2,897,363</b>	<b>2,875,005</b>	<b>2,918,213</b>	<b>3,074,946</b>	<b>28</b>
Other Operating Income & Expenses						29
State & Local Income Taxes						30
Other Taxes	119,018	3,190	135,331	115,193	161,950	31
<b>Net Operating Income Before FIT</b>	<b>296,827</b>	<b>475,672</b>	<b>345,987</b>	<b>399,292</b>	<b>522,352</b>	<b>32</b>
Investment Tax Credits - Net						33
Federal Income Taxes	100,955	196,253	120,000	143,877	171,203	34
Provision - Def. Operating Income Taxes - Net	(123,084)	(85,916)	(62,920)	(51,639)	9,775	35
<b>Net Operating Income</b>	<b>\$318,956</b>	<b>\$365,334</b>	<b>\$288,907</b>	<b>\$307,054</b>	<b>\$341,374</b>	<b>36</b>

**Citizens Telephone Company Of Hammond, N. Y., Inc.**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
37 <b>Net Operating Income</b>	\$318,956	\$365,334	\$288,907	\$307,054	\$341,374
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income	2,818	2,599	3,011	4,467	2,471
39 Interest Income	21,530	38,469	30,233	27,466	37,306
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction					
42 Gains/Losses - Disposal of Property					
43 Equity in Earnings of Affiliated Companies	(126,287)	(57,559)	(170,672)	58,080	93,081
44 Other Non-Operating Income	36,092	8,352	(363)	15,479	37,305
45 Special Charges	10,016	10,954	9,323	8,400	10,405
46 Total Non-Operating Income & Expenses	(75,863)	(19,093)	(147,114)	97,091	159,758
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	4,692			7,405	9,535
48 Other					
49 Total Non-Operating Taxes	4,692			7,405	9,535
50 Income Available Before Interest Charges	238,402	346,241	141,793	396,740	491,597
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	179,717	185,699	186,150	171,819	176,103
52 Other Interest Expense	86,008	90,104	90,834	93,383	67,354
53 Total Interest Charges	265,725	275,803	276,984	265,202	243,458
54 Income Before Extraordinary & Nonreg Items	(27,323)	70,438	(135,191)	131,538	248,139
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	(\$27,323)	\$70,438	(\$135,191)	\$131,538	\$248,139

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**RETAINED EARNINGS STATEMENT**

Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$3,419,721	\$3,375,725	\$3,424,244	\$3,224,134	\$3,140,476
60 Transferred from Income	98,963	127,997	35,481	73,459	155,059
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock	86,100	84,000	84,000	71,400	71,400
64 Adjustments				198,051	
65 Ending Year Balance	3,432,585	3,419,721	3,375,725	3,424,244	3,224,134
66 Appropriated/Undistr Affiliate Retained Earnings	1,428,619	1,554,906	1,612,465	1,783,137	1,763,553
67 <b>Total Retained Earnings</b>	\$4,861,204	\$4,974,627	\$4,988,189	\$5,207,381	\$4,987,688

**Crown Point Telephone Corporation**  
**Comparative Balance Sheet**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$244,537	\$456,569	\$111,483	\$157,287	\$114,914
2 Accounts Receivable (Net)	174,666	536,872	347,984	319,485	321,158
3 Current Deferred Income Taxes					
4 Other Current Assets	193,158	175,751	284,922	101,167	101,393
5 Total Current Assets	612,360	1,169,193	744,388	577,939	537,465
<b>NON-CURRENT ASSETS</b>					
6 Investments	2,158,000	3,383,512	3,470,118	3,579,691	4,241,271
7 Unamortized Debt Issuance Costs	5,212	5,648	6,083	6,519	6,955
8 Deferred Charges	39,901	25,833			
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes	182,096	295,334	4,636	6,850	9,064
11 Other Non-Current Assets					
12 Total Non-Current Assets	2,385,209	3,710,327	3,480,837	3,593,060	4,257,290
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	7,386,921	7,117,331	6,782,033	6,134,230	5,892,387
14 Less: Accumulated Depr and Amort.	3,257,353	3,027,034	2,769,445	2,558,761	2,297,172
15 Net Regulated Plant	4,129,568	4,090,298	4,012,588	3,575,469	3,595,215
16 Total Assets & Other Debits	\$7,127,137	\$8,969,817	\$8,237,814	\$7,746,467	\$8,389,970
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$169,478	\$668,971	\$403,318	\$215,906	\$115,772
18 Notes Payable	137,858		90,000	91,178	56,178
19 Advanced Billings	4,400	4,400	4,400	4,400	4,400
20 Customer Deposits					
21 Current Maturities - Long-Term Debt					
22 Current Deferred Income Taxes					
23 Other Current Liabilities	(239,255)	(2,031)	(136,654)	(91,370)	(149,899)
24 Total Current Liabilities	72,481	671,340	361,064	220,115	26,451
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	3,822,368	3,747,412	3,285,380	2,665,240	2,732,289
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC		4,695	8,995	13,295	17,595
27 Non-Current Deferred Taxes	470,889	429,894	230,151	203,575	202,108
28 Other Deferred Credits	23,468	23,741	4,636	6,850	9,064
29 Other Jurisdictional Differences - Net					
30 Other Liabilities					
31 Total Other Liab. and Def. Credits	494,357	458,330	243,782	223,720	228,767
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	24,300	24,300	24,300	24,300	24,300
33 Preferred Stock					
34 Other Paid in Capital	4,863	4,863	4,863	4,863	4,863
35 Retained Earnings	2,708,769	4,063,571	4,318,425	4,608,229	5,373,298
36 Total Stockholder's Equity	2,737,932	4,092,734	4,347,588	4,637,392	5,402,461
37 Total Liab. and Stockholder's Equity	\$7,127,137	\$8,969,816	\$8,237,814	\$7,746,467	\$8,389,968

**Crown Point Telephone Corporation**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

INCOME STATEMENT	2004	2003	2002	2001	2000	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$217,823	\$159,997	\$171,493	\$165,883	\$162,960	1
Network Access Services	1,332,613	1,388,836	1,400,601	1,294,448	1,185,956	2
Long Distance Network Services	336,717	471,051	459,334	542,452	478,144	3
Miscellaneous Revenues	56,431	76,632	77,093	98,055	104,420	4
Less: Uncollectible Revenues	3,000	3,000	10,000	8,798	3,000	5
<b>Total Operating Revenues</b>	<b>1,940,584</b>	<b>2,093,515</b>	<b>2,098,522</b>	<b>2,092,040</b>	<b>1,928,480</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	8,511	3,554	2,619	4,524	9,589	7
General Support Expenses	83,511	89,212	148,154	164,609	150,019	8
Central Office Switching	89,410	196,005	97,171	91,907	135,487	9
Operator Systems Expense						10
Central Office Transmission	27,836	20,226	70,939	45,951	43,864	11
Info. Origination/Termination	6,202	9,263	15,571	21,738	30,962	12
Cable & Wire Facilities	271,515	256,798	225,722	221,210	245,888	13
<b>Total Plant Specific Operations</b>	<b>486,987</b>	<b>575,058</b>	<b>560,176</b>	<b>549,939</b>	<b>615,809</b>	<b>14</b>
Other Plant, Property & Equipment						15
Network Operations	121,078	213,597	221,146	229,593	135,079	16
Access Expense						17
Depreciation and Amortization	237,290	254,886	284,002	263,140	186,580	18
<b>Total Plant Non-Specific Operations</b>	<b>358,368</b>	<b>468,483</b>	<b>505,148</b>	<b>492,732</b>	<b>321,659</b>	<b>19</b>
Marketing Expense	8,944	6,471	12,018	25,647	57,297	20
Services Expense	244,822	297,165	303,778	293,360	202,847	21
<b>Total Customer Operations</b>	<b>253,767</b>	<b>303,636</b>	<b>315,796</b>	<b>319,007</b>	<b>260,144</b>	<b>22</b>
Executive & Planning	154,026	215,639	210,716	202,636	118,946	23
General & Administrative	605,163	487,473	498,299	452,483	451,646	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>759,189</b>	<b>703,112</b>	<b>709,015</b>	<b>655,120</b>	<b>570,592</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>1,858,311</b>	<b>2,050,289</b>	<b>2,090,135</b>	<b>2,016,798</b>	<b>1,768,204</b>	<b>28</b>
Other Operating Income & Expenses						29
State & Local Income Taxes						30
Other Taxes	119,890	115,074	68,778	138,215	87,245	31
<b>Net Operating Income Before FIT</b>	<b>(37,616)</b>	<b>(71,848)</b>	<b>(60,391)</b>	<b>(62,972)</b>	<b>73,031</b>	<b>32</b>
Investment Tax Credits - Net	4,695	4,300	4,300	4,300	4,300	33
Federal Income Taxes	(238,769)	(301,361)	(31,943)	(90,431)	15,919	34
Provision - Def. Operating Income Taxes - Net	151,815	192,492	26,576	1,467	652	35
<b>Net Operating Income</b>	<b>\$54,033</b>	<b>\$41,321</b>	<b>(\$50,724)</b>	<b>\$30,292</b>	<b>\$60,760</b>	<b>36</b>

**Crown Point Telephone Corporation**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
37 <b>Net Operating Income</b>	\$54,033	\$41,321	(\$50,724)	\$30,292	\$60,760
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income			16		11
39 Interest Income	272			6	
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction	47,250				
42 Gains/Losses - Disposal of Property					
43 Equity in Earnings of Affiliated Companies	(1,234,812)	(83,111)	(59,709)	(638,494)	91,651
44 Other Non-Operating Income					563,630
45 Special Charges	17,519	25,600	17,035	16,172	18,162
46 Total Non-Operating Income & Expenses	(1,204,809)	(108,711)	(76,728)	(654,660)	637,130
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	(3,295)	(4,848)	(5,792)	(5,496)	(6,174)
48 Other					
49 Total Non-Operating Taxes	(3,295)	(4,848)	(5,792)	(5,496)	(6,174)
50 Income Available Before Interest Charges	(1,147,481)	(62,542)	(121,661)	(618,873)	704,064
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	205,665	191,828	167,708	145,759	154,971
52 Other Interest Expense	1,657	486	436	436	436
53 Total Interest Charges	207,321	192,313	168,143	146,195	155,407
54 Income Before Extraordinary & Nonreg Items	(1,354,802)	(254,855)	(289,804)	(765,067)	548,657
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	(\$1,354,802)	(\$254,855)	(\$289,804)	(\$765,067)	\$548,657

**RETAINED EARNINGS STATEMENT**

Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$4,753,235	\$4,924,979	\$5,155,074	\$2,133,130	\$1,643,576
60 Transferred from Income	(119,990)	(171,744)	(230,095)	(126,573)	457,006
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock					
64 Adjustments (1)				3,148,517	32,548
65 Ending Year Balance	4,633,245	4,753,235	4,924,979	5,155,074	2,133,130
66 Appropriated/Undistr Affiliate Retained Earnings	(1,924,476)	(689,664)	(606,554)	(546,845)	3,240,171
67 <b>Total Retained Earnings</b>	\$2,708,769	\$4,063,571	\$4,318,425	\$4,608,229	\$5,373,301

(1) Reflects a Prior Period Adjustment in 2000 of \$32,548 for revenues recognized over a 10-year period ending in 1998.

**Delhi Telephone Company**  
**Comparative Balance Sheet**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$1,636,333	\$900,494	\$362,375	\$579,112	\$722,025
2 Accounts Receivable (Net)	2,003,070	2,134,961	2,390,725	2,151,167	1,734,099
3 Current Deferred Income Taxes	6,452	4,379	2,035		
4 Other Current Assets	231,725	300,810	465,228	495,452	463,445
5 Total Current Assets	3,877,581	3,340,644	3,220,363	3,225,731	2,919,569
<b>NON-CURRENT ASSETS</b>					
6 Investments	1,179,024	3,201,856	5,487,413	2,717,528	3,203,755
7 Unamortized Debt Issuance Costs	5,412	6,027	6,765	7,503	8,241
8 Deferred Charges					
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes	225,043	138,693	162,400	165,460	182,250
11 Other Non-Current Assets	342,691	447,220	137,436	130,472	123,485
12 Total Non-Current Assets	1,752,170	3,793,796	5,794,014	3,020,963	3,517,731
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	11,832,892	11,940,936	11,816,046	11,433,748	11,008,086
14 Less: Accumulated Depr and Amort.	6,545,698	6,176,990	5,630,388	5,182,195	4,642,338
15 Net Regulated Plant	5,287,194	5,763,946	6,185,658	6,251,553	6,365,748
16 Total Assets & Other Debits	\$10,916,945	\$12,898,386	\$15,200,035	\$12,498,247	\$12,803,048
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$128,903	\$155,064	\$206,965	\$271,992	\$272,696
18 Notes Payable		20,919	27,354		
19 Advanced Billings				20,759	24,913
20 Customer Deposits					
21 Current Maturities - Long-Term Debt					
22 Current Deferred Income Taxes					
23 Other Current Liabilities	453,081	552,744	449,360	373,340	359,020
24 Total Current Liabilities	581,984	728,727	683,679	666,091	656,629
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	1,264,526	1,385,387	1,497,550	1,601,643	1,698,303
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC			8,019	14,944	22,760
27 Non-Current Deferred Taxes	929,725	806,188	798,851	747,097	816,213
28 Other Deferred Credits	47,460	41,361	44,294	47,572	57,295
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	408,752	407,920	465,500	464,005	501,545
31 Total Other Liab. and Def. Credits	1,385,937	1,255,469	1,316,664	1,273,618	1,397,813
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	110,000	110,000	110,000	110,000	110,000
33 Preferred Stock					
34 Other Paid in Capital					67,430
35 Retained Earnings	7,574,497	9,418,803	11,592,142	8,846,895	8,872,873
36 Total Stockholder's Equity	7,684,497	9,528,803	11,702,142	8,956,895	9,050,303
37 Total Liab. and Stockholder's Equity	\$10,916,945	\$12,898,386	\$15,200,035	\$12,498,247	\$12,803,048

**Delhi Telephone Company**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

<b>INCOME STATEMENT</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$966,088	\$927,509	\$974,823	\$922,859	\$894,975	1
Network Access Services	2,729,693	2,789,931	2,622,774	2,564,613	2,557,462	2
Long Distance Network Services	5,563	9,959	7,882	8,692	9,310	3
Miscellaneous Revenues	571,086	548,940	499,812	526,370	464,001	4
Less: Uncollectible Revenues	4,435	68,600	23,100	5,000	1,900	5
<b>Total Operating Revenues</b>	<b>4,267,995</b>	<b>4,207,739</b>	<b>4,082,191</b>	<b>4,017,534</b>	<b>3,923,848</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	2,794	99			(50)	7
General Support Expenses	238,133	225,666	211,799	213,581	190,642	8
Central Office Switching	169,026	210,425	151,791	103,876	202,735	9
Operator Systems Expense						10
Central Office Transmission	40,920	57,955	49,070	45,738	41,237	11
Info. Origination/Termination	60,876	58,797	82,641	98,461	76,692	12
Cable & Wire Facilities	242,563	275,486	266,041	193,463	184,585	13
<b>Total Plant Specific Operations</b>	<b>754,312</b>	<b>828,428</b>	<b>761,342</b>	<b>655,119</b>	<b>695,841</b>	<b>14</b>
Other Plant, Property & Equipment	5,587			(400)		15
Network Operations	186,947	262,205	158,096	143,175	138,799	16
Access Expense	42,371	47,864	34,307	19,246	15,281	17
Depreciation and Amortization	659,555	672,576	646,310	623,694	585,366	18
<b>Total Plant Non-Specific Operations</b>	<b>894,460</b>	<b>982,645</b>	<b>838,713</b>	<b>785,715</b>	<b>739,446</b>	<b>19</b>
Marketing Expense	37,987	10,026	24,526	52,709	49,179	20
Services Expense	614,477	576,446	652,640	495,707	479,992	21
<b>Total Customer Operations</b>	<b>652,464</b>	<b>586,472</b>	<b>677,166</b>	<b>548,416</b>	<b>529,171</b>	<b>22</b>
Executive & Planning	580,367	307,009	356,796	287,671	65,165	23
General & Administrative	638,437	949,053	851,265	583,762	540,447	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>1,218,804</b>	<b>1,256,062</b>	<b>1,208,061</b>	<b>871,433</b>	<b>605,612</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>3,520,040</b>	<b>3,653,607</b>	<b>3,485,282</b>	<b>2,860,683</b>	<b>2,570,070</b>	<b>28</b>
Other Operating Income & Expenses						29
State & Local Income Taxes						30
Other Taxes	219,612	210,008	194,291	182,518	182,402	31
<b>Net Operating Income Before FIT</b>	<b>528,343</b>	<b>344,124</b>	<b>402,618</b>	<b>974,333</b>	<b>1,171,376</b>	<b>32</b>
Investment Tax Credits - Net		8,019	6,925	7,816	12,300	33
Federal Income Taxes	110,608	48,781	46,983	261,320	228,093	34
Provision - Def. Operating Income Taxes - Net	35,113	18,874	25,968	27,099	99,661	35
<b>Net Operating Income</b>	<b>\$382,622</b>	<b>\$284,488</b>	<b>\$336,592</b>	<b>\$693,730</b>	<b>\$855,922</b>	<b>36</b>

**Delhi Telephone Company**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
37 <b>Net Operating Income</b>	\$382,622	\$284,488	\$336,592	\$693,730	\$855,922
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income	254		912	2	556
39 Interest Income	20,286	30,707	29,342	37,272	75,075
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction					
42 Gains/Losses - Disposal of Property					
43 Equity in Earnings of Affiliated Companies	(1,788,832)	(2,275,557)	2,642,915	(303,749)	(110,450)
44 Other Non-Operating Income	(302,836)	45,694	(6,243)	(191,913)	(44,921)
45 Special Charges	18,118	(14,438)	31,794	38,842	(111,144)
46 Total Non-Operating Income & Expenses	(2,089,246)	(2,184,718)	2,635,132	(497,230)	31,404
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	(102,547)	21,251	10,039	(40,910)	5,182
48 Other					
49 Total Non-Operating Taxes	(102,547)	21,251	10,039	(40,910)	5,182
50 Income Available Before Interest Charges	(1,604,077)	(1,921,481)	2,961,685	237,410	882,144
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	99,697	108,451	116,571	124,052	131,076
52 Other Interest Expense	1,932	4,807	866	738	738
53 Total Interest Charges	101,629	113,258	117,437	124,790	131,814
54 Income Before Extraordinary & Nonreg Items	(1,705,706)	(2,034,739)	2,844,248	112,620	750,330
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	(\$1,705,706)	(\$2,034,739)	\$2,844,248	\$112,620	\$750,330
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$9,707,273	\$9,605,055	\$9,502,722	\$9,224,953	\$8,502,773
60 Transferred from Income	83,126	240,818	201,333	416,369	860,780
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock	138,600	138,600	99,000	138,600	138,600
64 Adjustments					
65 Ending Year Balance	9,651,800	9,707,273	9,605,055	9,502,722	9,224,953
66 Appropriated/Undistr Affiliate Retained Earnings	(2,077,303)	(288,471)	1,987,086	(655,827)	(352,080)
67 <b>Total Retained Earnings</b>	\$7,574,497	\$9,418,802	\$11,592,141	\$8,846,895	\$8,872,873

**Deposit Telephone Company, Inc.**  
**Comparative Balance Sheet**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$9,049,139	\$8,313,726	\$8,315,682	\$7,592,477	\$6,692,638
2 Accounts Receivable (Net)	1,514,922	1,011,088	1,371,840	1,672,438	1,701,302
3 Current Deferred Income Taxes					
4 Other Current Assets	307,841	307,904	256,963	307,263	305,222
5 Total Current Assets	10,871,902	9,632,718	9,944,485	9,572,178	8,699,162
<b>NON-CURRENT ASSETS</b>					
6 Investments					42,980
7 Unamortized Debt Issuance Costs					
8 Deferred Charges	54,665	1,619	204,542	255,678	
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes					
11 Other Non-Current Assets			58,284	58,284	58,284
12 Total Non-Current Assets	54,665	1,619	262,826	313,962	101,264
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	21,109,361	20,609,950	19,799,940	19,491,084	19,057,315
14 Less: Accumulated Depr and Amort.	12,350,840	11,683,020	10,701,427	9,985,736	9,060,016
15 Net Regulated Plant	8,758,521	8,926,930	9,098,514	9,505,348	9,997,299
16 Total Assets & Other Debits	\$19,685,088	\$18,561,267	\$19,305,825	\$19,391,488	\$18,797,725
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$923,249	\$655,168	\$682,055	\$668,275	\$533,462
18 Notes Payable					
19 Advanced Billings	144,490	157,342	151,708	152,730	155,684
20 Customer Deposits	567	567	608		
21 Current Maturities - Long-Term Debt					
22 Current Deferred Income Taxes	(7,245)	(4,900)			
23 Other Current Liabilities	177,490	192,422	210,430	217,489	125,831
24 Total Current Liabilities	1,238,551	1,000,599	1,044,801	1,038,494	814,977
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	2,035	25,067	41,496		
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC					2,438
27 Non-Current Deferred Taxes	1,815,509	1,427,915	1,675,623	1,693,260	1,314,735
28 Other Deferred Credits	1,116,458	1,229,042	1,328,609	1,328,609	1,330,297
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	102,291	148,066	90,973	42,981	12,545
31 Total Other Liab. and Def. Credits	3,034,258	2,805,023	3,095,204	3,064,849	2,660,015
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	322,250	322,250	322,250	322,250	322,250
33 Preferred Stock					
34 Other Paid in Capital	33,398	33,398	33,398	33,398	33,398
35 Retained Earnings	15,054,596	14,374,930	14,768,676	14,932,496	14,967,085
36 Total Stockholder's Equity	15,410,244	14,730,578	15,124,324	15,288,144	15,322,733
37 Total Liab. and Stockholder's Equity	\$19,685,088	\$18,561,267	\$19,305,825	\$19,391,487	\$18,797,725

**Deposit Telephone Company, Inc.**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

<b>INCOME STATEMENT</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$2,137,240	\$2,013,717	\$2,018,467	\$1,973,251	\$1,934,799	1
Network Access Services	3,322,549	3,246,758	3,288,372	3,121,609	4,049,274	2
Long Distance Network Services	595	693	1,370	2,424	3,941	3
Miscellaneous Revenues	954,068	949,312	985,957	1,065,912	1,219,075	4
Less: Uncollectible Revenues	(15,426)	26,374	99,430	32,122	48,983	5
<b>Total Operating Revenues</b>	<b>6,429,878</b>	<b>6,184,106</b>	<b>6,194,736</b>	<b>6,131,073</b>	<b>7,158,106</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	23,437	23,569	17,340	21,208	18,333	7
General Support Expenses	59,968	60,787	52,809	62,434	86,971	8
Central Office Switching	157,686	125,635	100,764	110,893	100,958	9
Operator Systems Expense						10
Central Office Transmission	65,520	77,880	73,756	68,452	70,738	11
Info. Origination/Termination	417,501	428,807	311,264	262,891	320,579	12
Cable & Wire Facilities	310,125	339,000	412,753	335,039	357,411	13
<b>Total Plant Specific Operations</b>	<b>1,034,237</b>	<b>1,055,678</b>	<b>968,686</b>	<b>860,918</b>	<b>954,990</b>	<b>14</b>
Other Plant, Property & Equipment				3,450	(856)	15
Network Operations	684,798	700,130	657,644	555,023	510,571	16
Access Expense	121,652	84,938	49,608	29,251	25,762	17
Depreciation and Amortization	1,113,659	1,393,947	1,348,466	1,326,365	1,291,812	18
<b>Total Plant Non-Specific Operations</b>	<b>1,920,109</b>	<b>2,179,015</b>	<b>2,055,718</b>	<b>1,914,089</b>	<b>1,827,289</b>	<b>19</b>
Marketing Expense	447,634	371,906	348,629	297,362	258,379	20
Services Expense	772,421	810,263	906,307	890,139	946,484	21
<b>Total Customer Operations</b>	<b>1,220,055</b>	<b>1,182,169</b>	<b>1,254,936</b>	<b>1,187,501</b>	<b>1,204,863</b>	<b>22</b>
Executive & Planning	141,926	134,005	128,737	157,881	177,546	23
General & Administrative	935,706	1,049,558	899,185	929,653	972,448	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>1,077,632</b>	<b>1,183,563</b>	<b>1,027,922</b>	<b>1,087,533</b>	<b>1,149,995</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>5,252,033</b>	<b>5,600,425</b>	<b>5,307,262</b>	<b>5,050,040</b>	<b>5,137,138</b>	<b>28</b>
Other Operating Income & Expenses	205			(15,936)	24	29
State & Local Income Taxes						30
Other Taxes	235,705	230,751	322,968	288,138	330,643	31
<b>Net Operating Income Before FIT</b>	<b>942,345</b>	<b>352,930</b>	<b>564,505</b>	<b>776,959</b>	<b>1,690,349</b>	<b>32</b>
Investment Tax Credits - Net				2,438	29,062	33
Federal Income Taxes	(30,464)	269,316	219,689	316,074	602,807	34
Provision - Def. Operating Income Taxes - Net	385,249	(48,064)	33,499	121,159	(7,179)	35
<b>Net Operating Income</b>	<b>\$587,560</b>	<b>\$131,678</b>	<b>\$311,317</b>	<b>\$342,164</b>	<b>\$1,123,783</b>	<b>36</b>

**Deposit Telephone Company, Inc.**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
37 <b>Net Operating Income</b>	\$587,560	\$131,678	\$311,317	\$342,164	\$1,123,783
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income					
39 Interest Income	129,903	85,739	159,918	313,016	348,556
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction					
42 Gains/Losses - Disposal of Property					
43 Equity in Earnings of Affiliated Companies					
44 Other Non-Operating Income	(34)				
45 Special Charges	5,864	4,948	6,064	7,506	(84,183)
46 Total Non-Operating Income & Expenses	124,005	80,791	153,854	305,509	432,739
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	30,230	29,561	53,828	106,983	119,549
48 Other					
49 Total Non-Operating Taxes	30,230	29,561	53,828	106,983	119,549
50 Income Available Before Interest Charges	681,335	182,908	411,344	540,690	1,436,973
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt					
52 Other Interest Expense	1,669	1,654	163	279	
53 Total Interest Charges	1,669	1,654	163	279	
54 Income Before Extraordinary & Nonreg Items	679,666	181,254	411,181	540,412	1,436,973
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	\$679,666	\$181,254	\$411,181	\$540,412	\$1,436,973
<hr/>					
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$14,374,931	\$14,768,677	\$14,932,497	\$14,967,085	\$13,530,110
60 Transferred from Income	679,666	181,254	411,181	540,412	1,436,974
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock		575,000	575,000	575,000	
64 Adjustments					
65 Ending Year Balance	15,054,597	14,374,931	14,768,677	14,932,497	14,967,085
66 Appropriated/Undistr Affiliate Retained Earnings					
67 <b>Total Retained Earnings</b>	\$15,054,597	\$14,374,931	\$14,768,677	\$14,932,497	\$14,967,085

**Dunkirk & Fredonia Telephone Company**  
**Comparative Balance Sheet**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$351,998	\$511,858	\$877,647	\$508,366	\$233,363
2 Accounts Receivable (Net)	634,065	1,022,285	890,349	1,420,259	1,445,462
3 Current Deferred Income Taxes	11,054	9,019	7,087	5,197	3,721
4 Other Current Assets	1,807,830	1,697,894	1,958,306	1,480,261	1,515,794
5 Total Current Assets	2,804,947	3,241,056	3,733,389	3,414,083	3,198,340
<b>NON-CURRENT ASSETS</b>					
6 Investments	3,110,716	3,356,626	3,111,788	4,057,009	4,609,529
7 Unamortized Debt Issuance Costs	4,583	5,041	5,498	5,955	6,413
8 Deferred Charges					
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes	701,753	663,498	191,537	193,720	204,816
11 Other Non-Current Assets	64,261		375,089	257,576	299,728
12 Total Non-Current Assets	3,881,313	4,025,165	3,683,912	4,514,260	5,120,486
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	17,133,514	18,134,149	17,800,796	17,685,945	17,109,442
14 Less: Accumulated Depr and Amort.	10,464,260	10,991,817	10,110,233	9,509,301	8,813,554
15 Net Regulated Plant	6,669,254	7,142,332	7,690,563	8,176,644	8,295,888
16 Total Assets & Other Debits	\$13,355,514	\$14,408,553	\$15,107,864	\$16,104,987	\$16,614,714
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$135,757	\$556,604	\$561,545	\$719,364	\$458,874
18 Notes Payable	2,137,027	2,336,277	2,477,348	2,488,848	3,776,948
19 Advanced Billings	99,919	75,790	85,390	94,695	
20 Customer Deposits	23,776	30,645	34,318	40,250	41,083
21 Current Maturities - Long-Term Debt	182,494	203,932	239,354	213,378	169,448
22 Current Deferred Income Taxes					
23 Other Current Liabilities	590,368	798,574	793,348	656,450	1,170,852
24 Total Current Liabilities	3,169,341	4,001,822	4,191,303	4,212,985	5,617,205
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	1,918,763	1,959,212	2,167,987	2,380,311	2,408,403
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC	1,926	5,823	10,903	15,141	36,683
27 Non-Current Deferred Taxes	1,301,706	1,258,776	1,198,384	1,365,371	1,447,578
28 Other Deferred Credits	219,958	215,921	212,381	209,005	215,759
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	584,488	597,243	735,755	887,123	500,540
31 Total Other Liab. and Def. Credits	2,108,078	2,077,763	2,157,423	2,476,640	2,200,560
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	619,975	619,975	619,975	619,975	619,975
33 Preferred Stock					
34 Other Paid in Capital					
35 Retained Earnings	5,539,357	5,749,781	5,971,176	6,415,076	5,768,571
36 Total Stockholder's Equity	6,159,332	6,369,756	6,591,151	7,035,051	6,388,546
37 Total Liab. and Stockholder's Equity	\$13,355,514	\$14,408,553	\$15,107,864	\$16,104,987	\$16,614,714

**Dunkirk & Fredonia Telephone Company**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

INCOME STATEMENT	2004	2003	2002	2001	2000	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$2,412,793	\$2,463,006	\$2,519,583	\$2,465,033	\$2,435,406	1
Network Access Services	4,408,160	4,221,658	4,620,679	5,290,587	4,168,999	2
Long Distance Network Services	16,189	29,388	20,736	23,548	49,359	3
Miscellaneous Revenues	846,142	986,177	960,093	892,781	984,338	4
Less: Uncollectible Revenues	(7,232)	23,688	13,092	19,618	16,792	5
<b>Total Operating Revenues</b>	<b>7,690,516</b>	<b>7,676,541</b>	<b>8,107,999</b>	<b>8,652,331</b>	<b>7,621,310</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	34,194	36,039	41,589	70,377	27,333	7
General Support Expenses	581,693	607,972	648,820	672,797	540,253	8
Central Office Switching	168,566	245,780	222,567	180,762	191,154	9
Operator Systems Expense						10
Central Office Transmission	148,941	163,598	145,725	113,911	64,828	11
Info. Origination/Termination						12
Cable & Wire Facilities	138,844	151,196	197,318	400,699	281,871	13
<b>Total Plant Specific Operations</b>	<b>1,072,238</b>	<b>1,204,585</b>	<b>1,256,019</b>	<b>1,438,546</b>	<b>1,105,439</b>	<b>14</b>
Other Plant, Property & Equipment	41,958	73,871	15,408	26,185	15,448	15
Network Operations	282,263	265,784	249,831	278,080	266,007	16
Access Expense	73,953	69,345	48,544	37,040	29,581	17
Depreciation and Amortization	1,322,917	1,277,911	1,233,384	1,166,462	990,489	18
<b>Total Plant Non-Specific Operations</b>	<b>1,721,091</b>	<b>1,686,911</b>	<b>1,547,167</b>	<b>1,507,767</b>	<b>1,301,525</b>	<b>19</b>
Marketing Expense	244,589	273,427	301,572	497,670	435,809	20
Services Expense	920,241	955,714	918,679	997,217	724,139	21
<b>Total Customer Operations</b>	<b>1,164,831</b>	<b>1,229,141</b>	<b>1,220,251</b>	<b>1,494,887</b>	<b>1,159,948</b>	<b>22</b>
Executive & Planning	2,053,595	1,894,320	1,687,113	1,670,005	1,632,114	23
General & Administrative	1,258,028	1,009,568	1,313,167	1,362,648	1,084,233	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>3,311,623</b>	<b>2,903,888</b>	<b>3,000,280</b>	<b>3,032,653</b>	<b>2,716,347</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>7,269,783</b>	<b>7,024,525</b>	<b>7,023,717</b>	<b>7,473,853</b>	<b>6,283,259</b>	<b>28</b>
Other Operating Income & Expenses	20,346	5,078	(558)	4,212	5,956	29
State & Local Income Taxes			133	32	696	30
Other Taxes	374,055	353,379	321,004	277,631	397,881	31
<b>Net Operating Income Before FIT</b>	<b>67,024</b>	<b>303,715</b>	<b>762,587</b>	<b>905,027</b>	<b>945,430</b>	<b>32</b>
Investment Tax Credits - Net	3,897	5,080	4,238	25,200	25,200	33
Federal Income Taxes	(24,373)	35,231	182,507	256,068	171,244	34
Provision - Def. Operating Income Taxes - Net	116	(5,627)	46,336	(54,353)	5,647	35
<b>Net Operating Income</b>	<b>\$95,178</b>	<b>\$279,191</b>	<b>\$537,982</b>	<b>\$728,512</b>	<b>\$793,739</b>	<b>36</b>

**Dunkirk & Fredonia Telephone Company**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
37 <b>Net Operating Income</b>	\$95,178	\$279,191	\$537,982	\$728,512	\$793,739
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income	91	58	30,757	2,753	10
39 Interest Income	3,829	6,733	14,905	28,961	19,961
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction	29,137	5,555			
42 Gains/Losses - Disposal of Property					
43 Equity in Earnings of Affiliated Companies	277,498	287,314	57,301	102,381	44,238
44 Other Non-Operating Income	(17,366)	(19,231)	(17,366)	(17,366)	(17,366)
45 Special Charges	55,099	71,870	70,443	53,968	11,833
46 Total Non-Operating Income & Expenses	238,090	208,559	15,154	62,761	35,010
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes					
48 Other					
49 Total Non-Operating Taxes					
50 Income Available Before Interest Charges	333,268	487,750	553,136	791,273	828,749
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	67,420	102,623	147,795	155,899	163,306
52 Other Interest Expense	107,081	93,918	114,640	217,252	330,084
53 Total Interest Charges	174,501	196,541	262,435	373,151	493,390
54 Income Before Extraordinary & Nonreg Items	158,767	291,209	290,701	418,122	335,359
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues	(122,798)	(27,187)	45,642	228,383	(40,913)
57 Total Extraordinary & Nonregulated Items	(122,798)	(27,187)	45,642	228,383	(40,913)
58 <b>Net Income</b>	\$35,969	\$264,022	\$336,343	\$646,505	\$294,446
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$2,455,077	\$2,963,786	\$3,464,989	\$2,920,865	\$3,128,244
60 Transferred from Income	(241,529)	(23,292)	279,042	544,124	250,208
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock	246,393	485,417	780,245		457,587
64 Adjustments					
65 Ending Year Balance	1,967,155	2,455,077	2,963,786	3,464,989	2,920,865
66 Appropriated/Undistr Affiliate Retained Earnings	3,572,200	3,294,702	3,007,388	2,950,087	2,847,706
67 <b>Total Retained Earnings</b>	\$5,539,355	\$5,749,779	\$5,971,174	\$6,415,076	\$5,768,571

**Edwards Telephone Company**  
**Comparative Balance Sheet**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$4,454,283	\$3,997,257	\$4,047,278	\$3,874,567	\$3,544,119
2 Accounts Receivable (Net)	621,727	413,603	437,389	622,258	718,849
3 Current Deferred Income Taxes					
4 Other Current Assets	105,474	124,687	79,512	84,026	101,562
5 Total Current Assets	5,181,484	4,535,547	4,564,179	4,580,850	4,364,531
<b>NON-CURRENT ASSETS</b>					
6 Investments	95,900	95,900	95,900	95,900	95,900
7 Unamortized Debt Issuance Costs	1,020	1,166	1,312	1,458	1,604
8 Deferred Charges					
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes					
11 Other Non-Current Assets					(5)
12 Total Non-Current Assets	96,920	97,066	97,212	97,358	97,499
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	10,501,591	10,546,349	10,581,617	10,182,301	10,321,622
14 Less: Accumulated Depr and Amort.	6,474,050	6,536,489	6,317,175	5,753,909	5,607,008
15 Net Regulated Plant	4,027,541	4,009,860	4,264,442	4,428,392	4,714,614
16 Total Assets & Other Debits	\$9,305,945	\$8,642,473	\$8,925,833	\$9,106,600	\$9,176,643
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$345,255	\$180,913	\$233,178	\$230,117	\$174,516
18 Notes Payable					
19 Advanced Billings	9,873	10,167	9,865	8,442	8,034
20 Customer Deposits					
21 Current Maturities - Long-Term Debt	105,784	100,299	95,101	90,176	85,510
22 Current Deferred Income Taxes	(1,890)	(1,995)			
23 Other Current Liabilities	80,730	58,239	54,302	72,227	58,043
24 Total Current Liabilities	539,752	347,623	392,446	400,961	326,103
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	1,488,712	1,595,024	1,695,837	1,791,427	1,882,099
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC					
27 Non-Current Deferred Taxes	412,928	374,851	296,764	247,531	262,286
28 Other Deferred Credits	1,736,560	1,428,155	1,393,840	1,355,024	1,310,923
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	98,093	106,543	93,690	85,348	83,024
31 Total Other Liab. and Def. Credits	2,247,581	1,909,549	1,784,294	1,687,903	1,656,232
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	67,600	67,600	67,600	67,600	67,600
33 Preferred Stock					
34 Other Paid in Capital	25,215	25,215	25,215	25,215	25,215
35 Retained Earnings	4,937,085	4,697,462	4,960,441	5,133,494	5,219,393
36 Total Stockholder's Equity	5,029,900	4,790,277	5,053,256	5,226,309	5,312,208
37 Total Liab. and Stockholder's Equity	\$9,305,945	\$8,642,473	\$8,925,833	\$9,106,600	\$9,176,643

**Edwards Telephone Company**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

INCOME STATEMENT	2004	2003	2002	2001	2000	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$537,734	\$516,336	\$466,191	\$398,681	\$375,794	1
Network Access Services	1,702,558	1,858,957	1,769,021	1,854,129	2,033,017	2
Long Distance Network Services						3
Miscellaneous Revenues	327,885	373,501	398,355	450,661	448,222	4
Less: Uncollectible Revenues	5,855	11,818	35,070	13,011	7,100	5
<b>Total Operating Revenues</b>	<b>2,562,322</b>	<b>2,736,976</b>	<b>2,598,497</b>	<b>2,690,460</b>	<b>2,849,933</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	15,610	15,017	9,837	12,414	12,744	7
General Support Expenses	60,853	52,733	45,867	29,230	37,385	8
Central Office Switching	84,202	77,290	54,922	58,562	59,842	9
Operator Systems Expense						10
Central Office Transmission	22,613	15,020	28,159	20,007	14,060	11
Info. Origination/Termination	168,271	244,098	224,493	195,814	238,188	12
Cable & Wire Facilities	76,894	57,148	60,569	55,715	88,421	13
<b>Total Plant Specific Operations</b>	<b>428,443</b>	<b>461,306</b>	<b>423,847</b>	<b>371,742</b>	<b>450,640</b>	<b>14</b>
Other Plant, Property & Equipment			167,149	9,674	1,844	15
Network Operations	199,185	190,017	5,095	149,930	153,315	16
Access Expense	30,251	15,640				17
Depreciation and Amortization	646,919	661,542	652,388	699,811	708,789	18
<b>Total Plant Non-Specific Operations</b>	<b>876,355</b>	<b>867,199</b>	<b>824,632</b>	<b>859,415</b>	<b>863,948</b>	<b>19</b>
Marketing Expense	169,257	167,734	157,207	143,573	85,014	20
Services Expense	145,410	166,351	159,286	174,641	196,368	21
<b>Total Customer Operations</b>	<b>314,667</b>	<b>334,085</b>	<b>316,493</b>	<b>318,214</b>	<b>281,382</b>	<b>22</b>
Executive & Planning	112,146	82,191	89,083	93,288	90,278	23
General & Administrative	253,473	264,408	233,598	251,346	250,819	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>365,619</b>	<b>346,599</b>	<b>322,681</b>	<b>344,633</b>	<b>341,097</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>1,985,084</b>	<b>2,009,189</b>	<b>1,887,653</b>	<b>1,894,004</b>	<b>1,937,067</b>	<b>28</b>
Other Operating Income & Expenses	8,877				228	29
State & Local Income Taxes						30
Other Taxes	145,974	150,516	145,848	119,591	160,798	31
<b>Net Operating Income Before FIT</b>	<b>440,141</b>	<b>577,271</b>	<b>564,996</b>	<b>676,866</b>	<b>752,296</b>	<b>32</b>
Investment Tax Credits - Net						33
Federal Income Taxes	80,364	115,337	85,921	210,844	245,416	34
Provision - Def. Operating Income Taxes - Net	38,182	76,092	49,233	(14,755)	(9,277)	35
<b>Net Operating Income</b>	<b>\$321,595</b>	<b>\$385,842</b>	<b>\$429,842</b>	<b>\$480,777</b>	<b>\$516,156</b>	<b>36</b>

**Edwards Telephone Company**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
37 <b>Net Operating Income</b>	\$321,595	\$385,842	\$429,842	\$480,777	\$516,156
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income	3,780	2,016	1,470	55	57
39 Interest Income	64,742	40,420	79,119	160,253	206,025
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction					
42 Gains/Losses - Disposal of Property					
43 Equity in Earnings of Affiliated Companies					
44 Other Non-Operating Income					(745)
45 Special Charges	1,038	3,725	3,098	2,314	(11,773)
46 Total Non-Operating Income & Expenses	67,484	38,711	77,491	157,994	217,110
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	(8,172)	14,265	(2,774)	28,559	58,589
48 Other					
49 Total Non-Operating Taxes	(8,172)	14,265	(2,774)	28,559	58,589
50 Income Available Before Interest Charges	397,251	410,288	510,107	610,211	674,678
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	96,721	101,785	106,859	111,564	116,108
52 Other Interest Expense	60,907	71,486	76,303	84,552	148
53 Total Interest Charges	157,628	173,271	183,162	196,116	116,256
54 Income Before Extraordinary & Nonreg Items	239,623	237,017	326,945	414,096	558,422
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	<b>\$239,623</b>	<b>\$237,017</b>	<b>\$326,945</b>	<b>\$414,096</b>	<b>\$558,422</b>
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$4,697,463	\$4,960,442	\$5,133,493	\$5,219,393	\$5,160,968
60 Transferred from Income	239,623	237,017	326,945	414,096	558,422
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock		499,996	499,996	499,997	499,997
64 Adjustments					
65 Ending Year Balance	4,937,086	4,697,463	4,960,442	5,133,493	5,219,393
66 Appropriated/Undistr Affiliate Retained Earnings					
67 <b>Total Retained Earnings</b>	<b>\$4,937,086</b>	<b>\$4,697,463</b>	<b>\$4,960,442</b>	<b>\$5,133,493</b>	<b>\$5,219,393</b>

**Empire Telephone Corporation**  
**Comparative Balance Sheet**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$2,680,693	\$3,167,086	\$2,034,817	\$1,656,362	\$1,350,965
2 Accounts Receivable (Net)	975,605	1,149,672	1,187,125	2,372,112	2,720,937
3 Current Deferred Income Taxes	46,111	8,149	5,950	4,342	3,071
4 Other Current Assets	521,723	501,007	602,470	489,676	448,050
5 Total Current Assets	4,224,132	4,825,914	3,830,362	4,522,492	4,523,023
<b>NON-CURRENT ASSETS</b>					
6 Investments	9,387,023	6,202,675	5,484,825	7,604,966	6,120,532
7 Unamortized Debt Issuance Costs					
8 Deferred Charges	10,401	28,575	50,556	49,967	46,740
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes	10,359				
11 Other Non-Current Assets	1,124,447	1,040,628	911,240	792,775	692,732
12 Total Non-Current Assets	10,532,230	7,271,878	6,446,621	8,447,708	6,860,004
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	27,193,963	26,088,121	25,425,375	24,237,608	22,620,657
14 Less: Accumulated Depr and Amort.	14,232,982	13,153,755	11,866,481	10,432,914	9,256,669
15 Net Regulated Plant	12,960,981	12,934,366	13,558,894	13,804,694	13,363,988
16 Total Assets & Other Debits	\$27,717,343	\$25,032,158	\$23,835,877	\$26,774,894	\$24,747,015
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$924,674	\$953,856	\$840,784	\$2,200,425	\$1,388,741
18 Notes Payable					
19 Advanced Billings	1,433	2,720	5,255	6,880	8,450
20 Customer Deposits	8,221	8,096	9,805	13,671	18,384
21 Current Maturities - Long-Term Debt					
22 Current Deferred Income Taxes		337,809	188,065	1,023,461	651,672
23 Other Current Liabilities	(215,603)	119,495	(306,109)	(96,169)	(39,211)
24 Total Current Liabilities	718,725	1,421,976	737,800	3,148,268	2,028,036
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	916,544	1,078,319	1,246,126	1,407,034	1,563,901
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC					
27 Non-Current Deferred Taxes	2,162,418	2,140,482	2,002,748	1,787,058	1,592,195
28 Other Deferred Credits	1,856,000	677,094	767,359	859,319	863,579
29 Other Jurisdictional Differences - Net					
30 Other Liabilities		609,393	609,393	609,393	609,393
31 Total Other Liab. and Def. Credits	4,018,418	3,426,969	3,379,500	3,255,770	3,065,167
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	587,737	587,737	587,737	587,737	587,737
33 Preferred Stock					
34 Other Paid in Capital		(2,912)	(2,912)	(2,912)	(2,912)
35 Retained Earnings	21,475,919	18,520,069	17,887,626	18,378,997	17,505,086
36 Total Stockholder's Equity	22,063,656	19,104,894	18,472,451	18,963,822	18,089,911
37 Total Liab. and Stockholder's Equity	\$27,717,343	\$25,032,158	\$23,835,877	\$26,774,894	\$24,747,015

**Empire Telephone Corporation**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

<b>INCOME STATEMENT</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$1,375,785	\$1,423,045	\$1,356,378	\$1,369,900	\$1,294,088	1
Network Access Services	4,180,039	4,285,526	4,483,191	4,104,919	3,978,973	2
Long Distance Network Services	9,734	12,790	25,398	199,777	57,661	3
Miscellaneous Revenues	180,664	325,994	479,601	452,917	530,046	4
Less: Uncollectible Revenues	13,430	104,379	(4,000)	2,000	12,000	5
<b>Total Operating Revenues</b>	<b>5,732,792</b>	<b>5,942,976</b>	<b>6,348,568</b>	<b>6,125,513</b>	<b>5,848,768</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	29,758	31,350	26,780	20,537	30,055	7
General Support Expenses	374,329	420,628	498,010	290,159	340,269	8
Central Office Switching	698,858	572,241	550,628	457,336	235,637	9
Operator Systems Expense						10
Central Office Transmission	4,525	5,140	3,704	4,467	846	11
Info. Origination/Termination	117		115	1,243	1,409	12
Cable & Wire Facilities	507,146	513,874	476,631	434,828	497,877	13
<b>Total Plant Specific Operations</b>	<b>1,614,733</b>	<b>1,543,233</b>	<b>1,555,868</b>	<b>1,208,570</b>	<b>1,106,093</b>	<b>14</b>
Other Plant, Property & Equipment						15
Network Operations	576,248	585,833	592,342	548,540	558,751	16
Access Expense	59,579	55,124	35,001	27,749	19,572	17
Depreciation and Amortization	1,566,979	1,746,383	1,754,639	1,613,294	1,563,845	18
<b>Total Plant Non-Specific Operations</b>	<b>2,202,806</b>	<b>2,387,340</b>	<b>2,381,982</b>	<b>2,189,583</b>	<b>2,142,168</b>	<b>19</b>
Marketing Expense	6,498	13,363	3,924	6,287	3,977	20
Services Expense	554,659	521,159	534,627	567,688	562,781	21
<b>Total Customer Operations</b>	<b>561,157</b>	<b>534,522</b>	<b>538,551</b>	<b>573,975</b>	<b>566,758</b>	<b>22</b>
Executive & Planning	259,363	225,549	203,478	190,013	167,768	23
General & Administrative	503,197	507,356	492,299	565,004	431,977	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>762,560</b>	<b>732,905</b>	<b>695,777</b>	<b>755,017</b>	<b>599,745</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>5,141,256</b>	<b>5,198,000</b>	<b>5,172,178</b>	<b>4,727,145</b>	<b>4,414,764</b>	<b>28</b>
Other Operating Income & Expenses	603	600	600	607	503	29
State & Local Income Taxes	35,497	139,402	108,641	143,515	184,156	30
Other Taxes	255,184	253,486	232,922	220,986	236,706	31
<b>Net Operating Income Before FIT</b>	<b>301,458</b>	<b>352,688</b>	<b>835,427</b>	<b>1,034,474</b>	<b>1,013,645</b>	<b>32</b>
Investment Tax Credits - Net						33
Federal Income Taxes	72,335	20,071	307,384	288,015	364,084	34
Provision - Def. Operating Income Taxes - Net	(39,458)	(2,199)	(1,608)	(1,271)	(985)	35
<b>Net Operating Income</b>	<b>\$268,581</b>	<b>\$334,816</b>	<b>\$529,651</b>	<b>\$747,730</b>	<b>\$650,546</b>	<b>36</b>

**Empire Telephone Corporation**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
37 <b>Net Operating Income</b>	\$268,581	\$334,816	\$529,651	\$747,730	\$650,546
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income	93,652	61,128	57,874	23,439	60
39 Interest Income	28,018	26,179	45,027	85,808	135,303
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction					
42 Gains/Losses - Disposal of Property					
43 Equity in Earnings of Affiliated Companies	2,087,149	119,092	49,845	(111,948)	30,117
44 Other Non-Operating Income	(1,646)	(1,680)	(1,680)	(295,217)	(7,805)
45 Special Charges	(31,911)	167,048	39,537	14,313	21,124
46 Total Non-Operating Income & Expenses	2,239,084	37,671	111,529	(312,231)	136,551
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	32,672	(2,700)	(2,700)	(2,700)	(2,700)
48 Other					
49 Total Non-Operating Taxes	32,672	(2,700)	(2,700)	(2,700)	(2,700)
50 Income Available Before Interest Charges	2,474,993	375,187	643,880	438,199	789,797
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	51,888	59,372	66,058	67,206	69,302
52 Other Interest Expense	399	345	660	3,653	3,157
53 Total Interest Charges	52,287	59,717	66,718	70,859	72,459
54 Income Before Extraordinary & Nonreg Items	2,422,706	315,470	577,162	367,340	717,338
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	<b>\$2,422,706</b>	<b>\$315,470</b>	<b>\$577,162</b>	<b>\$367,340</b>	<b>\$717,338</b>
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$17,743,779	\$17,547,401	\$17,020,084	\$16,540,926	\$15,853,705
60 Transferred from Income	335,557	196,378	527,317	479,288	687,221
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock					
64 Adjustments				(130)	
65 Ending Year Balance	18,079,336	17,743,779	17,547,401	17,020,084	16,540,926
66 Appropriated/Undistr Affiliate Retained Earnings	3,396,583	776,290	340,225	1,358,913	964,160
67 <b>Total Retained Earnings</b>	<b>\$21,475,919</b>	<b>\$18,520,069</b>	<b>\$17,887,626</b>	<b>\$18,378,997</b>	<b>\$17,505,086</b>

**Fishers Island Telephone Corporation**  
**Comparative Balance Sheet**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$418,459	\$273,827	\$182,243	\$150,122	\$238,342
2 Accounts Receivable (Net)	213,424	231,164	177,466	227,824	166,659
3 Current Deferred Income Taxes					
4 Other Current Assets	27,895	62,129	99,582	27,285	22,304
5 Total Current Assets	659,778	567,120	459,291	405,231	427,305
<b>NON-CURRENT ASSETS</b>					
6 Investments	273,529	226,796	113,199	109,406	76,545
7 Unamortized Debt Issuance Costs	1,330	1,672	2,014	2,356	2,698
8 Deferred Charges					
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes					
11 Other Non-Current Assets					
12 Total Non-Current Assets	274,859	228,468	115,213	111,762	79,243
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	2,370,675	2,290,856	2,214,323	2,129,246	2,051,211
14 Less: Accumulated Depr and Amort.	1,099,861	1,011,863	915,037	834,727	743,387
15 Net Regulated Plant	1,270,814	1,278,993	1,299,286	1,294,519	1,307,824
16 <b>Total Assets &amp; Other Debits</b>	<b>\$2,205,451</b>	<b>\$2,074,581</b>	<b>\$1,873,790</b>	<b>\$1,811,512</b>	<b>\$1,814,372</b>
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$44,404	\$120,398	\$44,730	\$88,049	\$173,005
18 Notes Payable					
19 Advanced Billings					
20 Customer Deposits	1,417	1,067	1,708	1,817	1,483
21 Current Maturities - Long-Term Debt					
22 Current Deferred Income Taxes					
23 Other Current Liabilities	105,196	39,862	18,588	24,590	41,871
24 Total Current Liabilities	151,017	161,327	65,026	114,456	216,359
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	287,151	303,510	338,095	361,374	396,715
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC					
27 Non-Current Deferred Taxes	77,110	66,762	63,949	62,084	61,456
28 Other Deferred Credits					
29 Other Jurisdictional Differences - Net					
30 Other Liabilities					
31 Total Other Liab. and Def. Credits	77,110	66,762	63,949	62,084	61,456
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	78,518	78,518	78,518	78,518	78,518
33 Preferred Stock					
34 Other Paid in Capital					
35 Retained Earnings	1,611,655	1,464,464	1,328,202	1,195,080	1,061,324
36 Total Stockholder's Equity	1,690,173	1,542,982	1,406,720	1,273,598	1,139,842
37 <b>Total Liab. and Stockholder's Equity</b>	<b>\$2,205,451</b>	<b>\$2,074,581</b>	<b>\$1,873,790</b>	<b>\$1,811,512</b>	<b>\$1,814,372</b>

**Fishers Island Telephone Corporation**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

INCOME STATEMENT	2004	2003	2002	2001	2000	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$171,650	\$160,298	\$125,263	\$127,375	\$127,843	1
Network Access Services	482,259	530,282	525,269	489,951	463,171	2
Long Distance Network Services						3
Miscellaneous Revenues	666,926	651,279	578,500	574,109	443,996	4
Less: Uncollectible Revenues						5
Total Operating Revenues	1,320,835	1,341,859	1,229,032	1,191,435	1,035,010	6
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses						7
General Support Expenses	64,001	93,269	94,225	73,959	76,785	8
Central Office Switching	139,534	117,383	110,985	123,231	96,223	9
Operator Systems Expense						10
Central Office Transmission	38,412	20,265				11
Info. Origination/Termination						12
Cable & Wire Facilities	139,870	135,079	101,854	113,762	100,859	13
Total Plant Specific Operations	381,817	365,996	307,064	310,952	273,867	14
Other Plant, Property & Equipment	10,003	10,942	19,510	22,505	25,972	15
Network Operations	79,735	69,357	122,465	106,089	83,297	16
Access Expense						17
Depreciation and Amortization	99,930	97,168	92,805	91,340	88,719	18
Total Plant Non-Specific Operations	189,668	177,467	234,780	219,934	197,988	19
Marketing Expense						20
Services Expense	39,129	48,900	32,594	32,270	29,833	21
Total Customer Operations	39,129	48,900	32,594	32,270	29,833	22
Executive & Planning	58,348	55,908	51,948	51,680	46,164	23
General & Administrative	453,106	372,415	355,889	328,670	262,565	24
Provision - Uncollectible Notes Rec.						25
Other						26
Total Corporate Operations	511,454	428,323	407,837	380,350	308,729	27
Total Operations Expense	1,122,068	1,020,686	982,275	943,506	810,417	28
Other Operating Income & Expenses						29
State & Local Income Taxes	59,688	49,448	45,306	45,298	40,939	30
Other Taxes						31
<b>Net Operating Income Before FIT</b>	139,079	271,725	201,451	202,631	183,654	32
Investment Tax Credits - Net						33
Federal Income Taxes	148,557	72,105	47,473	52,982	45,315	34
Provision - Def. Operating Income Taxes - Net	10,348	2,813	1,865	628	2,706	35
<b>Net Operating Income</b>	(\$19,826)	\$196,807	\$152,113	\$149,021	\$135,633	36

**Fishers Island Telephone Corporation**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
37 <b>Net Operating Income</b>	(\$19,826)	\$196,807	\$152,113	\$149,021	\$135,633
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income					
39 Interest Income	22,104	15,954	10,743	18,461	27,057
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction					
42 Gains/Losses - Disposal of Property	368,295				
43 Equity in Earnings of Affiliated Companies					
44 Other Non-Operating Income					
45 Special Charges					
46 Total Non-Operating Income & Expenses	390,399	15,954	10,743	18,461	27,057
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes					
48 Other					
49 Total Non-Operating Taxes					
50 Income Available Before Interest Charges	370,573	212,761	162,856	167,482	162,690
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	23,040	25,157	29,392	33,384	33,189
52 Other Interest Expense	342	342	342	342	342
53 Total Interest Charges	23,382	25,499	29,734	33,726	33,531
54 Income Before Extraordinary & Nonreg Items	347,191	187,262	133,122	133,756	129,159
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	\$347,191	\$187,262	\$133,122	\$133,756	\$129,159
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$1,464,464	\$1,328,202	\$1,195,080	\$1,061,324	\$957,165
60 Transferred from Income	347,191	187,262	133,122	133,756	129,159
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock	200,000	51,000			25,000
64 Adjustments					
65 Ending Year Balance	1,611,655	1,464,464	1,328,202	1,195,080	1,061,324
66 Appropriated/Undistr Affiliate Retained Earnings					
67 <b>Total Retained Earnings</b>	\$1,611,655	\$1,464,464	\$1,328,202	\$1,195,080	\$1,061,324

**Frontier Communications of AuSable Valley  
Comparative Balance Sheet  
For the Year Ended December 31,**

	2004	2003	2002	2001	2000
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$17,818	(\$11,447)	\$19,958	\$1,123,488	\$1,835,933
2 Accounts Receivable (Net)	1,869,661	7,350,848	7,826,277	917,056	1,006,615
3 Current Deferred Income Taxes			84,180		102,134
4 Other Current Assets	108,546	73,746	74,580	21,634	93,928
5 Total Current Assets	1,996,025	7,413,147	8,004,995	2,062,178	3,038,610
<b>NON-CURRENT ASSETS</b>					
6 Investments	7,304,660	4,680,309	(7,452,450)	(117,717)	(213,385)
7 Unamortized Debt Issuance Costs					
8 Deferred Charges	4,588	4,588	32,014	98,123	48,950
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes	73,063	73,063	4,275,797		3,978,701
11 Other Non-Current Assets	503,000	496,000	353,933	333,058	278,748
12 Total Non-Current Assets	7,885,311	5,253,960	(2,790,706)	313,464	4,093,014
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	21,556,378	20,507,996	19,953,683	19,755,087	17,907,376
14 Less: Accumulated Depr and Amort.	13,707,807	12,566,521	11,479,192	10,960,357	10,170,682
15 Net Regulated Plant	7,848,571	7,941,475	8,474,491	8,794,730	7,736,694
16 Total Assets & Other Debits	\$17,729,907	\$20,608,582	\$13,688,780	\$11,170,372	\$14,868,318
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$8,045,167	\$4,680,709	(\$83,933)	\$59,534	\$726,854
18 Notes Payable					
19 Advanced Billings	107,102	105,088	105,008	109,856	86,574
20 Customer Deposits				(212)	(1)
21 Current Maturities - Long-Term Debt				186,870	174,643
22 Current Deferred Income Taxes					
23 Other Current Liabilities	183,105	78,236	(22,851)	(103,277)	(241,562)
24 Total Current Liabilities	8,335,373	4,864,033	(1,776)	252,771	746,508
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt				3,216,433	3,403,366
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC					
27 Non-Current Deferred Taxes	(733,910)	6,758,614	4,978,126	(50,122)	5,051,148
28 Other Deferred Credits	151,377	135,801	138,390	113,469	15,922
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	1,336,750	1,122,504	1,201,845	1,214,314	508,338
31 Total Other Liab. and Def. Credits	754,217	8,016,919	6,318,361	1,277,661	5,575,408
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock					
33 Preferred Stock					
34 Other Paid in Capital	4,725,630	4,725,630	4,725,630	4,725,630	4,727,853
35 Retained Earnings	3,914,685	3,002,000	2,646,565	1,697,877	415,183
36 Total Stockholder's Equity	8,640,315	7,727,630	7,372,195	6,423,507	5,143,036
37 Total Liab. and Stockholder's Equity	\$17,729,906	\$20,608,582	\$13,688,780	\$11,170,372	\$14,868,318

**Frontier Communications of AuSable Valley**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

<b>INCOME STATEMENT</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$1,822,944	\$1,957,729	\$1,773,842	\$1,780,084	\$1,953,325	1
Network Access Services	3,048,796	2,938,262	3,083,800	2,956,317	3,196,416	2
Long Distance Network Services						3
Miscellaneous Revenues	1,060,125	870,444	1,090,279	961,705	923,487	4
Less: Uncollectible Revenues	42,848	(17,802)	30,013	60,051	63,142	5
<b>Total Operating Revenues</b>	<b>5,889,018</b>	<b>5,784,237</b>	<b>5,917,908</b>	<b>5,638,055</b>	<b>6,010,086</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	1,673		3	97	20,226	7
General Support Expenses	400,428	343,204	303,405	240,678	243,337	8
Central Office Switching	149,033	131,438	215,818	203,041	307,486	9
Operator Systems Expense	476					10
Central Office Transmission	73,251	43,932	56,500	84,927	82,067	11
Info. Origination/Termination	53,705	72,126	126,003	38,822	48,599	12
Cable & Wire Facilities	586,612	391,081	471,993	495,364	536,416	13
<b>Total Plant Specific Operations</b>	<b>1,265,179</b>	<b>981,781</b>	<b>1,173,722</b>	<b>1,062,929</b>	<b>1,238,131</b>	<b>14</b>
Other Plant, Property & Equipment	53	646				15
Network Operations	335,385	297,458	320,030	262,327	175,076	16
Access Expense	294,341	228,478	251,364	226,301	93,633	17
Depreciation and Amortization	1,215,809	525,739	957,455	943,700	901,277	18
<b>Total Plant Non-Specific Operations</b>	<b>1,845,587</b>	<b>1,052,321</b>	<b>1,528,849</b>	<b>1,432,328</b>	<b>1,169,986</b>	<b>19</b>
Marketing Expense	103,554	98,677	95,713	125,440	48,006	20
Services Expense	275,660	208,046	267,227	428,915	240,860	21
<b>Total Customer Operations</b>	<b>379,214</b>	<b>306,723</b>	<b>362,940</b>	<b>554,356</b>	<b>288,866</b>	<b>22</b>
Executive & Planning	288,708	41,118	19,270	113,574	40,078	23
General & Administrative	329,624	920,827	1,049,313	478,162	205,236	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>618,332</b>	<b>961,945</b>	<b>1,068,583</b>	<b>591,736</b>	<b>245,314</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>4,108,312</b>	<b>3,302,770</b>	<b>4,134,094</b>	<b>3,641,349</b>	<b>2,942,297</b>	<b>28</b>
Other Operating Income & Expenses						29
State & Local Income Taxes						30
Other Taxes	252,103	270,563	194,337	274,547	262,909	31
<b>Net Operating Income Before FIT</b>	<b>1,528,604</b>	<b>2,210,904</b>	<b>1,589,477</b>	<b>1,722,159</b>	<b>2,804,880</b>	<b>32</b>
Investment Tax Credits - Net					19,554	33
Federal Income Taxes	951,739	672,522	(51,783)	678,969	642,584	34
Provision - Def. Operating Income Taxes - Net	(416,728)	(280,515)	370,454	(50,122)	1,348,063	35
<b>Net Operating Income</b>	<b>\$993,593</b>	<b>\$1,818,897</b>	<b>\$1,270,806</b>	<b>\$1,093,312</b>	<b>\$833,787</b>	<b>36</b>

**Frontier Communications of AuSable Valley**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
37 <b>Net Operating Income</b>	\$993,593	\$1,818,897	\$1,270,806	\$1,093,312	\$833,787
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income					
39 Interest Income	1,127,138	147,202	1,604	50,170	93,188
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction	13,073	5,403	47,693	52,425	44,199
42 Gains/Losses - Disposal of Property					
43 Equity in Earnings of Affiliated Companies					
44 Other Non-Operating Income		(208,750)			
45 Special Charges	916	4,020	6,018	700	2,350
46 Total Non-Operating Income & Expenses	1,139,294	(60,165)	43,279	101,895	135,037
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	397,168			(51,997)	
48 Other					
49 Total Non-Operating Taxes	397,168			(51,997)	
50 Income Available Before Interest Charges	1,735,719	1,758,732	1,314,085	1,247,204	968,824
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt			19,234	249,469	185,286
52 Other Interest Expense	18,033	1,403,297	346,163	990	25,338
53 Total Interest Charges	18,033	1,403,297	365,397	250,459	210,624
54 Income Before Extraordinary & Nonreg Items	1,717,686	355,435	948,688	996,745	758,200
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	<b>\$1,717,686</b>	<b>\$355,435</b>	<b>\$948,688</b>	<b>\$996,745</b>	<b>\$758,200</b>
<hr/>					
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$3,002,000	\$2,646,565	\$1,697,877	\$415,182	\$4,451,254
60 Transferred from Income	1,717,686	355,435	948,688	996,745	758,200
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock	805,000				1,550,000
64 Adjustments				285,950	(3,244,272)
65 Ending Year Balance	3,914,686	3,002,000	2,646,565	1,697,877	415,182
66 Appropriated/Undistr Affiliate Retained Earnings					
67 <b>Total Retained Earnings</b>	<b>\$3,914,686</b>	<b>\$3,002,000</b>	<b>\$2,646,565</b>	<b>\$1,697,877</b>	<b>\$415,182</b>

**Frontier Communications of New York**  
**Comparative Balance Sheet**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$524,418	\$1,552,325	\$1,278,703	\$657,508	\$2,141,744
2 Accounts Receivable (Net)	15,800,923	69,223,405	407,853,275	18,281,913	17,670,057
3 Current Deferred Income Taxes			646,504		1,200,457
4 Other Current Assets	1,343,660	1,224,080	1,808,377	636,740	1,131,258
5 Total Current Assets	17,669,001	71,999,810	411,586,859	19,576,161	22,143,516
<b>NON-CURRENT ASSETS</b>					
6 Investments	30,423,728	19,051,301	(90,212,318)	(1,671,525)	(2,415,916)
7 Unamortized Debt Issuance Costs					
8 Deferred Charges	2,915,377	2,907,364	2,574,370	3,002,828	3,090,677
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes			36,387,526		32,510,673
11 Other Non-Current Assets	6,986,000	8,008,000	9,181,706	8,428,041	7,632,425
12 Total Non-Current Assets	40,325,105	29,966,665	(42,068,716)	9,759,344	40,817,859
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	175,684,422	169,765,872	165,129,576	162,749,522	149,773,992
14 Less: Accumulated Depr and Amort.	103,396,710	94,912,444	86,628,567	81,681,931	73,311,773
15 Net Regulated Plant	72,287,712	74,853,428	78,501,009	81,067,591	76,462,219
16 Total Assets & Other Debits	\$130,281,818	\$176,819,903	\$448,019,152	\$110,403,096	\$139,423,594
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$15,909,384	\$71,829,005	\$374,279	\$4,469,397	\$13,017,042
18 Notes Payable					
19 Advanced Billings	1,097,270	1,063,973	1,073,879	1,227,294	1,072,769
20 Customer Deposits	12,347	10,000	10,000	10,000	10,000
21 Current Maturities - Long-Term Debt					
22 Current Deferred Income Taxes			13,415		
23 Other Current Liabilities	880,250	663,795	(623,392)	3,455,797	2,275,258
24 Total Current Liabilities	17,899,251	73,566,773	848,181	9,162,488	16,375,069
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt			295,771,034		
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC					
27 Non-Current Deferred Taxes	983,802	(3,412,163)	49,198,909	267,214	53,199,775
28 Other Deferred Credits	1,948,237	1,796,907	2,133,945	1,786,897	1,353,480
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	20,625,435	23,369,777	19,691,832	17,876,360	8,775,609
31 Total Other Liab. and Def. Credits	23,557,474	21,754,521	71,024,686	19,930,471	63,328,864
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	2,280,411	2,280,411	2,280,411	2,280,411	2,280,411
33 Preferred Stock					
34 Other Paid in Capital	63,236,046	63,236,046	63,236,046	63,236,046	63,236,046
35 Retained Earnings	23,308,635	15,982,152	14,858,794	15,793,680	(5,796,796)
36 Total Stockholder's Equity	88,825,092	81,498,609	80,375,251	81,310,137	59,719,661
37 Total Liab. and Stockholder's Equity	\$130,281,818	\$176,819,903	\$448,019,152	\$110,403,096	\$139,423,594

**Frontier Communications of New York**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

<b>INCOME STATEMENT</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$21,403,485	\$20,849,133	\$20,215,741	\$19,917,953	\$19,210,770	1
Network Access Services	28,989,518	30,391,094	30,707,786	29,486,312	29,779,608	2
Long Distance Network Services					(5,004)	3
Miscellaneous Revenues	20,808,719	19,375,699	21,626,265	22,294,212	19,793,937	4
Less: Uncollectible Revenues	435,612	1,109,086	212,085	478,009	437,810	5
<b>Total Operating Revenues</b>	<b>70,766,111</b>	<b>69,506,840</b>	<b>72,337,707</b>	<b>71,220,468</b>	<b>68,341,501</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	20,084	207	(60)	28,263	70,534	7
General Support Expenses	4,119,360	4,159,273	3,075,371	1,527,174	2,780,398	8
Central Office Switching	5,411,237	(1,506,872)	(974,431)	741,682	844,946	9
Operator Systems Expense	5,761					10
Central Office Transmission	1,444,236	1,987,650	2,016,395	1,516,585	1,003,944	11
Info. Origination/Termination	1,970,800	2,863,649	2,264,663	2,143,808	1,476,420	12
Cable & Wire Facilities	2,923,537	2,635,354	2,764,556	2,265,401	2,385,982	13
<b>Total Plant Specific Operations</b>	<b>15,895,015</b>	<b>10,139,261</b>	<b>9,146,494</b>	<b>8,222,912</b>	<b>8,562,224</b>	<b>14</b>
Other Plant, Property & Equipment	674	7,003	410	3,396	2,924	15
Network Operations	3,467,932	5,342,363	5,672,689	3,395,284	1,809,767	16
Access Expense	3,958,287	3,195,873	2,773,807	2,162,193	1,913,227	17
Depreciation and Amortization	9,283,347	2,339,939	7,246,492	9,691,183	6,755,686	18
<b>Total Plant Non-Specific Operations</b>	<b>16,710,240</b>	<b>10,885,178</b>	<b>15,693,398</b>	<b>15,252,056</b>	<b>10,481,604</b>	<b>19</b>
Marketing Expense	844,904	972,135	2,274,581	2,201,157	1,377,376	20
Services Expense	6,111,495	5,439,103	7,159,268	6,877,996	8,068,628	21
<b>Total Customer Operations</b>	<b>6,956,400</b>	<b>6,411,238</b>	<b>9,433,849</b>	<b>9,079,153</b>	<b>9,446,004</b>	<b>22</b>
Executive & Planning	3,609,879	540,543	365,977	928,078	1,088,813	23
General & Administrative	3,800,828	9,823,665	12,687,304	6,316,425	3,898,217	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>7,410,707</b>	<b>10,364,208</b>	<b>13,053,281</b>	<b>7,244,502</b>	<b>4,987,030</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>46,972,362</b>	<b>37,799,885</b>	<b>47,327,022</b>	<b>39,798,623</b>	<b>33,476,862</b>	<b>28</b>
Other Operating Income & Expenses						29
State & Local Income Taxes						30
Other Taxes	3,051,409	2,630,475	3,517,153	4,016,468	3,518,989	31
<b>Net Operating Income Before FIT</b>	<b>20,742,340</b>	<b>29,076,480</b>	<b>21,493,532</b>	<b>27,405,377</b>	<b>31,345,650</b>	<b>32</b>
Investment Tax Credits - Net					3,222	33
Federal Income Taxes	6,468,117	9,734,199	1,055,701	11,248,766	4,264,052	34
Provision - Def. Operating Income Taxes - Net	791,701	442,570	2,535,383	267,214	15,815,479	35
<b>Net Operating Income</b>	<b>\$13,482,522</b>	<b>\$18,899,711</b>	<b>\$17,902,448</b>	<b>\$15,889,397</b>	<b>\$11,269,341</b>	<b>36</b>

**Frontier Communications of New York**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
37 <b>Net Operating Income</b>	\$13,482,522	\$18,899,711	\$17,902,448	\$15,889,397	\$11,269,341
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income					
39 Interest Income	992,634	147,539	145,763	139,068	167,705
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction	64,957	41,210	80,722	240,382	275,276
42 Gains/Losses - Disposal of Property					
43 Equity in Earnings of Affiliated Companies					
44 Other Non-Operating Income					
45 Special Charges	385,753	159,898	242,670	175,592	176,600
46 Total Non-Operating Income & Expenses	671,838	28,851	(16,185)	203,858	266,381
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	392,857	(5,444,541)		95,031	
48 Other					
49 Total Non-Operating Taxes	392,857	(5,444,541)		95,031	
50 Income Available Before Interest Charges	13,761,503	24,373,103	17,886,263	15,998,224	11,535,722
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt					
52 Other Interest Expense	30,020		3,821,329	(67,660)	321,719
53 Total Interest Charges	30,020	23,249,745	3,821,329	(67,660)	321,719
54 Income Before Extraordinary & Nonreg Items	13,731,482	1,123,358	14,064,934	16,065,884	11,214,003
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	<b>\$13,731,482</b>	<b>\$1,123,358</b>	<b>\$14,064,934</b>	<b>\$16,065,884</b>	<b>\$11,214,003</b>
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<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$15,982,152	\$14,858,794	\$15,793,860	(\$5,796,796)	\$43,497,223
60 Transferred from Income	13,731,482	1,123,358	14,064,934	16,065,884	11,214,003
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock	6,405,000		15,000,000		14,000,000
64 Adjustments				5,524,772	(46,508,022)
65 Ending Year Balance	23,308,634	15,982,152	14,858,794	15,793,860	(5,796,796)
66 Appropriated/Undistr Affiliate Retained Earnings					
67 <b>Total Retained Earnings</b>	<b>\$23,308,634</b>	<b>\$15,982,152</b>	<b>\$14,858,794</b>	<b>\$15,793,860</b>	<b>(\$5,796,796)</b>

**Frontier Communications of Seneca Gorham  
Comparative Balance Sheet  
For the Year Ended December 31,**

	2004	2003	2002	2001	2000
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$60,725	\$32,207	\$1,118	\$872,181	\$1,246,041
2 Accounts Receivable (Net)	1,658,703	4,035,213	24,217,325	4,762	1,527,087
3 Current Deferred Income Taxes			53,108		66,456
4 Other Current Assets	112,767	104,267	88,292	1,827	83,631
5 Total Current Assets	1,832,195	4,171,687	24,359,843	878,770	2,923,215
<b>NON-CURRENT ASSETS</b>					
6 Investments	3,206,160	3,983,991	(10,207,513)	(1,555,851)	(222,868)
7 Unamortized Debt Issuance Costs					
8 Deferred Charges	334,165	334,173	310,984	334,060	335,018
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes	47,950	47,950	4,760,033		4,342,934
11 Other Non-Current Assets					
12 Total Non-Current Assets	3,588,275	4,366,114	(5,136,496)	(1,221,791)	4,455,084
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	22,560,523	21,892,343	21,466,317	20,743,423	19,139,019
14 Less: Accumulated Depr and Amort.	15,618,551	13,988,222	12,639,020	11,305,190	10,595,043
15 Net Regulated Plant	6,941,972	7,904,121	8,827,297	9,438,233	8,543,976
16 Total Assets & Other Debits	\$12,362,442	\$16,441,922	\$28,050,644	\$9,095,212	\$15,922,275
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$3,336,447	\$5,792,292	(\$7,643)	\$63,165	\$871,182
18 Notes Payable					
19 Advanced Billings	245,699	234,919	225,876	225,215	194,318
20 Customer Deposits					
21 Current Maturities - Long-Term Debt				95,062	89,126
22 Current Deferred Income Taxes					
23 Other Current Liabilities	121,627	1,567	(1,273)	464,576	(49,919)
24 Total Current Liabilities	3,703,773	6,028,778	216,960	848,018	1,104,707
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt			14,123,979	1,577,355	1,672,467
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC					6,726,207
27 Non-Current Deferred Taxes	1,149,040	1,489,056	5,117,225	(57,081)	(19,085)
28 Other Deferred Credits	5,363	6,239	7,296	(14,727)	
29 Other Jurisdictional Differences - Net					1,310,358
30 Other Liabilities	1,601,139	1,753,195	1,138,350	1,057,013	
31 Total Other Liab. and Def. Credits	2,755,542	3,248,490	6,262,871	985,205	8,017,480
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	1	1	1	1	1
33 Preferred Stock					
34 Other Paid in Capital	5,736,563	6,234,910	6,234,910	6,234,910	6,217,611
35 Retained Earnings	166,564	929,743	1,211,923	(550,277)	(1,089,991)
36 Total Stockholder's Equity	5,903,127	7,164,654	7,446,834	5,684,634	5,127,621
37 Total Liab. and Stockholder's Equity	\$12,362,442	\$16,441,922	\$28,050,644	\$9,095,212	\$15,922,275

**Frontier Communications of Seneca Gorham  
Comparative Income and Retained Earnings Statements  
For the Year Ended December 31,**

<b>INCOME STATEMENT</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$1,974,677	\$1,959,873	\$1,962,561	\$1,888,671	\$1,864,562	1
Network Access Services	2,988,518	3,204,150	2,902,659	2,980,242	3,278,453	2
Long Distance Network Services						3
Miscellaneous Revenues	1,588,628	1,156,914	1,451,493	1,455,355	1,382,698	4
Less: Uncollectible Revenues	48,630	70,022	(16,971)	73,593	34,224	5
<b>Total Operating Revenues</b>	<b>6,503,194</b>	<b>6,250,915</b>	<b>6,333,684</b>	<b>6,250,675</b>	<b>6,491,489</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	2,009	10	(24)	97	5,988	7
General Support Expenses	482,893	440,221	380,345	208,495	296,472	8
Central Office Switching	72,253	91,580	145,181	197,984	131,776	9
Operator Systems Expense	564					10
Central Office Transmission	78,423	109,612	138,981	153,249	123,791	11
Info. Origination/Termination	92,236	105,383	73,547	100,431	61,753	12
Cable & Wire Facilities	355,695	332,383	349,661	503,663	408,292	13
<b>Total Plant Specific Operations</b>	<b>1,084,071</b>	<b>1,079,189</b>	<b>1,087,691</b>	<b>1,163,918</b>	<b>1,028,072</b>	<b>14</b>
Other Plant, Property & Equipment	73	52				15
Network Operations	491,060	478,137	449,311	387,254	262,337	16
Access Expense	149,928	133,955	26,482	43,153	37,198	17
Depreciation and Amortization	1,672,331	2,193,096	1,533,197	1,396,699	1,216,730	18
<b>Total Plant Non-Specific Operations</b>	<b>2,313,392</b>	<b>2,805,240</b>	<b>2,008,990</b>	<b>1,827,106</b>	<b>1,516,265</b>	<b>19</b>
Marketing Expense	143,271	142,680	139,931	183,939	45,074	20
Services Expense	405,933	308,351	415,004	598,365	357,625	21
<b>Total Customer Operations</b>	<b>549,204</b>	<b>451,031</b>	<b>554,935</b>	<b>782,304</b>	<b>402,699</b>	<b>22</b>
Executive & Planning	366,932	48,079	28,266	158,988	61,411	23
General & Administrative	403,069	(100,240)	67,523	665,362	425,990	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>770,001</b>	<b>(52,161)</b>	<b>95,789</b>	<b>824,350</b>	<b>487,401</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>4,716,668</b>	<b>4,283,299</b>	<b>3,747,405</b>	<b>4,597,678</b>	<b>3,434,437</b>	<b>28</b>
Other Operating Income & Expenses						29
State & Local Income Taxes						30
Other Taxes	299,691	174,844	317,951	371,058	334,367	31
<b>Net Operating Income Before FIT</b>	<b>1,486,834</b>	<b>1,792,772</b>	<b>2,268,328</b>	<b>1,281,939</b>	<b>2,722,685</b>	<b>32</b>
Investment Tax Credits - Net						33
Federal Income Taxes	820,408	(385,723)	340,095	560,248	551,411	34
Provision - Def. Operating Income Taxes - Net	3,819	1,099,299	(242,340)	(57,081)	2,567,119	35
<b>Net Operating Income</b>	<b>\$662,607</b>	<b>\$1,079,196</b>	<b>\$2,170,573</b>	<b>\$778,772</b>	<b>(\$395,845)</b>	<b>36</b>

**Frontier Communications of Seneca Gorham**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
37 <b>Net Operating Income</b>	\$662,607	\$1,079,196	\$2,170,573	\$778,772	(\$395,845)
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income					
39 Interest Income	828,683	95,311	1,571	37,753	80,131
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction	4,280	3,830	7,163	45,797	32,244
42 Gains/Losses - Disposal of Property					
43 Equity in Earnings of Affiliated Companies					
44 Other Non-Operating Income		(137,000)			
45 Special Charges	1,353	936	9,368	11,065	3,388
46 Total Non-Operating Income & Expenses	831,610	(38,795)	(634)	72,485	108,987
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes				(25,653)	
48 Other					
49 Total Non-Operating Taxes				(25,653)	
50 Income Available Before Interest Charges	1,494,217	1,040,401	2,169,939	876,910	(286,858)
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt			18,538	121,304	66,480
52 Other Interest Expense	5,746	1,322,582	389,202	24,475	20,409
53 Total Interest Charges	5,746	1,322,582	407,740	145,779	86,889
54 Income Before Extraordinary & Nonreg Items	1,488,471	(282,181)	1,762,199	731,131	(373,747)
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	<b>\$1,488,471</b>	<b>(\$282,181)</b>	<b>\$1,762,199</b>	<b>\$731,131</b>	<b>(\$373,747)</b>
<hr/>					
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$929,741	\$1,211,922	(\$550,277)	(\$1,089,992)	\$7,386,772
60 Transferred from Income	1,488,471	(282,181)	1,762,199	731,131	(373,747)
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock	2,251,653				2,000,000
64 Adjustments	(2)			(191,416)	(6,103,017)
65 Ending Year Balance	166,558	929,741	1,211,922	(550,277)	(1,089,992)
66 Appropriated/Undistr Affiliate Retained Earnings					
67 <b>Total Retained Earnings</b>	<b>\$166,558</b>	<b>\$929,741</b>	<b>\$1,211,922</b>	<b>(\$550,277)</b>	<b>(\$1,089,992)</b>

**Frontier Communications of Sylvan Lake  
Comparative Balance Sheet  
For the Year Ended December 31,**

	2004	2003	2002	2001	2000
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$80,176	\$71,120	\$28,416	\$70,460	\$68,279
2 Accounts Receivable (Net)	14,862,926	1,099,386	68,733,048	1,200,157	4,616,779
3 Current Deferred Income Taxes			105,448		129,247
4 Other Current Assets	308,366	314,010	286,360	57,729	212,404
5 Total Current Assets	15,251,468	1,484,516	69,153,272	1,328,346	5,026,709
<b>NON-CURRENT ASSETS</b>					
6 Investments	(11,109,757)	(614,677)	(25,335,318)	(10,249,299)	(1,811,105)
7 Unamortized Debt Issuance Costs					
8 Deferred Charges	280,931	278,357	227,808	305,361	291,685
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes			8,833,459		8,766,030
11 Other Non-Current Assets	(213,000)	(84,000)	319,762	263,058	252,919
12 Total Non-Current Assets	(11,041,826)	(420,320)	(15,954,289)	(9,680,880)	7,499,529
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	49,091,172	47883731	46,657,188	46,150,917	41,372,700
14 Less: Accumulated Depr and Amort.	27,293,852	24513077	22,135,941	21,583,041	19,279,576
15 Net Regulated Plant	21,797,320	23,370,654	24,521,247	24,567,876	22,093,124
16 Total Assets & Other Debits	\$26,006,962	\$24,434,850	\$77,720,230	\$16,215,342	\$34,619,362
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$1,685,282	\$14,288,803	(\$105,634)	(\$374,110)	\$2,674,059
18 Notes Payable					
19 Advanced Billings	221,671	210,315	207,607	262,314	151,597
20 Customer Deposits					
21 Current Maturities - Long-Term Debt					
22 Current Deferred Income Taxes			60		
23 Other Current Liabilities	139,966	11,064	(79,162)	162,385	359,666
24 Total Current Liabilities	2,046,919	14,510,182	22,871	50,589	3,185,322
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt			49,999,037		4,700,000
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC					
27 Non-Current Deferred Taxes	2,386,700	(5,807,052)	11,200,588	(72,150)	14,088,253
28 Other Deferred Credits	313,020	5,341	18,833	68,694	(34,382)
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	1,891,832	2,345,659	2,376,821	2,177,184	1,143,868
31 Total Other Liab. and Def. Credits	4,591,552	(3,456,052)	13,596,242	2,173,728	15,197,739
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock					
33 Preferred Stock					
34 Other Paid in Capital	12,654,368	12,654,368	12,654,368	12,654,368	12,654,368
35 Retained Earnings	6,714,123	726,352	1,447,712	1,336,657	(1,118,067)
36 Total Stockholder's Equity	19,368,491	13,380,720	14,102,080	13,991,025	11,536,301
37 Total Liab. and Stockholder's Equity	\$26,006,962	\$24,434,850	\$77,720,230	\$16,215,342	\$34,619,362

**Frontier Communications of Sylvan Lake  
Comparative Income and Retained Earnings Statements  
For the Year Ended December 31,**

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<b>INCOME STATEMENT</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$4,218,598	\$4,033,159	\$4,055,227	\$4,188,995	\$4,399,000	1
Network Access Services	6,523,789	6,280,412	5,811,619	5,756,146	6,141,932	2
Long Distance Network Services						3
Miscellaneous Revenues	3,119,900	2,765,006	2,840,151	2,731,480	2,729,814	4
Less: Uncollectible Revenues	96,543	68,886	(71,050)	91,784	68,478	5
Total Operating Revenues	13,765,744	13,009,691	12,778,047	12,584,837	13,202,268	6
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	3,280	(9)	11	187	20,024	7
General Support Expenses	736,026	277,442	736,593	329,698	428,540	8
Central Office Switching	(4,190,126)	2,545,584	2,436,303	100,937	57,455	9
Operator Systems Expense	951					10
Central Office Transmission	342,135	337,555	238,658	224,682	156,964	11
Info. Origination/Termination	371,734	451,091	203,239	278,131	349,156	12
Cable & Wire Facilities	779,331	685,834	1,176,134	1,020,166	880,734	13
Total Plant Specific Operations	(1,956,668)	4,297,497	4,790,938	1,953,800	1,892,873	14
Other Plant, Property & Equipment	98					15
Network Operations	480,268	346,627	765,416	476,898	237,755	16
Access Expense	251,679	202,074	156,927	99,344	75,493	17
Depreciation and Amortization	2,904,780	1,959,788	2,614,336	2,632,678	1,639,153	18
Total Plant Non-Specific Operations	3,636,826	2,508,489	3,536,679	3,208,920	1,952,401	19
Marketing Expense	155,684	110,086	288,450	388,579	107,926	20
Services Expense	727,553	435,016	1,071,931	1,243,033	934,421	21
Total Customer Operations	883,237	545,102	1,360,381	1,631,611	1,042,347	22
Executive & Planning	565,756	61,836	65,513	165,957	70,175	23
General & Administrative	544,654	1,026,309	1,969,123	997,516	517,501	24
Provision - Uncollectible Notes Rec.						25
Other						26
Total Corporate Operations	1,110,411	1,088,145	2,034,636	1,163,474	587,676	27
Total Operations Expense	3,673,805	8,439,233	11,722,634	7,957,806	5,475,297	28
Other Operating Income & Expenses						29
State & Local Income Taxes						30
Other Taxes	584,964	541,761	712,662	955,314	1,005,188	31
<b>Net Operating Income Before FIT</b>	<b>9,506,975</b>	<b>4,028,697</b>	<b>342,751</b>	<b>3,671,717</b>	<b>6,721,783</b>	<b>32</b>
Investment Tax Credits - Net						33
Federal Income Taxes	2,664,339	(162,040)	(1,339,611)	1,430,854	107,627	34
Provision - Def. Operating Income Taxes - Net	591,900	705,925	476,964	(72,150)	6,692,432	35
<b>Net Operating Income</b>	<b>\$6,250,736</b>	<b>\$3,484,812</b>	<b>\$1,205,398</b>	<b>\$2,313,013</b>	<b>(\$78,276)</b>	<b>36</b>

**Frontier Communications of Sylvan Lake**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
37 <b>Net Operating Income</b>	\$6,250,736	\$3,484,812	\$1,205,398	\$2,313,013	(\$78,276)
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income					
39 Interest Income		11,043	1,683	12,889	10,405
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction	5,192	22,937	44,890	201,309	173,986
42 Gains/Losses - Disposal of Property					
43 Equity in Earnings of Affiliated Companies					
44 Other Non-Operating Income					
45 Special Charges	4,153	576	23,121	15,008	17,252
46 Total Non-Operating Income & Expenses	1,039	33,404	23,452	199,190	167,139
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes				(96,434)	
48 Other					
49 Total Non-Operating Taxes				(96,434)	
50 Income Available Before Interest Charges	6,251,775	3,518,216	1,228,850	2,608,637	88,863
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt					
52 Other Interest Expense	264,036	4,239,576	1,117,801	474,717	561,076
53 Total Interest Charges	264,036	4,239,576	1,117,801	474,717	561,076
54 Income Before Extraordinary & Nonreg Items	5,987,739	(721,360)	111,049	2,133,920	(472,213)
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	\$5,987,739	(\$721,360)	\$111,049	\$2,133,920	(\$472,213)
<hr/>					
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$726,346	\$1,447,706	\$1,336,657	(\$1,118,067)	\$92,026
60 Transferred from Income	5,987,739	(721,360)	111,049	2,133,920	(472,213)
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock					500,000
64 Adjustments	32			320,804	(237,880)
65 Ending Year Balance	6,714,118	726,346	1,447,706	1,336,657	(1,118,067)
66 Appropriated/Undistr Affiliate Retained Earnings					
67 <b>Total Retained Earnings</b>	\$6,714,118	\$726,346	\$1,447,706	\$1,336,657	(\$1,118,067)

**Germantown Telephone Company, Inc.**  
**Comparative Balance Sheet**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$2,171,597	\$2,170,171	\$2,286,977	\$2,082,158	\$2,394,568
2 Accounts Receivable (Net)	563,895	1,127,960	825,806	762,226	663,265
3 Current Deferred Income Taxes	3,041	2,590	2,423	1,973	1,518
4 Other Current Assets	290,156	548,243	136,827	131,771	81,714
5 Total Current Assets	3,028,689	3,848,964	3,252,033	2,978,128	3,141,065
<b>NON-CURRENT ASSETS</b>					
6 Investments	2,926,842	2,673,713	2,628,667	3,125,565	3,268,820
7 Unamortized Debt Issuance Costs	6,643	7,597	8,551	9,505	10,459
8 Deferred Charges					
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes	199,077	190,568	172,277	117,636	51,553
11 Other Non-Current Assets	1,827,519	1,661,455	1,470,684	1,340,804	1,249,714
12 Total Non-Current Assets	4,960,081	4,533,333	4,280,179	4,593,510	4,580,546
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	8,965,666	8,817,889	8,332,894	8,118,896	7,598,102
14 Less: Accumulated Depr and Amort.	5,843,542	5,416,800	4,979,760	4,607,480	4,103,789
15 Net Regulated Plant	3,122,124	3,401,089	3,353,134	3,511,416	3,494,313
16 Total Assets & Other Debits	\$11,110,895	\$11,783,386	\$10,885,346	\$11,083,054	\$11,215,925
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$261,665	\$683,953	\$240,084	\$213,165	\$298,954
18 Notes Payable					17,714
19 Advanced Billings	38,540	26,370	17,460	7,755	
20 Customer Deposits		140	140	140	290
21 Current Maturities - Long-Term Debt					
22 Current Deferred Income Taxes					
23 Other Current Liabilities	(234,159)	149,604	(117,523)	(89,558)	(55,097)
24 Total Current Liabilities	66,046	860,067	140,161	131,502	261,861
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	657,253	744,390	827,301	906,188	981,265
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC				5,420	10,470
27 Non-Current Deferred Taxes	275,061	289,027	238,298	229,257	241,049
28 Other Deferred Credits	62,236	88,082	113,885	141,578	169,131
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	986,176	901,876	830,904	591,099	541,749
31 Total Other Liab. and Def. Credits	1,323,473	1,278,985	1,183,087	967,354	962,399
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	80,000	80,000	80,000	80,000	80,000
33 Preferred Stock					
34 Other Paid in Capital	82,766	38,920	(33,430)		
35 Retained Earnings	8,901,358	8,781,024	8,688,228	8,998,011	8,930,400
36 Total Stockholder's Equity	9,064,124	8,899,944	8,734,798	9,078,011	9,010,400
37 Total Liab. and Stockholder's Equity	\$11,110,895	\$11,783,386	\$10,885,347	\$11,083,055	\$11,215,925

**Germantown Telephone Company, Inc.**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

<b>INCOME STATEMENT</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$462,331	\$440,668	\$448,803	\$435,955	\$423,708	1
Network Access Services	2,734,000	3,041,554	2,885,221	3,155,665	3,066,229	2
Long Distance Network Services					(1)	3
Miscellaneous Revenues	312,644	360,510	369,105	282,608	333,663	4
Less: Uncollectible Revenues	5,904	(2,646)	76,292	11,430	4,474	5
<b>Total Operating Revenues</b>	<b>3,503,071</b>	<b>3,845,378</b>	<b>3,626,837</b>	<b>3,862,798</b>	<b>3,819,125</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	25,323	21,106	32,259	41,116	22,211	7
General Support Expenses	269,978	300,888	349,759	373,376	311,780	8
Central Office Switching	212,231	159,714	188,403	222,346	295,425	9
Operator Systems Expense						10
Central Office Transmission	96,556	164,186	150,994	102,411	88,869	11
Info. Origination/Termination	7,176	7,759	7,503	6,445	8,302	12
Cable & Wire Facilities	181,221	161,060	150,986	144,452	121,124	13
<b>Total Plant Specific Operations</b>	<b>792,486</b>	<b>814,713</b>	<b>879,904</b>	<b>890,146</b>	<b>847,711</b>	<b>14</b>
Other Plant, Property & Equipment	5,876	1,535	480			15
Network Operations	470,183	345,495	321,133	366,349	454,277	16
Access Expense	30,876	16,350	9,070			17
Depreciation and Amortization	590,919	544,458	580,063	561,524	524,301	18
<b>Total Plant Non-Specific Operations</b>	<b>1,097,855</b>	<b>907,838</b>	<b>910,746</b>	<b>927,873</b>	<b>978,578</b>	<b>19</b>
Marketing Expense	85,904	110,701	109,160	91,818	102,930	20
Services Expense	328,151	342,406	327,083	372,265	332,898	21
<b>Total Customer Operations</b>	<b>414,056</b>	<b>453,107</b>	<b>436,243</b>	<b>464,083</b>	<b>435,828</b>	<b>22</b>
Executive & Planning	285,980	257,855	284,865	284,580	269,567	23
General & Administrative	853,610	804,541	843,676	702,893	556,502	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>1,139,590</b>	<b>1,062,396</b>	<b>1,128,541</b>	<b>987,473</b>	<b>826,069</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>3,443,986</b>	<b>3,238,054</b>	<b>3,355,434</b>	<b>3,269,575</b>	<b>3,088,186</b>	<b>28</b>
Other Operating Income & Expenses				(32,000)	(62,483)	29
State & Local Income Taxes						30
Other Taxes	152,710	160,127	151,291	122,613	159,254	31
<b>Net Operating Income Before FIT</b>	<b>(93,625)</b>	<b>447,197</b>	<b>120,112</b>	<b>438,610</b>	<b>509,202</b>	<b>32</b>
Investment Tax Credits - Net			5,420	5,050	5,050	33
Federal Income Taxes	(8,444)	154,686	10,753	254,904	207,101	34
Provision - Def. Operating Income Taxes - Net	(70,252)	(21,122)	(57,845)	(57,695)	(71,164)	35
<b>Net Operating Income</b>	<b>(\$14,929)</b>	<b>\$313,633</b>	<b>\$172,624</b>	<b>\$246,451</b>	<b>\$378,315</b>	<b>36</b>

**Germantown Telephone Company, Inc.**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
37 <b>Net Operating Income</b>	(\$14,929)	\$313,633	\$172,624	\$246,451	\$378,315
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income	34,701	26,857	25,222	34,699	47,274
39 Interest Income	41,951	43,563	47,367	59,555	55,964
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction					
42 Gains/Losses - Disposal of Property					
43 Equity in Earnings of Affiliated Companies	237,194	(164,629)	(350,830)	(123,018)	(144,893)
44 Other Non-Operating Income	(295,992)	20,566	(125,663)	(144,597)	58,299
45 Special Charges	(88,009)	(123,251)	18,019	94,475	138,507
46 Total Non-Operating Income & Expenses	105,863	49,608	(421,923)	(267,836)	(121,863)
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	(88,842)	19,239		(150,353)	21,682
48 Other					
49 Total Non-Operating Taxes	(88,842)	19,239		(150,353)	21,682
50 Income Available Before Interest Charges	179,776	344,002	(249,299)	128,968	234,770
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	34,938	39,207	43,245	47,081	50,781
52 Other Interest Expense	954	954	1,565	1,643	3,441
53 Total Interest Charges	35,892	40,161	44,810	48,724	54,222
54 Income Before Extraordinary & Nonreg Items	143,885	303,841	(294,109)	80,244	180,548
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items			(900)		
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items			(900)		
58 <b>Net Income</b>	\$143,885	\$303,841	(\$295,009)	\$80,244	\$180,548
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$6,946,615	\$6,689,190	\$6,648,143	\$6,457,511	\$6,152,964
60 Transferred from Income	(93,310)	468,470	55,821	203,262	325,441
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock	23,551	211,045	14,774	12,630	20,893
64 Adjustments					
65 Ending Year Balance	6,829,755	6,946,615	6,689,190	6,648,143	6,457,511
66 Appropriated/Undistr Affiliate Retained Earnings	2,071,603	1,834,409	1,999,038	2,349,868	2,472,889
67 <b>Total Retained Earnings</b>	\$8,901,358	\$8,781,024	\$8,688,228	\$8,998,011	\$8,930,400

**Hancock Telephone Company**  
**Comparative Balance Sheet**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$420,580	\$363,180	\$134,077	\$46,840	\$50,746
2 Accounts Receivable (Net)	222,449	217,777	839,210	2,418,387	2,811,758
3 Current Deferred Income Taxes	11,825	9,584	133,816	63,833	
4 Other Current Assets	1,007,263	927,630	820,069	728,345	643,530
5 Total Current Assets	1,662,117	1,518,171	1,927,172	3,257,405	3,506,034
<b>NON-CURRENT ASSETS</b>					
6 Investments	1,829,061	1,700,018	1,644,645	2,000,765	2,407,496
7 Unamortized Debt Issuance Costs	8,401	9,637	10,873	12,109	13,345
8 Deferred Charges					
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes	330,465	334,168	238,047	24,527	30,231
11 Other Non-Current Assets					
12 Total Non-Current Assets	2,167,927	2,043,823	1,893,565	2,037,401	2,451,072
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	4,645,846	4,551,408	4,530,047	4,481,206	4,155,838
14 Less: Accumulated Depr and Amort.	2,935,573	2,748,929	2,621,238	2,411,867	2,195,072
15 Net Regulated Plant	1,710,273	1,802,479	1,908,809	2,069,339	1,960,766
16 Total Assets & Other Debits	\$5,540,317	\$5,364,473	\$5,729,546	\$7,364,145	\$7,917,872
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$161,650	\$186,044	\$122,475	\$1,506,141	\$1,513,278
18 Notes Payable			382,566	447,041	382,000
19 Advanced Billings	27,479	22,853	22,185	20,355	19,910
20 Customer Deposits					609
21 Current Maturities - Long-Term Debt	98,142	91,485	85,290	79,521	74,148
22 Current Deferred Income Taxes	4,000				
23 Other Current Liabilities	25,930	(15,745)	(38,990)	(68,693)	45,520
24 Total Current Liabilities	317,201	284,637	573,526	1,984,365	2,035,465
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	675,074	773,572	865,408	951,033	1,030,903
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC				2,724	6,169
27 Non-Current Deferred Taxes	242,271	250,400	267,866	284,428	320,761
28 Other Deferred Credits	49,122	52,695	56,263	54,842	50,113
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	557,801	544,945	647,842	388,556	381,692
31 Total Other Liab. and Def. Credits	849,194	848,040	971,971	730,550	758,735
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	60,000	60,000	60,000	60,000	60,000
33 Preferred Stock					
34 Other Paid in Capital					
35 Retained Earnings	3,638,848	3,398,224	3,258,641	3,638,197	4,032,769
36 Total Stockholder's Equity	3,698,848	3,458,224	3,318,641	3,698,197	4,092,769
37 Total Liab. and Stockholder's Equity	\$5,540,317	\$5,364,473	\$5,729,546	\$7,364,145	\$7,917,872

**Hancock Telephone Company**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

<b>INCOME STATEMENT</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$363,762	\$354,844	\$356,651	\$345,711	\$329,882	1
Network Access Services	1,585,212	1,414,412	1,344,240	1,316,538	1,361,091	2
Long Distance Network Services	2,593	3,193	5,361	1,916	3,380	3
Miscellaneous Revenues	77,088	81,925	78,116	91,671	102,030	4
Less: Uncollectible Revenues	1,200	1,200	1,200	1,200	1,200	5
<b>Total Operating Revenues</b>	<b>2,027,455</b>	<b>1,853,174</b>	<b>1,783,168</b>	<b>1,754,636</b>	<b>1,795,183</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	8,260	8,005	7,020	8,557	7,543	7
General Support Expenses	90,809	91,875	85,181	81,475	82,802	8
Central Office Switching	389,788	336,638	317,231	251,277	222,096	9
Operator Systems Expense						10
Central Office Transmission	2,242					11
Info. Origination/Termination						12
Cable & Wire Facilities	247,628	238,589	203,435	200,218	168,547	13
<b>Total Plant Specific Operations</b>	<b>738,727</b>	<b>675,107</b>	<b>612,867</b>	<b>541,527</b>	<b>480,988</b>	<b>14</b>
Other Plant, Property & Equipment						15
Network Operations	18,667	21,323	30,735	27,558	32,470	16
Access Expense	27,816	21,309	11,426	25	33	17
Depreciation and Amortization	232,735	247,376	242,559	256,790	266,653	18
<b>Total Plant Non-Specific Operations</b>	<b>279,218</b>	<b>290,008</b>	<b>284,720</b>	<b>284,373</b>	<b>299,156</b>	<b>19</b>
Marketing Expense	15,845	16,691	16,323	22,834	16,006	20
Services Expense	159,810	156,420	183,799	163,369	179,149	21
<b>Total Customer Operations</b>	<b>175,655</b>	<b>173,111</b>	<b>200,122</b>	<b>186,203</b>	<b>195,155</b>	<b>22</b>
Executive & Planning	306,080	291,081	296,249	294,693	283,310	23
General & Administrative	258,462	271,042	239,665	290,156	267,362	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>564,542</b>	<b>562,123</b>	<b>535,914</b>	<b>584,849</b>	<b>550,672</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>1,758,142</b>	<b>1,700,349</b>	<b>1,633,623</b>	<b>1,596,952</b>	<b>1,525,971</b>	<b>28</b>
Other Operating Income & Expenses						29
State & Local Income Taxes						30
Other Taxes	87,929	88,744	81,099	80,199	87,943	31
<b>Net Operating Income Before FIT</b>	<b>181,384</b>	<b>64,081</b>	<b>68,446</b>	<b>77,485</b>	<b>181,269</b>	<b>32</b>
Investment Tax Credits - Net			2,724	2,971	3,226	33
Federal Income Taxes	47,000	9,500	8,130	16,824	44,500	34
Provision - Def. Operating Income Taxes - Net	(16,111)	(31,007)	(17,834)	(32,461)	(37,228)	35
<b>Net Operating Income</b>	<b>\$150,495</b>	<b>\$85,588</b>	<b>\$80,874</b>	<b>\$96,093</b>	<b>\$177,223</b>	<b>36</b>

**Hancock Telephone Company**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
37 <b>Net Operating Income</b>	\$150,495	\$85,588	\$80,874	\$96,093	\$177,223
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income	42,494	21,295	18,935	8,077	3,321
39 Interest Income	383	458	205	388	1,004
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction					
42 Gains/Losses - Disposal of Property					
43 Equity in Earnings of Affiliated Companies	127,094	52,873	(358,808)	(408,862)	(214,484)
44 Other Non-Operating Income	11,890				
45 Special Charges	(6,045)	(9,574)	(3,209)	(16,405)	(8,448)
46 Total Non-Operating Income & Expenses	187,906	84,200	(336,459)	(383,992)	(201,711)
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	14,500	7,500	6,500	(474)	(475)
48 Other					
49 Total Non-Operating Taxes	14,500	7,500	6,500	(474)	(475)
50 Income Available Before Interest Charges	323,901	162,288	(262,085)	(287,425)	(24,013)
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	57,799	64,021	69,827	75,216	80,256
52 Other Interest Expense	1,478	18,120	23,249	31,931	36,810
53 Total Interest Charges	59,277	82,141	93,076	107,147	117,066
54 Income Before Extraordinary & Nonreg Items	264,624	80,147	(355,161)	(394,572)	(141,079)
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	\$264,624	\$80,147	(\$355,161)	(\$394,572)	(\$141,079)
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$1,782,273	\$1,695,563	\$1,716,311	\$1,702,021	\$1,628,616
60 Transferred from Income	137,530	27,274	3,647	14,290	73,405
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock	24,000	18,000			
64 Adjustments		77,436	(24,395)		
65 Ending Year Balance	1,895,803	1,782,273	1,695,563	1,716,311	1,702,021
66 Appropriated/Undistr Affiliate Retained Earnings	1,743,045	1,615,951	1,563,078	1,921,886	2,330,748
67 <b>Total Retained Earnings</b>	\$3,638,848	\$3,398,224	\$3,258,641	\$3,638,197	\$4,032,769

**Margaretville Telephone Co., Inc.**  
**Comparative Balance Sheet**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$1,014,707	\$815,032	\$797,164	\$651,304	\$315,764
2 Accounts Receivable (Net)	506,129	343,236	479,674	528,359	444,489
3 Current Deferred Income Taxes	2,433	2,046	1,647	1,291	936
4 Other Current Assets	633,028	1,988,752	1,948,541	2,261,037	1,605,844
5 Total Current Assets	2,156,297	3,149,066	3,227,026	3,441,991	2,367,033
<b>NON-CURRENT ASSETS</b>					
6 Investments	3,255,092	2,279,893	2,238,759	3,039,113	3,349,081
7 Unamortized Debt Issuance Costs	5,492	6,006	6,519	7,033	7,547
8 Deferred Charges					
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes	18,341	22,193	9,491	15,177	21,687
11 Other Non-Current Assets	274,602	662,763	581,283	582,938	559,057
12 Total Non-Current Assets	3,553,527	2,970,855	2,836,052	3,644,261	3,937,372
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	10,582,497	10,144,929	9,900,987	9,846,470	9,431,785
14 Less: Accumulated Depr and Amort.	7,531,078	6,968,894	6,379,498	5,962,780	5,379,127
15 Net Regulated Plant	3,051,419	3,176,035	3,521,489	3,883,690	4,052,658
16 Total Assets & Other Debits	\$8,761,243	\$9,295,956	\$9,584,567	\$10,969,942	\$10,357,063
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$62,992	\$110,320	\$180,973	\$142,577	\$189,249
18 Notes Payable	375,000	375,000	375,000	575,000	
19 Advanced Billings	20,568	21,990	54,119	15,618	17,142
20 Customer Deposits					
21 Current Maturities - Long-Term Debt					
22 Current Deferred Income Taxes					
23 Other Current Liabilities	392,112	207,583	189,047	284,952	174,150
24 Total Current Liabilities	850,672	714,893	799,139	1,018,147	380,541
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	529,776	627,941	758,593	879,054	990,309
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC		7,475	18,425	29,462	42,099
27 Non-Current Deferred Taxes	425,862	354,084	347,622	694,470	788,233
28 Other Deferred Credits	61,102	104,126	96,647	143,286	190,752
29 Other Jurisdictional Differences - Net					
30 Other Liabilities				74,031	144,444
31 Total Other Liab. and Def. Credits	486,964	465,685	462,694	941,249	1,165,528
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	130,000	130,000	130,000	130,000	130,000
33 Preferred Stock					
34 Other Paid in Capital	228,806	112,705	57,331	699,498	722,037
35 Retained Earnings	6,535,025	7,244,732	7,376,810	7,301,994	6,968,648
36 Total Stockholder's Equity	6,893,831	7,487,437	7,564,141	8,131,492	7,820,685
37 Total Liab. and Stockholder's Equity	\$8,761,243	\$9,295,956	\$9,584,567	\$10,969,942	\$10,357,063

**Margaretville Telephone Co., Inc.**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

<b>INCOME STATEMENT</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$667,696	\$643,065	\$638,612	\$619,010	\$607,724	1
Network Access Services	1,962,975	2,063,863	2,165,117	1,860,447	1,578,227	2
Long Distance Network Services					626,943	3
Miscellaneous Revenues	462,459	441,977	320,311	578,638	358,252	4
Less: Uncollectible Revenues	1,200	1,200	1,200	1,200	1,200	5
<b>Total Operating Revenues</b>	<b>3,091,930</b>	<b>3,147,705</b>	<b>3,122,840</b>	<b>3,056,895</b>	<b>3,169,946</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	6,189	6,195	8,178	9,845	16,031	7
General Support Expenses	96,366	102,164	103,446	103,631	102,149	8
Central Office Switching	124,520	100,094	156,601	98,010	108,678	9
Operator Systems Expense						10
Central Office Transmission	93,599	60,284	51,271	46,107	42,270	11
Info. Origination/Termination	25,419	21,734	24,926	27,802	34,734	12
Cable & Wire Facilities	201,969	207,499	171,986	176,866	168,201	13
<b>Total Plant Specific Operations</b>	<b>548,062</b>	<b>497,970</b>	<b>516,408</b>	<b>462,261</b>	<b>472,063</b>	<b>14</b>
Other Plant, Property & Equipment						15
Network Operations	120,976	142,157	141,956	171,992	117,221	16
Access Expense	39,372	32,878	20,904	4,476	5,608	17
Depreciation and Amortization	581,557	606,729	644,903	632,000	596,388	18
<b>Total Plant Non-Specific Operations</b>	<b>741,905</b>	<b>781,764</b>	<b>807,763</b>	<b>808,468</b>	<b>719,217</b>	<b>19</b>
Marketing Expense	25,288	20,437	23,372	15,165	11,141	20
Services Expense	322,692	430,966	364,718	330,722	354,603	21
<b>Total Customer Operations</b>	<b>347,980</b>	<b>451,403</b>	<b>388,090</b>	<b>345,887</b>	<b>365,744</b>	<b>22</b>
Executive & Planning	459,602	481,080	474,023	459,118	414,160	23
General & Administrative	450,229	493,418	468,859	497,571	546,713	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>909,831</b>	<b>974,498</b>	<b>942,882</b>	<b>956,689</b>	<b>960,873</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>2,547,778</b>	<b>2,705,635</b>	<b>2,655,143</b>	<b>2,573,305</b>	<b>2,517,897</b>	<b>28</b>
Other Operating Income & Expenses						29
State & Local Income Taxes						30
Other Taxes	149,127	144,375	142,803	139,698	121,163	31
<b>Net Operating Income Before FIT</b>	<b>395,025</b>	<b>297,695</b>	<b>324,894</b>	<b>343,892</b>	<b>530,886</b>	<b>32</b>
Investment Tax Credits - Net	7,475	10,950	11,037	12,637	13,674	33
Federal Income Taxes	135,695	119,466	134,105	125,227	210,651	34
Provision - Def. Operating Income Taxes - Net	(49,493)	(77,334)	(85,811)	(69,763)	(81,994)	35
<b>Net Operating Income</b>	<b>\$316,298</b>	<b>\$266,513</b>	<b>\$287,637</b>	<b>\$301,065</b>	<b>\$415,903</b>	<b>36</b>

**Margaretville Telephone Co., Inc.**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
37 <b>Net Operating Income</b>	\$316,298	\$266,513	\$287,637	\$301,065	\$415,903
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income		167	93		
39 Interest Income	6,946	7,436	18,746	33,921	37,803
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction					
42 Gains/Losses - Disposal of Property			13,614		
43 Equity in Earnings of Affiliated Companies	(368,345)	(224,175)	(162,607)	34,871	(3,670)
44 Other Non-Operating Income	(429,788)	(65,919)	75,789	171,067	312,023
45 Special Charges	8,525	93,118	43,338	47,846	12,702
46 Total Non-Operating Income & Expenses	(799,712)	(375,609)	(97,703)	192,013	333,454
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	(30,904)	(16,515)	64,214	95,952	(24,141)
48 Other					
49 Total Non-Operating Taxes	(30,904)	(16,515)	64,214	95,952	(24,141)
50 Income Available Before Interest Charges	(452,510)	(92,581)	125,720	397,126	773,498
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	29,183	38,879	49,419	58,676	67,053
52 Other Interest Expense	514	618	1,485	5,104	11,235
53 Total Interest Charges	29,697	39,497	50,904	63,780	78,288
54 Income Before Extraordinary & Nonreg Items	(482,207)	(132,078)	74,816	333,346	695,210
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	(\$482,207)	(\$132,078)	\$74,816	\$333,346	\$695,210
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$7,770,847	\$7,678,750	\$7,827,796	\$7,529,321	\$6,830,441
60 Transferred from Income	(113,862)	92,097	237,423	298,475	698,880
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock	227,500				
64 Adjustments			(386,469)		
65 Ending Year Balance	7,429,485	7,770,847	7,678,750	7,827,796	7,529,321
66 Appropriated/Undistr Affiliate Retained Earnings	(894,460)	(526,115)	(301,940)	(525,802)	(560,673)
67 <b>Total Retained Earnings</b>	\$6,535,025	\$7,244,732	\$7,376,810	\$7,301,994	\$6,968,648

**Middleburgh Telephone Company**  
**Comparative Balance Sheet**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$1,993,805	\$3,496,122	\$2,859,600	\$2,937,603	\$2,491,809
2 Accounts Receivable (Net)	792,681	754,952	819,610	936,228	1,021,325
3 Current Deferred Income Taxes	8,116	7,077	5,812	4,557	3,357
4 Other Current Assets	257,823	270,542	261,319	276,480	224,064
5 Total Current Assets	3,052,425	4,528,693	3,946,341	4,154,868	3,740,555
<b>NON-CURRENT ASSETS</b>					
6 Investments	2,919,063	2,528,450	2,578,358	3,558,041	3,834,769
7 Unamortized Debt Issuance Costs	9,290	9,993	10,696	11,399	12,102
8 Deferred Charges					
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes	291,272	279,959	193,046	154,339	160,246
11 Other Non-Current Assets	1,416,690	1,416,690	1,567,489	1,378,099	1,203,784
12 Total Non-Current Assets	4,636,315	4,235,092	4,349,589	5,101,878	5,210,901
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	19,053,674	18,849,416	18,283,968	17,455,745	17,098,564
14 Less: Accumulated Depr and Amort.	12,658,496	11,676,779	10,445,971	9,326,760	8,531,492
15 Net Regulated Plant	6,395,178	7,172,637	7,837,997	8,128,985	8,567,072
16 Total Assets & Other Debits	\$14,083,918	\$15,936,422	\$16,133,927	\$17,385,731	\$17,518,528
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$351,364	\$387,930	\$395,114	\$445,293	\$396,242
18 Notes Payable					
19 Advanced Billings	55				(104)
20 Customer Deposits					
21 Current Maturities - Long-Term Debt					
22 Current Deferred Income Taxes					
23 Other Current Liabilities	(9,748)	1,678,157	22,756	85,906	59,651
24 Total Current Liabilities	341,671	2,066,087	417,870	531,199	455,789
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	2,484,455	2,701,932	2,907,745	3,102,584	3,287,136
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC			5,227	10,782	22,250
27 Non-Current Deferred Taxes	724,940	596,850	607,869	861,087	1,008,612
28 Other Deferred Credits	250,881	247,825	22,648	86,065	195,279
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	458,600	398,100	337,600	347,600	357,600
31 Total Other Liab. and Def. Credits	1,434,421	1,242,775	973,344	1,305,534	1,583,741
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	64,200	64,200	64,200	64,200	64,200
33 Preferred Stock					
34 Other Paid in Capital	(16,774)	(486,697)	(536,740)		62,146
35 Retained Earnings	9,775,945	10,348,125	12,307,508	12,382,214	12,065,516
36 Total Stockholder's Equity	9,823,371	9,925,628	11,834,968	12,446,414	12,191,862
37 Total Liab. and Stockholder's Equity	\$14,083,918	\$15,936,422	\$16,133,927	\$17,385,731	\$17,518,528

**Middleburgh Telephone Company**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

INCOME STATEMENT	2004	2003	2002	2001	2000	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$1,209,406	\$1,141,456	\$977,696	\$963,190	\$949,740	1
Network Access Services	3,244,425	3,426,589	3,323,349	3,283,542	2,933,676	2
Long Distance Network Services						3
Miscellaneous Revenues	631,295	667,004	666,528	748,061	924,652	4
Less: Uncollectible Revenues	6,300	13,100	125,600	3,600	9,195	5
Total Operating Revenues	5,078,826	5,221,949	4,841,973	4,991,193	4,798,873	6
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	22,817	28,431	35,497	35,531	39,730	7
General Support Expenses	187,289	208,465	212,325	232,113	238,194	8
Central Office Switching	222,844	223,648	192,916	161,020	189,991	9
Operator Systems Expense						10
Central Office Transmission	145,133	124,855	108,218	143,472	73,582	11
Info. Origination/Termination	34,969	33,042	20,782	21,041	28,539	12
Cable & Wire Facilities	217,081	333,911	246,703	215,415	297,824	13
Total Plant Specific Operations	830,133	952,352	816,441	808,592	867,860	14
Other Plant, Property & Equipment	8,463	5,626	5,771	4,365	2,977	15
Network Operations	235,800	208,885	191,303	195,407	178,351	16
Access Expense	67,307	55,471	36,720	21,416	17,871	17
Depreciation and Amortization	1,360,665	1,331,003	1,260,520	1,198,708	1,120,886	18
Total Plant Non-Specific Operations	1,672,235	1,600,985	1,494,314	1,419,896	1,320,085	19
Marketing Expense	28,273	32,088	29,081	16,961	12,445	20
Services Expense	489,140	527,549	524,707	581,469	615,843	21
Total Customer Operations	517,413	559,637	553,788	598,430	628,288	22
Executive & Planning	545,689	578,515	554,503	549,906	508,555	23
General & Administrative	776,905	803,746	788,739	647,150	551,394	24
Provision - Uncollectible Notes Rec.						25
Other						26
Total Corporate Operations	1,322,594	1,382,261	1,343,242	1,197,056	1,059,949	27
Total Operations Expense	4,342,375	4,495,235	4,207,785	4,023,974	3,876,182	28
Other Operating Income & Expenses						29
State & Local Income Taxes						30
Other Taxes	306,925	300,742	279,265	268,962	285,920	31
<b>Net Operating Income Before FIT</b>	429,526	425,972	354,923	698,257	636,771	32
Investment Tax Credits - Net		5,227	5,555	11,468	11,468	33
Federal Income Taxes	217,205	67,902	33,639	168,451	199,722	34
Provision - Def. Operating Income Taxes - Net	(125,316)	(48,350)	(45,077)	(169,904)	(148,760)	35
<b>Net Operating Income</b>	\$337,637	\$411,647	\$371,916	\$711,178	\$597,277	36

**Middleburgh Telephone Company**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
37 <b>Net Operating Income</b>	\$337,637	\$411,647	\$371,916	\$711,178	\$597,277
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income	12,900	7,266	8,818	17,364	2,571
39 Interest Income	14,846	53,164	73,815	112,116	140,704
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction					
42 Gains/Losses - Disposal of Property					
43 Equity in Earnings of Affiliated Companies	22,418	13,375	(52,594)	(19,319)	(63,252)
44 Other Non-Operating Income	(856,224)	(139,106)	(119,010)	(190,418)	(24,185)
45 Special Charges	111,273	236,657	54,351	64,291	55,649
46 Total Non-Operating Income & Expenses	(917,333)	(301,958)	(143,322)	(144,548)	189
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	(284,605)		3,423	(60,297)	5,345
48 Other					
49 Total Non-Operating Taxes	(284,605)	(1,799)	3,423	(60,297)	5,345
50 Income Available Before Interest Charges	(295,091)	111,488	225,171	626,927	592,121
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	167,246	178,985	190,034	200,387	210,386
52 Other Interest Expense	703	703	703	703	703
53 Total Interest Charges	167,949	179,688	190,737	201,090	211,089
54 Income Before Extraordinary & Nonreg Items	(463,040)	(68,200)	34,434	425,837	381,032
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	(\$463,040)	(\$68,200)	\$34,434	\$425,837	\$381,032
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$11,236,895	\$13,209,653	\$13,231,765	\$12,895,749	\$12,560,605
60 Transferred from Income	(485,458)	(81,575)	87,028	445,156	444,284
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock	109,140	1,590,555	109,140	109,140	109,140
64 Adjustments		(300,628)			
65 Ending Year Balance	10,642,297	11,236,895	13,209,653	13,231,765	12,895,749
66 Appropriated/Undistr Affiliate Retained Earnings	(866,353)	(888,771)	(902,146)	(849,552)	(830,233)
67 <b>Total Retained Earnings</b>	\$9,775,944	\$10,348,124	\$12,307,507	\$12,382,213	\$12,065,516

**New York Telephone Company**  
**Comparative Balance Sheet**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$446,999,354	\$417,323,246	\$554,860,952	\$535,232,112	\$388,333,411
2 Accounts Receivable (Net)	991,023,687	1,298,440,854	1,744,695,280	2,018,158,213	1,789,388,818
3 Current Deferred Income Taxes		330,695,656	330,695,656	330,695,658	330,695,658
4 Other Current Assets	251,028,173	355,210,241	520,300,136	396,736,992	355,276,842
5 Total Current Assets	1,689,051,214	2,401,669,998	3,150,552,025	3,280,822,975	2,863,694,729
<b>NON-CURRENT ASSETS</b>					
6 Investments	348,241,322	346,314,547	339,498,428	335,640,275	333,172,832
7 Unamortized Debt Issuance Costs	14,442,926	60,845,263	104,653,422	130,823,790	139,719,048
8 Deferred Charges	663,250,695	663,791,200	699,240,464	728,408,742	750,869,609
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes		1,610,486,098	1,610,486,098	1,610,486,100	1,621,023,205
11 Other Non-Current Assets	623,659,815	590,429,393	323,720,868	31,876,232	30,418,957
12 Total Non-Current Assets	1,649,594,757	3,271,866,500	3,077,599,280	2,837,235,139	2,875,203,652
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	29,952,671,370	29,402,800,831	28,763,731,388	27,719,127,498	25,853,385,309
14 Less: Accumulated Depr and Amort.	18,458,681,637	17,018,380,386	16,134,687,615	14,676,573,533	13,157,772,327
15 Net Regulated Plant	11,493,989,733	12,384,420,445	12,629,043,772	13,042,553,964	12,695,612,982
16 Total Assets & Other Debits	\$14,832,635,704	\$18,057,956,943	\$18,857,195,077	\$19,160,612,079	\$18,434,511,362
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$1,268,556,011	\$1,966,328,646	\$1,756,044,346	\$5,749,026,592	\$5,214,402,931
18 Notes Payable	2,653,800,365	2,047,301,830	2,118,991,942	(293,393,397)	(1,140,835,155)
19 Advanced Billings	186,864,122	194,165,577	206,443,706	193,103,187	186,675,575
20 Customer Deposits	8,868,967	9,457,968	6,554,746	7,260,921	9,307,675
21 Current Maturities - Long-Term Debt	201,102,500	150,927,624	350,599,661	2,629,900	3,029,900
22 Current Deferred Income Taxes	(88,503,431)	389,362,615	519,046,835	524,859,366	584,737,602
23 Other Current Liabilities	789,868,419	968,037,225	1,132,837,679	993,081,079	790,253,913
24 Total Current Liabilities	5,020,556,954	5,725,581,486	6,090,518,916	7,176,567,648	5,647,572,441
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	2,896,511,832	3,789,734,370	4,135,076,018	3,195,962,366	3,619,114,062
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC	27,913,210	87,775,509	90,801,717	96,897,974	106,479,557
27 Non-Current Deferred Taxes	469,634,602	2,042,553,119	1,620,923,715	1,859,866,673	2,005,266,524
28 Other Deferred Credits	867,779,985	692,252,369	756,938,515	940,296,478	872,791,264
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	4,411,067,491	3,873,116,837	3,676,872,858	2,384,084,229	2,235,747,922
31 Total Other Liab. and Def. Credits	5,776,395,288	6,695,697,835	6,145,536,805	5,281,145,354	5,220,285,268
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
33 Preferred Stock					
34 Other Paid in Capital	1,572,168,430	1,563,034,548	1,562,282,886	1,562,282,886	1,584,096,902
35 Retained Earnings	(433,996,798)	282,908,705	922,780,450	1,943,653,824	2,362,442,688
36 Total Stockholder's Equity	1,139,171,632	1,846,943,253	2,486,063,336	3,506,936,711	3,947,539,590
37 Total Liab. and Stockholder's Equity	\$14,832,635,705	\$18,057,956,943	\$18,857,195,075	\$19,160,612,079	\$18,434,511,362

**New York Telephone Company**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

<b>INCOME STATEMENT</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$3,124,298,889	\$3,501,267,825	\$3,926,332,145	\$3,977,234,582	\$4,658,056,736	1
Network Access Services	2,093,739,614	2,180,495,052	2,246,121,864	2,262,081,058	2,250,647,007	2
Long Distance Network Services	175,930,752	203,044,244	177,393,958	194,552,060	215,610,074	3
Miscellaneous Revenues	1,375,783,292	1,226,463,025	1,293,046,426	1,378,994,068	954,220,816	4
Less: Uncollectible Revenues	44,288,643	188,327,109	334,028,454	358,805,666	220,320,199	5
<b>Total Operating Revenues</b>	<b>6,725,463,904</b>	<b>6,922,943,037</b>	<b>7,308,865,938</b>	<b>7,454,056,102</b>	<b>7,858,214,435</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	13,581,769	10,433,721	9,669,049	7,377,464	3,112,731	7
General Support Expenses	444,467,533	413,297,187	387,567,239	372,078,149	430,509,062	8
Central Office Switching	234,667,431	216,210,784	222,488,225	245,808,359	221,633,710	9
Operator Systems Expense	361,877	458,277	667,709	434,128	157,187	10
Central Office Transmission	117,333,027	114,535,630	111,273,278	127,138,496	112,291,499	11
Info. Origination/Termination	284,475,642	286,861,301	243,396,880	250,764,462	265,393,117	12
Cable & Wire Facilities	1,032,229,578	951,062,052	816,485,658	821,079,958	969,232,869	13
<b>Total Plant Specific Operations</b>	<b>2,127,116,857</b>	<b>1,992,858,952</b>	<b>1,791,548,037</b>	<b>1,824,681,016</b>	<b>2,002,330,174</b>	<b>14</b>
Other Plant, Property & Equipment	8,236,986	7,759,606	2,178,272	3,203,519	39,392,087	15
Network Operations	742,166,535	816,734,549	657,463,656	705,863,978	688,590,895	16
Access Expense	152,288,738	158,872,026	219,789,450	342,635,752	401,138,228	17
Depreciation and Amortization	2,119,099,426	2,153,299,570	2,155,679,557	2,015,837,253	1,988,118,118	18
<b>Total Plant Non-Specific Operations</b>	<b>3,021,791,685</b>	<b>3,136,665,751</b>	<b>3,035,110,935</b>	<b>3,067,540,502</b>	<b>3,117,239,328</b>	<b>19</b>
Marketing Expense	287,278,825	290,555,549	293,856,121	311,428,340	344,161,456	20
Services Expense	647,312,076	671,706,370	589,947,025	594,871,602	611,110,960	21
<b>Total Customer Operations</b>	<b>934,590,901</b>	<b>962,261,920</b>	<b>883,803,146</b>	<b>906,299,943</b>	<b>955,272,415</b>	<b>22</b>
Executive & Planning	31,724,700	50,534,063	50,611,650	58,263,469	36,747,081	23
General & Administrative	1,045,541,255	1,870,511,059	1,502,982,482	1,462,813,636	1,017,169,627	24
Provision - Uncollectible Notes Rec.	131	66	26	(5,095)		25
Other						26
<b>Total Corporate Operations</b>	<b>1,077,266,086</b>	<b>1,921,045,187</b>	<b>1,553,594,158</b>	<b>1,521,072,009</b>	<b>1,053,916,708</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>7,160,765,528</b>	<b>8,012,831,809</b>	<b>7,264,056,277</b>	<b>7,319,593,469</b>	<b>7,128,758,625</b>	<b>28</b>
Other Operating Income & Expenses	(510,276)	(9,898,489)	(4,213,759)	8,304,679	574,542	29
State & Local Income Taxes	19,154	(142,869)	(86,206)	(238,683)	(268,149)	30
Other Taxes	571,226,059	669,934,466	575,184,402	540,248,500	612,776,348	31
<b>Net Operating Income Before FIT</b>	<b>(1,007,057,114)</b>	<b>(1,769,578,858)</b>	<b>(534,502,293)</b>	<b>(397,242,506)</b>	<b>117,522,153</b>	<b>32</b>
Investment Tax Credits - Net	9,955,905	3,026,208	6,096,257	9,581,583	10,524,035	33
Federal Income Taxes	(545,030,393)	(562,813,469)	(255,441,180)	(24,415,301)	104,107,975	34
Provision - Def. Operating Income Taxes - Net	138,266,147	(112,017,582)	43,128,778	(204,307,345)	(71,889,775)	35
<b>Net Operating Income</b>	<b>(\$590,336,962)</b>	<b>(\$1,091,721,598)</b>	<b>(\$316,093,634)</b>	<b>(\$158,938,277)</b>	<b>\$95,827,989</b>	<b>36</b>

**New York Telephone Company**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
37 <b>Net Operating Income</b>	(\$590,336,962)	(\$1,091,721,598)	(\$316,093,634)	(\$158,938,277)	\$95,827,989
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income	0				
39 Interest Income	17,108,408	7,277,249	16,397,658	88,342,552	63,000,259
40 Income - Sinking and Other Funds	0	0			
41 Allowance for Funds Used During Construction	8,796,150	12,275,118	29,361,097	41,404,700	47,750,765
42 Gains/Losses - Disposal of Property	(8,553)	(14,484)	(1,930)	6,712	
43 Equity in Earnings of Affiliated Companies	120,585,855	45,716,898	75,465,326	33,313,174	54,400,978
44 Other Non-Operating Income	24,684,119	70,659,139	(3,896,042)	(215,773,179)	(25,425,545)
45 Special Charges	16,571,519	9,848,682	12,685,609	15,113,900	15,091,718
46 Total Non-Operating Income & Expenses	154,594,460	126,065,238	104,640,500	(67,819,942)	124,634,738
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	20,401,044	31,616,684	7,991,872	29,291,051	10,210,285
48 Other	2,635,409	5,860,665	5,787,867	3,516,142	1,212,600
49 Total Non-Operating Taxes	23,036,453	37,477,349	13,779,739	32,807,193	11,422,885
50 Income Available Before Interest Charges	(458,778,955)	(1,003,133,709)	(225,232,873)	(259,565,412)	209,039,842
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	228,935,828	295,354,786	285,340,325	237,640,725	246,121,140
52 Other Interest Expense	72,074,355	71,938,035	85,553,796	130,090,033	175,212,310
53 Total Interest Charges	301,010,183	367,292,821	370,894,121	367,730,757	421,333,450
54 Income Before Extraordinary & Nonreg Items	(759,789,138)	(1,370,426,530)	(596,126,994)	(627,296,169)	(212,293,608)
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items		(453,043,004)	86,688	9,398,412	
56 Nonregulated Revenues	216,055,772	225,260,602	284,395,233	283,901,811	310,842,888
57 Total Extraordinary & Nonregulated Items	216,055,772	(227,782,402)	284,481,921	293,300,223	310,842,888
58 <b>Net Income</b>	(\$543,733,366)	(\$1,598,208,932)	(\$311,645,073)	(\$333,995,945)	\$98,549,280
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$300,371,836	\$920,743,548	\$1,956,748,318	\$2,346,904,005	\$2,248,294,316
60 Transferred from Income	(590,109,551)	(672,622,891)	(326,949,845)	(324,159,592)	97,774,365
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock		180,000,000	190,000,000	66,000,000	
64 Adjustments	(173,172,136)	232,251,179	(519,054,925)	3,905	835,324
65 Ending Year Balance	(462,909,851)	300,371,836	920,743,548	1,956,748,318	2,346,904,005
66 Appropriated/Undistr Affiliate Retained Earnings	28,913,052	(17,463,132)	2,036,901	(13,094,494)	15,538,684
67 <b>Total Retained Earnings</b>	(\$433,996,798)	\$282,908,704	\$922,780,449	\$1,943,653,823	\$2,362,442,688

**Newport Telephone Company, Inc.**  
**Comparative Balance Sheet**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$51,015	\$101,227	\$129,906	\$80,742	\$86,375
2 Accounts Receivable (Net)	288,792	308,423	281,233	367,716	456,522
3 Current Deferred Income Taxes	4,307				
4 Other Current Assets	160,932	169,850	188,415	187,618	181,194
5 Total Current Assets	505,046	579,500	599,554	636,076	724,091
<b>NON-CURRENT ASSETS</b>					
6 Investments	3,672,254	4,345,136	3,885,083	439,833	328,874
7 Unamortized Debt Issuance Costs	9,922	11,109	12,295	13,482	14,669
8 Deferred Charges	64,374	33,564	23,124	2,504	4,862
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes	173,738	136,726	73,917	72,779	99,936
11 Other Non-Current Assets	4,044	2,600			
12 Total Non-Current Assets	3,924,332	4,529,135	3,994,419	528,598	448,341
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	10,034,679	9,855,222	9,496,419	9,444,349	9,086,019
14 Less: Accumulated Depr and Amort.	5,834,652	5,369,557	4,900,806	4,746,396	4,383,590
15 Net Regulated Plant	4,200,027	4,485,665	4,595,613	4,697,953	4,702,428
16 Total Assets & Other Debits	\$8,629,405	\$9,594,300	\$9,189,586	\$5,862,627	\$5,874,860
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$104,595	\$129,937	\$177,687	\$144,847	\$101,314
18 Notes Payable			3,696	6,854	6,821
19 Advanced Billings	10,430	10,053	9,088	9,252	10,518
20 Customer Deposits	1,595	1,645	1,770	1,770	1,895
21 Current Maturities - Long-Term Debt					
22 Current Deferred Income Taxes					
23 Other Current Liabilities	(21,188)	84,544	(11,072)	68,125	141,494
24 Total Current Liabilities	95,432	226,179	181,169	230,848	262,042
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	1,298,722	1,426,926	1,549,842	1,670,852	1,790,211
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC			4,066	5,779	9,119
27 Non-Current Deferred Taxes	517,367	493,833	452,606	383,390	364,488
28 Other Deferred Credits	137,464	152,526	181,640	209,955	252,735
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	444,233	333,612	213,338	208,276	284,673
31 Total Other Liab. and Def. Credits	1,099,064	979,971	851,650	807,400	911,015
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	119,650	119,650	119,650	119,650	119,650
33 Preferred Stock	85,500	86,000	88,100	93,100	93,200
34 Other Paid in Capital					
35 Retained Earnings	5,931,037	6,755,574	6,399,175	2,940,777	2,698,742
36 Total Stockholder's Equity	6,136,187	6,961,224	6,606,925	3,153,527	2,911,592
37 Total Liab. and Stockholder's Equity	\$8,629,405	\$9,594,300	\$9,189,586	\$5,862,627	\$5,874,860

**Newport Telephone Company, Inc.**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

<b>INCOME STATEMENT</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$908,723	\$848,585	\$786,918	\$870,157	\$935,457	1
Network Access Services	1,089,433	1,025,731	965,726	968,205	931,228	2
Long Distance Network Services	97,366	102,679	79,564	(27,458)	109,266	3
Miscellaneous Revenues	731,722	864,961	1,061,139	1,124,718	1,079,395	4
Less: Uncollectible Revenues	3,000	3,000	1,750		250	5
<b>Total Operating Revenues</b>	<b>2,824,244</b>	<b>2,838,956</b>	<b>2,891,597</b>	<b>2,935,622</b>	<b>3,055,096</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	5,205	1,245				7
General Support Expenses	128,229	120,690	125,251	114,616	100,764	8
Central Office Switching	212,723	204,781	206,384	181,934	153,334	9
Operator Systems Expense						10
Central Office Transmission	30,625	34,381	42,085	27,191	33,716	11
Info. Origination/Termination	55,245	78,108	97,784	57,502	97,662	12
Cable & Wire Facilities	161,242	178,684	159,494	184,768	169,489	13
<b>Total Plant Specific Operations</b>	<b>593,269</b>	<b>617,889</b>	<b>630,998</b>	<b>566,011</b>	<b>554,965</b>	<b>14</b>
Other Plant, Property & Equipment						15
Network Operations	90,438	82,808	77,040	72,904	78,213	16
Access Expense	26,876	23,170	14,224	6,444	4,067	17
Depreciation and Amortization	527,565	509,923	521,813	532,770	517,328	18
<b>Total Plant Non-Specific Operations</b>	<b>644,879</b>	<b>615,901</b>	<b>613,077</b>	<b>612,118</b>	<b>599,608</b>	<b>19</b>
Marketing Expense	15,548	14,177	12,840	37,339	23,627	20
Services Expense	475,385	429,251	415,819	407,616	423,801	21
<b>Total Customer Operations</b>	<b>490,933</b>	<b>443,428</b>	<b>428,659</b>	<b>444,955</b>	<b>447,428</b>	<b>22</b>
Executive & Planning	539,490	532,546	414,393	431,960	478,548	23
General & Administrative	471,699	461,073	530,299	480,495	539,993	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>1,011,189</b>	<b>993,619</b>	<b>944,692</b>	<b>912,455</b>	<b>1,018,541</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>2,740,270</b>	<b>2,670,837</b>	<b>2,617,426</b>	<b>2,535,539</b>	<b>2,620,542</b>	<b>28</b>
Other Operating Income & Expenses						29
State & Local Income Taxes						30
Other Taxes	168,940	169,810	164,926	109,797	218,350	31
<b>Net Operating Income Before FIT</b>	<b>(84,966)</b>	<b>(1,691)</b>	<b>109,245</b>	<b>290,286</b>	<b>216,204</b>	<b>32</b>
Investment Tax Credits - Net						33
Federal Income Taxes	(20,331)	(9,005)	(72,795)	18,854	27,673	34
Provision - Def. Operating Income Taxes - Net	(61,005)	(50,696)	39,763	3,279	(23,939)	35
<b>Net Operating Income</b>	<b>(\$3,630)</b>	<b>\$58,010</b>	<b>\$142,277</b>	<b>\$268,153</b>	<b>\$212,470</b>	<b>36</b>

**Newport Telephone Company, Inc.**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
37 <b>Net Operating Income</b>	(\$3,630)	\$58,010	\$142,277	\$268,153	\$212,470
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income	35,256	21,378	18,438	18,603	7,486
39 Interest Income	164	186	472	1,943	1,254
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction					
42 Gains/Losses - Disposal of Property					
43 Equity in Earnings of Affiliated Companies	(783,503)	339,779	3,440,188	87,147	831,597
44 Other Non-Operating Income	55,620	65,274	(49,938)	(31,188)	96,367
45 Special Charges	6,522	6,379	5,861	4,988	9,509
46 Total Non-Operating Income & Expenses	(698,985)	420,238	3,403,299	71,517	927,195
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	28,713	23,290	(16,651)	(11,386)	(12,690)
48 Other					
49 Total Non-Operating Taxes	28,713	23,290	(16,651)	(11,386)	(12,690)
50 Income Available Before Interest Charges	(731,328)	454,958	3,562,227	351,056	1,152,355
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	86,822	92,120	97,174	101,966	106,554
52 Other Interest Expense	1,242	1,276	1,351	1,469	3,372
53 Total Interest Charges	88,064	93,396	98,525	103,435	109,926
54 Income Before Extraordinary & Nonreg Items	(819,392)	361,562	3,463,702	247,621	1,042,429
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	(\$819,392)	\$361,562	\$3,463,702	\$247,621	\$1,042,429
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$2,871,296	\$2,854,676	\$2,836,466	\$2,681,578	\$5,745,683
60 Transferred from Income	(35,889)	21,783	23,514	160,474	210,832
61 Appropriations					
Dividends Declared:					
62 Preferred Stock	5,145	5,163	5,304	5,586	5,592
63 Common Stock					
64 Adjustments					(3,269,345)
65 Ending Year Balance	2,830,262	2,871,296	2,854,676	2,836,466	2,681,578
66 Appropriated/Undistr Affiliate Retained Earnings	3,100,775	3,884,278	3,544,499	104,311	17,164
67 <b>Total Retained Earnings</b>	\$5,931,037	\$6,755,574	\$6,399,175	\$2,940,777	\$2,698,742

**Nicholville Telephone Company, Inc.**  
**Comparative Balance Sheet**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$133,485	\$390,053	\$297,949	\$287,208	\$84,949
2 Accounts Receivable (Net)	981,855	875,113	721,846	422,647	673,694
3 Current Deferred Income Taxes					
4 Other Current Assets	190,442	209,542	174,737	199,739	215,799
5 Total Current Assets	1,305,782	1,474,708	1,194,532	909,593	974,442
<b>NON-CURRENT ASSETS</b>					
6 Investments	849,898	945,503	1,225,125	1,605,391	2,132,219
7 Unamortized Debt Issuance Costs	13,607	14,725	15,844	16,963	18,081
8 Deferred Charges		11,382	11,382	11,382	11,382
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes	106,983	27,778	24,242	20,060	20,060
11 Other Non-Current Assets	316,895	254,148	195,440	174,789	152,183
12 Total Non-Current Assets	1,287,383	1,253,536	1,472,033	1,828,585	2,333,925
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	10,716,542	10,439,743	10,450,241	10,378,593	10,517,354
14 Less: Accumulated Depr and Amort.	7,152,277	6,568,791	5,979,824	5,502,229	5,052,334
15 Net Regulated Plant	3,564,265	3,870,952	4,470,417	4,876,364	5,465,020
16 Total Assets & Other Debits	\$6,157,430	\$6,599,196	\$7,136,982	\$7,614,542	\$8,773,387
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$131,051	\$112,720	\$298,204	\$93,782	\$179,544
18 Notes Payable	118,000	118,000	118,000	293,000	929,085
19 Advanced Billings					
20 Customer Deposits					
21 Current Maturities - Long-Term Debt	173,003	162,763	154,423	147,923	139,996
22 Current Deferred Income Taxes					
23 Other Current Liabilities	33,297	171,225	152,069	223,178	223,934
24 Total Current Liabilities	455,351	564,708	722,696	757,883	1,472,559
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	2,570,551	2,747,463	2,913,340	3,067,035	3,214,222
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC		(4,569)	3,373	11,315	19,256
27 Non-Current Deferred Taxes	244,438	303,283	324,103	311,120	404,812
28 Other Deferred Credits	220,835	202,358	168,913	168,913	
29 Other Jurisdictional Differences - Net					
30 Other Liabilities					
31 Total Other Liab. and Def. Credits	465,273	501,072	496,389	491,348	424,068
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	41,000	41,000	41,000	41,000	41,000
33 Preferred Stock	100,000	100,000	100,000	100,000	100,000
34 Other Paid in Capital	(135,200)	(139,051)	(139,051)	(251,138)	54,100
35 Retained Earnings	2,660,455	2,784,004	3,002,608	3,408,413	3,467,439
36 Total Stockholder's Equity	2,666,255	2,785,953	3,004,557	3,298,276	3,662,539
37 Total Liab. and Stockholder's Equity	\$6,157,430	\$6,599,196	\$7,136,982	\$7,614,542	\$8,773,387

**Nicholville Telephone Company, Inc.**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

<b>INCOME STATEMENT</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$554,097	\$536,457	\$530,577	\$564,042	\$549,380	1
Network Access Services	2,579,975	2,790,443	2,734,910	2,527,815	2,764,990	2
Long Distance Network Services				(3)	(17)	3
Miscellaneous Revenues	327,480	345,807	336,151	381,422	258,124	4
Less: Uncollectible Revenues	9,168	9,424	6,285	7,789	15,568	5
<b>Total Operating Revenues</b>	<b>3,452,384</b>	<b>3,663,283</b>	<b>3,595,353</b>	<b>3,465,488</b>	<b>3,556,909</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	10,589	15,319	14,927	9,836	12,718	7
General Support Expenses	290,066	308,553	279,614	258,673	265,292	8
Central Office Switching	282,588	211,587	220,861	251,967	154,654	9
Operator Systems Expense						10
Central Office Transmission	127,562	102,055	112,898	84,682	64,468	11
Info. Origination/Termination	34,486	31,055	47,428	74,510	57,580	12
Cable & Wire Facilities	189,876	132,419	177,412	163,576	197,303	13
<b>Total Plant Specific Operations</b>	<b>935,168</b>	<b>800,989</b>	<b>853,140</b>	<b>843,243</b>	<b>752,015</b>	<b>14</b>
Other Plant, Property & Equipment	11,005	7,696	29,155	22,861	4,293	15
Network Operations	234,601	231,256	278,980	224,734	173,661	16
Access Expense	30,403	14,185	10,362	(3,079)	4,362	17
Depreciation and Amortization	683,664	684,183	682,849	689,695	724,119	18
<b>Total Plant Non-Specific Operations</b>	<b>959,673</b>	<b>937,321</b>	<b>1,001,347</b>	<b>934,211</b>	<b>906,435</b>	<b>19</b>
Marketing Expense	96,127	103,743	114,680	106,030	101,283	20
Services Expense	304,989	302,659	339,448	348,541	345,966	21
<b>Total Customer Operations</b>	<b>401,115</b>	<b>406,402</b>	<b>454,128</b>	<b>454,570</b>	<b>447,249</b>	<b>22</b>
Executive & Planning	325,091	298,007	277,745	261,323	393,625	23
General & Administrative	647,502	578,390	631,647	657,405	882,476	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>972,593</b>	<b>876,398</b>	<b>909,392</b>	<b>918,728</b>	<b>1,276,101</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>3,268,549</b>	<b>3,021,109</b>	<b>3,218,007</b>	<b>3,150,753</b>	<b>3,381,801</b>	<b>28</b>
Other Operating Income & Expenses	30,426	(41,140)		(20,000)	(560)	29
State & Local Income Taxes						30
Other Taxes	168,344	180,068	175,876	174,705	189,259	31
<b>Net Operating Income Before FIT</b>	<b>45,917</b>	<b>420,966</b>	<b>201,470</b>	<b>120,029</b>	<b>(14,711)</b>	<b>32</b>
Investment Tax Credits - Net	(5,214)	7,789	7,789	7,789	7,789	33
Federal Income Taxes	2,546	96,035	(13,081)	(49,292)	81,123	34
Provision - Def. Operating Income Taxes - Net	(134,789)	(24,356)	(4,224)	(6,418)	(13,041)	35
<b>Net Operating Income</b>	<b>\$172,946</b>	<b>\$357,076</b>	<b>\$226,565</b>	<b>\$183,529</b>	<b>(\$75,004)</b>	<b>36</b>

**Nicholville Telephone Company, Inc.**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
37 <b>Net Operating Income</b>	\$172,946	\$357,076	\$226,565	\$183,529	(\$75,004)
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income	14,713	8,034	5,670	767	398
39 Interest Income		(2,177)	4,459		
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction					
42 Gains/Losses - Disposal of Property		(457)	(184,430)		
43 Equity in Earnings of Affiliated Companies	(170,327)	(282,890)	(316,579)	(92,421)	(441,615)
44 Other Non-Operating Income	34,371	(117,615)		(384)	39,755
45 Special Charges	7,990	12,913	(14,427)	23,287	29,987
46 Total Non-Operating Income & Expenses	(129,233)	(408,018)	(476,454)	(115,325)	(431,449)
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	(32,754)	(68,520)	(55,767)	(111,310)	10,814
48 Other	4,010	4,890	4,425	5,083	4,515
49 Total Non-Operating Taxes	(28,744)	(63,630)	(51,342)	(106,227)	15,329
50 Income Available Before Interest Charges	72,457	12,688	(198,547)	174,431	(521,781)
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	172,305	181,239	192,182	197,610	210,138
52 Other Interest Expense	11,469	41,671	6,694	27,385	32,794
53 Total Interest Charges	183,774	222,910	198,876	224,995	242,932
54 Income Before Extraordinary & Nonreg Items	(111,317)	(210,222)	(397,423)	(50,565)	(764,713)
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	(\$111,317)	(\$210,222)	(\$397,423)	(\$50,565)	(\$764,713)
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$2,240,606	\$2,176,320	\$2,265,546	\$2,232,150	\$2,563,708
60 Transferred from Income	58,412	72,668	(80,844)	41,856	(323,098)
61 Appropriations					
Dividends Declared:					
62 Preferred Stock	6,000	6,000	6,000	6,000	6,000
63 Common Stock	2,382	2,382	2,382	2,460	2,460
64 Adjustments	(3,852)				
65 Ending Year Balance	2,286,784	2,240,606	2,176,320	2,265,546	2,232,150
66 Appropriated/Undistr Affiliate Retained Earnings	373,672	543,399	826,289	1,142,868	1,235,289
67 <b>Total Retained Earnings</b>	\$2,660,456	\$2,784,005	\$3,002,609	\$3,408,414	\$3,467,439

**Ogden Telephone Company  
Comparative Balance Sheet  
For the Year Ended December 31,**

	2004	2003	2002	2001	2000
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$11,000	(\$1,234)	(\$7,526)	(\$18)	\$3,378
2 Accounts Receivable (Net)	2,231,986	46,517,310	6,679,186	5,491,423	3,996,383
3 Current Deferred Income Taxes					
4 Other Current Assets	16,555	39,723	81,211	192,531	170,269
5 Total Current Assets	2,259,541	46,555,799	6,752,871	5,683,936	4,170,030
<b>NON-CURRENT ASSETS</b>					
6 Investments	10,632,476	414,835	416,420	680,759	684,618
7 Unamortized Debt Issuance Costs	66,110	76,370	86,630	98,376	109,140
8 Deferred Charges	867,669	864,800	823,012	823,015	1,026,867
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes					
11 Other Non-Current Assets	129,110	129,110	129,110		
12 Total Non-Current Assets	11,695,364	1,485,115	1,455,172	1,602,150	1,820,625
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	41,824,960	40,810,847	39,699,959	39,661,557	38,431,036
14 Less: Accumulated Depr and Amort.	24,616,602	22,313,407	20,282,911	18,813,480	16,961,006
15 Net Regulated Plant	17,208,358	18,497,440	19,417,048	20,848,077	21,470,029
16 Total Assets & Other Debits	\$31,163,263	\$66,538,354	\$27,625,091	\$28,134,163	\$27,460,684
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$1,732,481	\$37,491,226		\$2,059,600.00	\$991,847.00
18 Notes Payable					
19 Advanced Billings	165,683	162,945	(\$594)	(594)	(589)
20 Customer Deposits	(8,537)	(8,537)	(8,537)	(8,465)	
21 Current Maturities - Long-Term Debt	468,155	328,494	415,232	637,262	672,510
22 Current Deferred Income Taxes				(83,491)	(83,491)
23 Other Current Liabilities	1,177,097	12,327	(678,910)	881,663	1,244,348
24 Total Current Liabilities	3,534,879	37,986,455	(272,809)	3,485,975	2,824,625
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	3,984,132	4,562,318	4,890,812	5,599,123	6,251,902
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC		20,887	31,801	76,963	76,963
27 Non-Current Deferred Taxes	3,019,734	3,025,719	3,104,501	3,783,947	3,243,236
28 Other Deferred Credits	43,880	41,717		597,598	656,200
29 Other Jurisdictional Differences - Net					
30 Other Liabilities					
31 Total Other Liab. and Def. Credits	3,063,614	3,088,323	3,136,302	4,458,508	3,976,399
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	2,007,694	2,007,694	2,007,694	2,007,694	2,007,694
33 Preferred Stock					
34 Other Paid in Capital	196,769	196,769	196,769	196,769	196,769
35 Retained Earnings	18,376,176	18,696,795	16,411,755	12,386,094	12,203,295
36 Total Stockholder's Equity	20,580,639	20,901,258	18,616,218	14,590,557	14,407,758
37 Total Liab. and Stockholder's Equity	\$31,163,264	\$66,538,354	\$26,370,523	\$28,134,163	\$27,460,684

**Ogden Telephone Company**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

<b>INCOME STATEMENT</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$5,287,534	\$5,725,576	\$5,930,300	\$5,966,874	\$6,007,056	1
Network Access Services	2,889,237	4,564,641	4,100,923	3,574,408	3,510,857	2
Long Distance Network Services		9		2,736	120	3
Miscellaneous Revenues	937,990	873,339	951,661	832,115	923,855	4
Less: Uncollectible Revenues	(78,859)	104,582	74,933	53,497	371,773	5
<b>Total Operating Revenues</b>	<b>9,193,619</b>	<b>11,058,983</b>	<b>10,907,951</b>	<b>10,322,636</b>	<b>10,070,115</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	4,285	21	8,164			7
General Support Expenses	877,451	734,638	722,127	825,410	803,424	8
Central Office Switching	262,360	190,121	195,266	170,192	163,079	9
Operator Systems Expense	1,216				87	10
Central Office Transmission	19,258	29,866	26,721	46,025	14,997	11
Info. Origination/Termination	99,302	31,392	31,449	66,615	116,576	12
Cable & Wire Facilities	513,777	457,737	430,449	402,185	347,297	13
<b>Total Plant Specific Operations</b>	<b>1,777,649</b>	<b>1,443,775</b>	<b>1,414,176</b>	<b>1,510,427</b>	<b>1,445,461</b>	<b>14</b>
Other Plant, Property & Equipment	53	93	7,083	5,424	32,063	15
Network Operations	597,957	717,565	505,563	862,961	662,151	16
Access Expense	155,576	105,087	164,518	232,661	55,754	17
Depreciation and Amortization	2,425,828	2,683,046	2,632,840	3,037,969	2,465,358	18
<b>Total Plant Non-Specific Operations</b>	<b>3,179,414</b>	<b>3,505,791</b>	<b>3,310,004</b>	<b>4,139,015</b>	<b>3,215,327</b>	<b>19</b>
Marketing Expense	53,099	87,170	92,752	293,223	270,208	20
Services Expense	498,736	820,751	769,521	1,174,736	752,940	21
<b>Total Customer Operations</b>	<b>551,835</b>	<b>907,921</b>	<b>862,273</b>	<b>1,467,959</b>	<b>1,023,148</b>	<b>22</b>
Executive & Planning	769,360	78,818	249,033	239,373	157,818	23
General & Administrative	555,902	721,854	167,131	1,978,353	1,826,833	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>1,325,261</b>	<b>800,672</b>	<b>416,164</b>	<b>2,217,726</b>	<b>1,984,651</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>6,834,160</b>	<b>6,658,159</b>	<b>6,002,617</b>	<b>9,335,127</b>	<b>7,668,587</b>	<b>28</b>
Other Operating Income & Expenses			(113,785)			29
State & Local Income Taxes						30
Other Taxes	619,480	574,834	465,197	451,600	971,057	31
<b>Net Operating Income Before FIT</b>	<b>1,739,980</b>	<b>3,825,990</b>	<b>4,326,352</b>	<b>535,909</b>	<b>1,430,472</b>	<b>32</b>
Investment Tax Credits - Net	20,887	28,038		28,038		33
Federal Income Taxes	587,247	931,730	815,994	399,830	524,117	34
Provision - Def. Operating Income Taxes - Net	(60,802)	340,645	(720,900)	(184,223)	(28,038)	35
<b>Net Operating Income</b>	<b>\$1,234,422</b>	<b>\$2,581,653</b>	<b>\$4,231,258</b>	<b>\$348,340</b>	<b>\$934,393</b>	<b>36</b>

**Ogden Telephone Company**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
37 <b>Net Operating Income</b>	\$1,234,422	\$2,581,653	\$4,231,258	\$348,340	\$934,393
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income					120
39 Interest Income	60,180	7,014		569	
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction	17,875	17,847	63,146	141,710	20,556
42 Gains/Losses - Disposal of Property	(13,552)				(1,689)
43 Equity in Earnings of Affiliated Companies					
44 Other Non-Operating Income					(574,320)
45 Special Charges	317	22			246
46 Total Non-Operating Income & Expenses	64,186	24,839	63,146	142,279	(555,579)
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes			(80,501)	(89,138)	(357,119)
48 Other					
49 Total Non-Operating Taxes			(80,501)	(89,138)	(357,119)
50 Income Available Before Interest Charges	1,298,608	2,606,492	4,374,905	579,757	735,933
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	287,899	311,192	337,498	389,097	454,776
52 Other Interest Expense	160,327	10,260	11,746	7,865	9,511
53 Total Interest Charges	448,226	321,452	349,244	396,962	464,287
54 Income Before Extraordinary & Nonreg Items	850,382	2,285,040	4,025,661	182,795	271,646
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	\$850,382	\$2,285,040	\$4,025,661	\$182,795	\$271,646
<hr/>					
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$18,696,795	\$16,411,755	\$12,386,094	\$12,203,295	\$11,754,068
60 Transferred from Income	850,381	2,285,040	4,025,661	182,799	271,645
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock	1,171,000				
64 Adjustments					177,582
65 Ending Year Balance	18,376,177	18,696,795	16,411,755	12,386,094	12,203,295
66 Appropriated/Undistr Affiliate Retained Earnings					
67 <b>Total Retained Earnings</b>	\$18,376,177	\$18,696,795	\$16,411,755	\$12,386,094	\$12,203,295

**Oneida County Rural Telephone Company  
Comparative Balance Sheet  
For the Year Ended December 31,**

	2004	2003	2002	2001	2000
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$3,991,208	\$3,713,239	\$2,945,994	\$3,633,710	\$1,690,911
2 Accounts Receivable (Net)	496,077	632,580	896,073	689,723	719,910
3 Current Deferred Income Taxes					
4 Other Current Assets	243,927	249,511	290,144	273,900	245,625
5 Total Current Assets	4,731,212	4,595,330	4,132,211	4,597,333	2,656,445
<b>NON-CURRENT ASSETS</b>					
6 Investments	4,417,979	3,923,270	4,296,582	5,277,317	6,887,325
7 Unamortized Debt Issuance Costs	850	1,246	1,643	2,040	2,436
8 Deferred Charges	104,782	104,782	104,782	104,782	104,782
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes	74,141	61,200	1,821	3,642	5,464
11 Other Non-Current Assets	2,183,420	2,020,454	1,754,415	1,498,532	1,353,642
12 Total Non-Current Assets	6,781,172	6,110,952	6,159,243	6,886,313	8,353,649
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	13,759,261	13,556,412	13,346,514	13,070,798	13,034,762
14 Less: Accumulated Depr and Amort.	7,042,478	5,982,526	5,045,023	4,064,082	3,196,176
15 Net Regulated Plant	6,716,783	7,573,886	8,301,491	9,006,716	9,838,586
16 Total Assets & Other Debits	\$18,229,167	\$18,280,168	\$18,592,945	\$20,490,362	\$20,848,680
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$133,727	\$182,876	\$276,980	\$236,245	\$302,816
18 Notes Payable			30,000	50,000	70,136
19 Advanced Billings	5,576	5,833	6,728	8,232	8,159
20 Customer Deposits	1,506	1,420	1,738	2,400	4,960
21 Current Maturities - Long-Term Debt					
22 Current Deferred Income Taxes					
23 Other Current Liabilities	45,865	(158,521)	(74,643)	84,834	(347,549)
24 Total Current Liabilities	186,674	31,608	240,803	381,711	38,521
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	5,945,478	6,473,998	6,975,481	7,367,539	7,641,196
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC			3,535	5,303	7,071
27 Non-Current Deferred Taxes	1,106,039	1,184,540	1,004,160	1,593,847	1,981,376
28 Other Deferred Credits	93,168	91,910	92,587	93,028	27,532
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	210,000	180,000	150,000	120,000	90,000
31 Total Other Liab. and Def. Credits	1,409,207	1,456,450	1,250,282	1,812,178	2,105,979
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	85,100	85,100	85,100	85,100	85,100
33 Preferred Stock	35,350	35,350	35,450	35,450	39,950
34 Other Paid in Capital	(1,215,790)	(1,252,777)	(1,504,185)	(1,560,898)	(623,172)
35 Retained Earnings	11,783,148	11,450,439	11,510,016	12,369,282	11,561,105
36 Total Stockholder's Equity	10,687,808	10,318,112	10,126,381	10,928,934	11,062,983
37 Total Liab. and Stockholder's Equity	\$18,229,167	\$18,280,168	\$18,592,948	\$20,490,362	\$20,848,680

**Oneida County Rural Telephone Company**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

<b>INCOME STATEMENT</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$918,354	\$876,667	\$914,389	\$972,633	\$1,033,466	1
Network Access Services	2,359,774	2,098,407	2,543,188	2,687,392	2,598,074	2
Long Distance Network Services	415,599	655,648	447,787	553,102	848,775	3
Miscellaneous Revenues	512,161	564,468	647,522	876,452	1,408,773	4
Less: Uncollectible Revenues	12,169	(1,864)	53,291	20,509	12,491	5
<b>Total Operating Revenues</b>	<b>4,193,719</b>	<b>4,197,054</b>	<b>4,499,595</b>	<b>5,069,070</b>	<b>5,876,597</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	15,718	24,969	25,490	27,360	31,105	7
General Support Expenses	320,616	315,052	189,770	87,111	483,149	8
Central Office Switching	150,572	169,076	146,136	191,119	371,969	9
Operator Systems Expense						10
Central Office Transmission	109,720	64,160	74,345	153,368	30,866	11
Info. Origination/Termination	69,077	66,810	71,815	69,463	84,119	12
Cable & Wire Facilities	222,988	263,560	283,859	262,246	253,460	13
<b>Total Plant Specific Operations</b>	<b>888,691</b>	<b>903,627</b>	<b>791,415</b>	<b>790,667</b>	<b>1,254,667</b>	<b>14</b>
Other Plant, Property & Equipment					820	15
Network Operations	280,924	309,926	286,170	291,642	277,436	16
Access Expense	25,901	26,790	16,609	10,954	(472)	17
Depreciation and Amortization	1,118,052	1,103,414	1,098,071	1,104,074	1,198,959	18
<b>Total Plant Non-Specific Operations</b>	<b>1,424,877</b>	<b>1,440,130</b>	<b>1,400,850</b>	<b>1,406,670</b>	<b>1,476,742</b>	<b>19</b>
Marketing Expense	12,950	11,935	(978)	(2,684)	160,449	20
Services Expense	329,928	387,433	562,290	638,095	902,370	21
<b>Total Customer Operations</b>	<b>342,878</b>	<b>399,368</b>	<b>561,312</b>	<b>635,411</b>	<b>1,062,818</b>	<b>22</b>
Executive & Planning	324,676	361,474	411,897	402,648	448,014	23
General & Administrative	569,397	643,238	697,299	674,448	1,041,781	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>894,073</b>	<b>1,004,712</b>	<b>1,109,196</b>	<b>1,077,096</b>	<b>1,489,796</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>3,550,519</b>	<b>3,747,837</b>	<b>3,862,773</b>	<b>3,909,844</b>	<b>5,284,023</b>	<b>28</b>
Other Operating Income & Expenses						29
State & Local Income Taxes						30
Other Taxes	206,638	255,166	257,042	253,532	280,457	31
<b>Net Operating Income Before FIT</b>	<b>436,562</b>	<b>194,051</b>	<b>379,780</b>	<b>905,694</b>	<b>312,117</b>	<b>32</b>
Investment Tax Credits - Net		3,535	1,768	1,768	1,768	33
Federal Income Taxes	111,417	(46,657)	(34,998)	37,281	(218,265)	34
Provision - Def. Operating Income Taxes - Net	(110,498)	(10,332)	(625,016)	92,450	183,920	35
<b>Net Operating Income</b>	<b>\$435,643</b>	<b>\$254,575</b>	<b>\$1,041,562</b>	<b>\$777,731</b>	<b>\$348,230</b>	<b>36</b>

**Oneida County Rural Telephone Company**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
37 <b>Net Operating Income</b>	\$435,643	\$254,575	\$1,041,562	\$777,731	\$348,230
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income	31,829	27,441	2,452	67,655	63,960
39 Interest Income	172,588	153,781	156,556	60,885	77,048
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction					
42 Gains/Losses - Disposal of Property	(292)	(6,836)			
43 Equity in Earnings of Affiliated Companies	102,476	(20,299)	246,681	1,253,358	207,824
44 Other Non-Operating Income	(16,775)	(195,127)	(1,931,160)	(607,572)	90,115
45 Special Charges	3,334	(79,698)	(75,376)	22,931	19,717
46 Total Non-Operating Income & Expenses	286,492	38,658	(1,450,095)	751,395	419,230
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	26,738	(54,964)	35,650	223,175	8,854
48 Other					
49 Total Non-Operating Taxes	26,738	(54,964)	35,650	223,175	8,854
50 Income Available Before Interest Charges	695,397	348,197	(444,183)	1,305,951	758,606
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	358,334	389,091	408,200	424,451	406,359
52 Other Interest Expense	437	14,764	2,958	3,022	7,456
53 Total Interest Charges	358,771	403,855	411,158	427,473	413,815
54 Income Before Extraordinary & Nonreg Items	336,626	(55,658)	(855,341)	878,478	344,790
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	\$336,626	(\$55,658)	(\$855,341)	\$878,478	\$344,790
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$9,488,334	\$9,527,611	\$10,633,557	\$11,078,739	\$10,945,967
60 Transferred from Income	234,150	(35,359)	(1,102,023)	(374,880)	136,966
61 Appropriations					
Dividends Declared:					
62 Preferred Stock	2,121	2,121	2,127	2,262	2,397
63 Common Stock	1,797	1,797	1,797	1,797	1,797
64 Adjustments				(66,243)	
65 Ending Year Balance	9,718,566	9,488,334	9,527,611	10,633,557	11,078,739
66 Appropriated/Undistr Affiliate Retained Earnings	2,064,583	1,962,107	1,982,406	1,735,725	482,366
67 <b>Total Retained Earnings</b>	\$11,783,149	\$11,450,441	\$11,510,017	\$12,369,282	\$11,561,105

**Ontario Telephone Company, Inc.**  
**Comparative Balance Sheet**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$747,940	\$360,661	\$731,013	\$333,122	\$2,231,946
2 Accounts Receivable (Net)	1,058,314	1,290,097	999,449	1,354,725	1,143,558
3 Current Deferred Income Taxes	82	82	82	82	82
4 Other Current Assets	350,518	322,718	356,096	442,017	258,889
5 Total Current Assets	2,156,854	1,973,558	2,086,640	2,129,946	3,634,475
<b>NON-CURRENT ASSETS</b>					
6 Investments	724,302	864,541	869,641	1,030,009	1,230,378
7 Unamortized Debt Issuance Costs	9,600	10,800	12,750		
8 Deferred Charges			500		
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes	479,636	409,827	111,175	171,446	133,865
11 Other Non-Current Assets	2,367,595	2,217,427	2,001,788	2,123,750	874,604
12 Total Non-Current Assets	3,581,133	3,502,595	2,995,854	3,325,205	2,238,847
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	13,528,163	13,710,519	11,986,331	11,393,193	10,232,713
14 Less: Accumulated Depr and Amort.	5,707,170	5,956,803	5,781,389	5,679,192	5,259,202
15 Net Regulated Plant	7,820,993	7,753,715	6,204,942	5,714,001	4,973,511
16 Total Assets & Other Debits	\$13,558,979	\$13,229,868	\$11,287,436	\$11,169,152	\$10,846,833
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$285,193	\$393,299	\$245,457	\$324,956	\$157,820
18 Notes Payable	220,733	194,525	141,117	97,431	95,837
19 Advanced Billings	(26,569)	(20,112)	(20,589)	(8,349)	
20 Customer Deposits			685	475	1,040
21 Current Maturities - Long-Term Debt		85,483	342,857	342,857	342,857
22 Current Deferred Income Taxes					
23 Other Current Liabilities	490,566	522,716	226,851	317,843	169,963
24 Total Current Liabilities	969,923	1,175,911	936,378	1,075,213	767,517
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	1,500,000	1,500,000	584,835	427,023	769,203
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC			6,046	12,046	18,046
27 Non-Current Deferred Taxes	1,956,887	1,765,756	1,387,083	1,316,203	1,392,298
28 Other Deferred Credits	285,447	400,851	342,553	337,703	342,614
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	513,416	400,316	273,704	198,846	143,652
31 Total Other Liab. and Def. Credits	2,755,750	2,566,923	2,009,386	1,864,798	1,896,610
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	115,000	115,000	115,000	115,000	115,000
33 Preferred Stock					
34 Other Paid in Capital	(1,461,140)	(1,569,440)	(3,141,133)	(1,813,162)	(1,779,867)
35 Retained Earnings	9,679,446	9,441,474	10,782,970	9,500,280	9,078,370
36 Total Stockholder's Equity	8,333,306	7,987,034	7,756,837	7,802,118	7,413,503
37 Total Liab. and Stockholder's Equity	\$13,558,979	\$13,229,868	\$11,287,436	\$11,169,152	\$10,846,833

**Ontario Telephone Company, Inc.**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

<b>INCOME STATEMENT</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$962,297	\$994,050	\$931,237	\$832,592	\$888,483	1
Network Access Services	2,143,950	2,015,854	2,146,223	1,992,494	2,017,232	2
Long Distance Network Services						3
Miscellaneous Revenues	530,616	575,124	626,831	752,594	713,928	4
Less: Uncollectible Revenues	12,439	12,549	11,604	8,258	5,330	5
<b>Total Operating Revenues</b>	<b>3,624,424</b>	<b>3,572,479</b>	<b>3,692,687</b>	<b>3,569,422</b>	<b>3,614,313</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	3,049	6,023	9,758	4,879	16,050	7
General Support Expenses	134,855	120,858	98,362	96,518	101,947	8
Central Office Switching	275,428	275,711	301,983	239,079	285,260	9
Operator Systems Expense						10
Central Office Transmission	89,145	197,134	114,108	63,703	161,718	11
Info. Origination/Termination	59,096	50,200	36,734	27,192	12,742	12
Cable & Wire Facilities	274,887	353,548	378,184	386,512	361,204	13
<b>Total Plant Specific Operations</b>	<b>836,459</b>	<b>1,003,474</b>	<b>939,129</b>	<b>817,883</b>	<b>938,921</b>	<b>14</b>
Other Plant, Property & Equipment						15
Network Operations	223,395	218,759	200,649	161,582	143,505	16
Access Expense	57,279	46,595	36,274	27,068	29,323	17
Depreciation and Amortization	538,459	526,513	633,693	667,935	693,580	18
<b>Total Plant Non-Specific Operations</b>	<b>819,134</b>	<b>791,867</b>	<b>870,616</b>	<b>856,585</b>	<b>866,408</b>	<b>19</b>
Marketing Expense	98,970	50,042	152,575	100,514	58,392	20
Services Expense	462,811	478,955	523,263	487,995	524,915	21
<b>Total Customer Operations</b>	<b>561,781</b>	<b>528,997</b>	<b>675,838</b>	<b>588,509</b>	<b>583,307</b>	<b>22</b>
Executive & Planning	285,534	303,693	274,920	264,973	318,658	23
General & Administrative	428,505	448,400	462,328	445,288	392,250	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>714,039</b>	<b>752,093</b>	<b>737,248</b>	<b>710,261</b>	<b>710,908</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>2,931,413</b>	<b>3,076,431</b>	<b>3,222,831</b>	<b>2,973,238</b>	<b>3,099,544</b>	<b>28</b>
Other Operating Income & Expenses	(3,234)		(163)	163		29
State & Local Income Taxes						30
Other Taxes	216,490	193,950	175,109	166,441	169,088	31
<b>Net Operating Income Before FIT</b>	<b>473,287</b>	<b>302,098</b>	<b>294,584</b>	<b>429,906</b>	<b>345,681</b>	<b>32</b>
Investment Tax Credits - Net	75	5,176	6,000	6,000	6,000	33
Federal Income Taxes	(48,147)	(115,832)	(1,308)	111,789	53,447	34
Provision - Def. Operating Income Taxes - Net	138,534	237,482	117,518	(27,485)	(108,060)	35
<b>Net Operating Income</b>	<b>\$382,975</b>	<b>\$185,624</b>	<b>\$184,374</b>	<b>\$351,602</b>	<b>\$406,294</b>	<b>36</b>

**Ontario Telephone Company, Inc.**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
37 <b>Net Operating Income</b>	\$382,975	\$185,624	\$184,374	\$351,602	\$406,294
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income	3,750				
39 Interest Income	31,061	2,500	34,213	69,102	132,520
40 Income - Sinking and Other Funds		756			
41 Allowance for Funds Used During Construction	24,664		23,831	19,956	13,342
42 Gains/Losses - Disposal of Property		44,207			
43 Equity in Earnings of Affiliated Companies	(174,258)	(1,419,378)	1,294,819	63,336	26,171
44 Other Non-Operating Income	95,984	8,840	(233,136)	23,824	52,091
45 Special Charges	(28,092)	27,311	2,881	8,233	10,085
46 Total Non-Operating Income & Expenses	9,293	(1,390,386)	1,116,846	167,985	214,039
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	6,551	(5,909)	(141,070)	(72,029)	45,852
48 Other			1,000	3,000	6,000
49 Total Non-Operating Taxes	6,551	(5,909)	(140,070)	(69,029)	51,852
50 Income Available Before Interest Charges	385,717	(1,198,853)	1,441,290	588,616	568,481
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	68,403	60,614	58,463	71,819	98,033
52 Other Interest Expense	8,732	11,562	30,046	29,674	29,246
53 Total Interest Charges	77,135	72,176	88,509	101,493	127,279
54 Income Before Extraordinary & Nonreg Items	308,582	(1,271,029)	1,352,781	487,123	441,202
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	\$308,582	(\$1,271,029)	\$1,352,781	\$487,123	\$441,202
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$9,557,160	\$9,479,278	\$9,491,407	\$9,132,833	\$8,785,553
60 Transferred from Income	482,841	148,349	57,962	423,787	415,031
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock	70,611	70,467	70,091	65,213	67,751
64 Adjustments					
65 Ending Year Balance	9,969,390	9,557,160	9,479,278	9,491,407	9,132,833
66 Appropriated/Undistr Affiliate Retained Earnings	(289,944)	(115,686)	1,303,692	8,873	(54,463)
67 <b>Total Retained Earnings</b>	\$9,679,445	\$9,441,474	\$10,782,970	\$9,500,280	\$9,078,370

**Oriskany Falls Telephone Corporation**  
**Comparative Balance Sheet**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$1,432,509	\$1,331,310	\$1,302,444	\$1,141,691	\$1,081,112
2 Accounts Receivable (Net)	83,998	78,124	91,570	149,437	132,190
3 Current Deferred Income Taxes					
4 Other Current Assets	23,558	33,733	14,927	16,660	19,721
5 Total Current Assets	1,540,065	1,443,167	1,408,941	1,307,789	1,233,023
<b>NON-CURRENT ASSETS</b>					
6 Investments					
7 Unamortized Debt Issuance Costs	5,051	5,246	5,440	5,634	5,828
8 Deferred Charges					
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes					
11 Other Non-Current Assets			24,537	28,825	33,114
12 Total Non-Current Assets	5,051	5,246	29,977	34,459	38,943
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	1,536,448	1,517,750	1,582,804	1,597,098	1,586,160
14 Less: Accumulated Depr and Amort.	887,288	861,847	935,906	851,062	763,068
15 Net Regulated Plant	649,160	655,903	646,897	746,036	823,092
16 <b>Total Assets &amp; Other Debits</b>	<b>\$2,194,276</b>	<b>\$2,104,316</b>	<b>\$2,085,815</b>	<b>\$2,088,284</b>	<b>\$2,095,058</b>
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$57,971	\$45,018	\$32,805	\$44,554	\$29,304
18 Notes Payable					
19 Advanced Billings	4,176	4,350	4,212	4,108	4,083
20 Customer Deposits					
21 Current Maturities - Long-Term Debt	7,000	6,620	6,300	5,991	5,699
22 Current Deferred Income Taxes	(560)	(386)			
23 Other Current Liabilities	17,954	10,587	9,728	11,849	8,696
24 Total Current Liabilities	86,541	66,189	53,045	66,501	47,782
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	276,181	282,769	288,995	294,923	300,559
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC					
27 Non-Current Deferred Taxes	130,445	132,794	148,374	31,352	107,510
28 Other Deferred Credits			2,765	3,248	6,039
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	2,169	9,458	16,828	21,807	22,144
31 Total Other Liab. and Def. Credits	132,614	142,252	167,967	56,407	135,693
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	1,490	1,490	1,490	1,490	1,490
33 Preferred Stock					
34 Other Paid in Capital					
35 Retained Earnings	1,697,450	1,611,616	1,574,318	1,668,963	1,609,535
36 Total Stockholder's Equity	1,698,940	1,613,106	1,575,808	1,670,453	1,611,025
37 <b>Total Liab. and Stockholder's Equity</b>	<b>\$2,194,276</b>	<b>\$2,104,316</b>	<b>\$2,085,815</b>	<b>\$2,088,285</b>	<b>\$2,095,059</b>

**Oriskany Falls Telephone Corporation**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

INCOME STATEMENT	2004	2003	2002	2001	2000	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$254,175	\$236,834	\$227,682	\$225,089	\$234,800	1
Network Access Services	174,838	191,552	174,509	148,649	228,451	2
Long Distance Network Services						3
Miscellaneous Revenues	68,147	58,783	84,565	79,826	120,775	4
Less: Uncollectible Revenues	4,449	8,681	45,107	1,925	4,779	5
Total Operating Revenues	492,711	478,488	441,650	451,639	579,247	6
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	1,660	1,359	775	244	(328)	7
General Support Expenses	9,037	11,034	9,206	9,878	7,128	8
Central Office Switching	3,820	4,996	6,625	5,394	395	9
Operator Systems Expense						10
Central Office Transmission	539	1,209	2,334	678	209	11
Info. Origination/Termination	8,996	10,372	11,612	15,143	19,386	12
Cable & Wire Facilities	9,944	5,658	8,553	6,883	7,525	13
Total Plant Specific Operations	33,996	34,628	39,105	38,219	34,315	14
Other Plant, Property & Equipment				(56)		15
Network Operations	33,379	34,321	33,689	29,915	26,444	16
Access Expense	7,487					17
Depreciation and Amortization	70,888	75,684	111,846	110,723	110,083	18
Total Plant Non-Specific Operations	111,754	110,005	145,535	140,582	136,527	19
Marketing Expense	31,709	33,147	33,098	29,568	26,708	20
Services Expense	68,594	62,757	66,740	63,767	75,461	21
Total Customer Operations	100,303	95,904	99,838	93,335	102,169	22
Executive & Planning	8,745	7,184	7,052	9,833	10,683	23
General & Administrative	74,237	69,839	67,430	74,636	75,650	24
Provision - Uncollectible Notes Rec.						25
Other						26
Total Corporate Operations	82,982	77,023	74,482	84,469	86,333	27
Total Operations Expense	329,035	317,560	358,960	356,605	359,344	28
Other Operating Income & Expenses					300	29
State & Local Income Taxes						30
Other Taxes	33,072	32,949	35,340	33,269	42,551	31
<b>Net Operating Income Before FIT</b>	<b>130,604</b>	<b>127,979</b>	<b>47,349</b>	<b>61,765</b>	<b>177,652</b>	<b>32</b>
Investment Tax Credits - Net					(509)	33
Federal Income Taxes	47,281	78,391	67,796	93,355	61,835	34
Provision - Def. Operating Income Taxes - Net	(2,523)	5,806	1,424	(72,353)	(101)	35
<b>Net Operating Income</b>	<b>\$85,846</b>	<b>\$43,782</b>	<b>(\$21,871)</b>	<b>\$40,763</b>	<b>\$115,409</b>	<b>36</b>

**Oriskany Falls Telephone Corporation**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
37 <b>Net Operating Income</b>	\$85,846	\$43,782	(\$21,871)	\$40,763	\$115,409
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income					
39 Interest Income	20,683	13,166	23,970	49,263	61,076
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction					
42 Gains/Losses - Disposal of Property					
43 Equity in Earnings of Affiliated Companies					
44 Other Non-Operating Income					
45 Special Charges	351	282	119,690	350	(139,649)
46 Total Non-Operating Income & Expenses	20,332	12,884	(95,720)	48,913	200,725
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	5,828	4,499	(38,055)	14,864	18,777
48 Other					
49 Total Non-Operating Taxes	5,828	4,499	(38,055)	14,864	18,777
50 Income Available Before Interest Charges	100,350	52,167	(79,536)	74,812	297,357
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	14,322	14,623	14,912	15,185	15,448
52 Other Interest Expense	194	247	194	194	195
53 Total Interest Charges	14,516	14,870	15,106	15,379	15,643
54 Income Before Extraordinary & Nonreg Items	85,834	37,297	(94,642)	59,433	281,714
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	\$85,834	\$37,297	(\$94,642)	\$59,433	\$281,714
<hr/>					
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$1,611,619	\$1,574,322	\$1,668,964	\$1,609,535	\$1,327,822
60 Transferred from Income	85,834	37,297	(94,642)	59,432	281,713
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock					
64 Adjustments				(3)	
65 Ending Year Balance	1,697,453	1,611,619	1,574,322	1,668,964	1,609,535
66 Appropriated/Undistr Affiliate Retained Earnings					
67 <b>Total Retained Earnings</b>	\$1,697,453	\$1,611,619	\$1,574,322	\$1,668,964	\$1,609,535

**Pattersonville Telephone Company  
Comparative Balance Sheet  
For the Year Ended December 31,**

	2004	2003	2002	2001	2000
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$480,208	\$693,619	\$503,981	\$589,274	\$452,414
2 Accounts Receivable (Net)	222,646	170,847	219,394	149,330	211,023
3 Current Deferred Income Taxes					
4 Other Current Assets	86,306	95,109	157,823	101,946	112,199
5 Total Current Assets	789,161	959,575	881,198	840,550	775,636
<b>NON-CURRENT ASSETS</b>					
6 Investments	4,278	6,456	10,704	15,023	47,911
7 Unamortized Debt Issuance Costs	2,126	2,487	2,847	3,318	3,805
8 Deferred Charges	12,317	11,696	11,042	10,583	10,002
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes					
11 Other Non-Current Assets					
12 Total Non-Current Assets	18,720	20,639	24,593	28,924	61,718
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	4,522,985	4,480,618	3,794,921	3,630,419	3,287,634
14 Less: Accumulated Depr and Amort.	2,922,711	2,653,464	2,460,041	2,202,057	1,941,141
15 Net Regulated Plant	1,600,274	1,827,154	1,334,880	1,428,362	1,346,493
16 Total Assets & Other Debits	\$2,408,155	\$2,807,367	\$2,240,671	\$2,297,836	\$2,183,847
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$50,521	\$460,097	\$37,927	\$200,919	\$57,715
18 Notes Payable					
19 Advanced Billings	13,488	14,969	22,834	21,363	24,184
20 Customer Deposits	673	723	863	943	1,128
21 Current Maturities - Long-Term Debt	19,534	18,993	18,897	25,940	25,438
22 Current Deferred Income Taxes					
23 Other Current Liabilities	18,826	31,391	32,416	13,326	54,214
24 Total Current Liabilities	103,041	526,173	112,937	262,491	162,679
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	75,473	95,007	114,001	132,902	158,844
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC	2,677	3,639	4,695	5,908	7,151
27 Non-Current Deferred Taxes	301,636	272,380	216,689	175,620	181,213
28 Other Deferred Credits	35,069	39,030	42,958	47,082	40,286
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	43,741	77,845	74,367	101,648	114,361
31 Total Other Liab. and Def. Credits	383,123	392,893	338,709	330,258	343,011
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	96,000	96,000	96,000	96,000	96,000
33 Preferred Stock					
34 Other Paid in Capital	(83,270)	(83,270)	(83,270)	(83,270)	(62,270)
35 Retained Earnings	1,833,788	1,780,564	1,662,294	1,559,455	1,485,583
36 Total Stockholder's Equity	1,846,518	1,793,294	1,675,024	1,572,185	1,519,313
37 Total Liab. and Stockholder's Equity	\$2,408,155	\$2,807,367	\$2,240,671	\$2,297,836	\$2,183,847

**Pattersonville Telephone Company**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

INCOME STATEMENT	2004	2003	2002	2001	2000	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$481,798	\$492,923	\$497,470	\$513,204	\$534,011	1
Network Access Services	426,092	453,886	413,711	459,661	475,565	2
Long Distance Network Services	731,539	616,103	650,784	469,065	428,824	3
Miscellaneous Revenues	196,130	211,133	214,609	227,988	268,247	4
Less: Uncollectible Revenues	3,821	2,922	2,161	2,336	2,036	5
<b>Total Operating Revenues</b>	<b>1,831,738</b>	<b>1,771,123</b>	<b>1,774,413</b>	<b>1,667,582</b>	<b>1,704,611</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	4,727	4,679	6,487	5,855	7,989	7
General Support Expenses	66,392	68,555	53,889	69,076	72,940	8
Central Office Switching	207,741	163,495	164,572	146,374	139,592	9
Operator Systems Expense						10
Central Office Transmission	80,576	75,373	64,194	53,520	52,286	11
Info. Origination/Termination	28,036	25,557	27,657	26,481	46,012	12
Cable & Wire Facilities	100,237	85,849	107,725	89,076	115,904	13
<b>Total Plant Specific Operations</b>	<b>487,710</b>	<b>423,507</b>	<b>424,524</b>	<b>390,382</b>	<b>434,723</b>	<b>14</b>
Other Plant, Property & Equipment						15
Network Operations	77,156	64,701	64,147	51,390	50,029	16
Access Expense	16,881	23,918	22,784	9,354	5,202	17
Depreciation and Amortization	295,413	260,542	313,440	288,580	293,080	18
<b>Total Plant Non-Specific Operations</b>	<b>389,450</b>	<b>349,161</b>	<b>400,371</b>	<b>349,324</b>	<b>348,311</b>	<b>19</b>
Marketing Expense	9,613	11,745	20,575	28,448	36,229	20
Services Expense	158,641	152,903	158,082	145,671	161,451	21
<b>Total Customer Operations</b>	<b>168,254</b>	<b>164,648</b>	<b>178,657</b>	<b>174,119</b>	<b>197,680</b>	<b>22</b>
Executive & Planning	218,999	292,689	262,066	241,098	231,562	23
General & Administrative	382,300	274,481	300,208	321,745	303,990	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>601,299</b>	<b>567,170</b>	<b>562,274</b>	<b>562,843</b>	<b>535,552</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>1,646,712</b>	<b>1,504,486</b>	<b>1,565,826</b>	<b>1,476,668</b>	<b>1,516,266</b>	<b>28</b>
Other Operating Income & Expenses	2,647	2,831	5,749	1,061	309	29
State & Local Income Taxes						30
Other Taxes	88,631	82,068	76,152	73,827	78,181	31
<b>Net Operating Income Before FIT</b>	<b>99,042</b>	<b>187,399</b>	<b>138,184</b>	<b>118,148</b>	<b>110,473</b>	<b>32</b>
Investment Tax Credits - Net						33
Federal Income Taxes	(18,630)	11,313	4,057	36,671	52,054	34
Provision - Def. Operating Income Taxes - Net	25,409	51,844	27,912	(6,555)	(18,226)	35
<b>Net Operating Income</b>	<b>\$92,263</b>	<b>\$124,242</b>	<b>\$106,215</b>	<b>\$88,032</b>	<b>\$76,645</b>	<b>36</b>

**Pattersonville Telephone Company**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
37 <b>Net Operating Income</b>	\$92,263	\$124,242	\$106,215	\$88,032	\$76,645
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income	1,380	798	672	618	234
39 Interest Income	6,565	6,735	9,784	21,488	26,442
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction					
42 Gains/Losses - Disposal of Property					
43 Equity in Earnings of Affiliated Companies					
44 Other Non-Operating Income				11,293	(56)
45 Special Charges	1,440	1,129	892	869	786
46 Total Non-Operating Income & Expenses	6,505	6,404	9,564	32,530	25,834
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	(961)	(1,056)	(1,214)	(1,243)	(1,288)
48 Other					
49 Total Non-Operating Taxes	(961)	(1,056)	(1,214)	(1,243)	(1,288)
50 Income Available Before Interest Charges	99,728	131,701	116,993	121,805	103,767
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	4,860	5,377	5,976	6,613	7,236
52 Other Interest Expense	(358)	(346)	(222)	360	618
53 Total Interest Charges	4,502	5,031	5,754	6,973	7,854
54 Income Before Extraordinary & Nonreg Items	95,226	126,670	111,239	114,832	95,913
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	<b>\$95,226</b>	<b>\$126,670</b>	<b>\$111,239</b>	<b>\$114,832</b>	<b>\$95,913</b>
<hr/>					
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$1,780,564	\$1,662,294	\$1,559,455	\$1,485,583	\$1,423,870
60 Transferred from Income	95,226	126,670	111,239	114,832	95,913
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock	42,000	8,400	8,400	33,600	34,200
64 Adjustments				(7,360)	
65 Ending Year Balance	1,833,790	1,780,564	1,662,294	1,559,455	1,485,583
66 Appropriated/Undistr Affiliate Retained Earnings					
67 <b>Total Retained Earnings</b>	<b>\$1,833,790</b>	<b>\$1,780,564</b>	<b>\$1,662,294</b>	<b>\$1,559,455</b>	<b>\$1,485,583</b>

**Port Byron Telephone Company  
Comparative Balance Sheet  
For the Year Ended December 31,**

	2004	2003	2002	2001	2000
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$9,570,181	\$9,171,481	\$8,909,711	\$8,357,849	\$8,133,488
2 Accounts Receivable (Net)	496,661	680,568	569,557	940,865	893,346
3 Current Deferred Income Taxes					
4 Other Current Assets	178,054	204,381	112,172	112,778	137,983
5 Total Current Assets	10,244,896	10,056,430	9,591,440	9,411,492	9,164,817
<b>NON-CURRENT ASSETS</b>					
6 Investments	305,135	342,375	439,875	49,875	49,875
7 Unamortized Debt Issuance Costs	3,692	4,275	4,858	5,441	6,024
8 Deferred Charges	48,138	20,143	9,571		
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes					
11 Other Non-Current Assets			140,996	164,495	187,994
12 Total Non-Current Assets	356,965	366,793	595,300	219,811	243,893
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	10,186,548	10,107,739	10,297,308	10,113,405	9,782,311
14 Less: Accumulated Depr and Amort.	4,936,651	4,554,283	4,701,625	4,076,041	3,525,924
15 Net Regulated Plant	5,249,897	5,553,456	5,595,683	6,037,364	6,256,387
16 Total Assets & Other Debits	\$15,851,758	\$15,976,679	\$15,782,423	\$15,668,666	\$15,665,097
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$337,102	\$298,406	\$307,402	\$316,695	\$279,182
18 Notes Payable					
19 Advanced Billings		119	137	118	
20 Customer Deposits					
21 Current Maturities - Long-Term Debt	359,350	342,948	317,808	273,734	259,812
22 Current Deferred Income Taxes	(3,955)	(2,590)			
23 Other Current Liabilities	77,327	114,829	58,195	55,670	144,614
24 Total Current Liabilities	769,824	753,712	683,542	646,217	683,608
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	2,110,032	2,476,120	2,871,221	2,798,349	3,071,503
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC				4,035	13,818
27 Non-Current Deferred Taxes	749,296	700,984	789,400	801,773	875,265
28 Other Deferred Credits	213,052	252,343	285,140	323,357	364,668
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	18,455	21,981	11,338	(1,643)	(4,830)
31 Total Other Liab. and Def. Credits	980,803	975,308	1,085,878	1,127,522	1,248,921
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	60,002	60,002	60,002	45,003	45,003
33 Preferred Stock					
34 Other Paid in Capital	57,079	57,079	57,079	57,079	57,078
35 Retained Earnings	11,874,018	11,654,458	11,024,701	10,994,496	10,558,984
36 Total Stockholder's Equity	11,991,099	11,771,539	11,141,783	11,096,578	10,661,065
37 Total Liab. and Stockholder's Equity	\$15,851,758	\$15,976,679	\$15,782,423	\$15,668,666	\$15,665,097

**Port Byron Telephone Company**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

<b>INCOME STATEMENT</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	837,523	751,199	645,507	\$623,135	\$630,864	1
Network Access Services	1,645,253	1,621,910	1,634,187	1,727,874	2,073,213	2
Long Distance Network Services		(2)				3
Miscellaneous Revenues	430,084	474,326	556,210	693,309	714,453	4
Less: Uncollectible Revenues	25,003	25,818	52,532	8,494	5,087	5
<b>Total Operating Revenues</b>	<b>2,887,857</b>	<b>2,821,615</b>	<b>2,783,372</b>	<b>3,035,824</b>	<b>3,413,442</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	12,163	7,675	12,133	10,391	7,280	7
General Support Expenses	41,740	46,317	60,039	55,876	50,361	8
Central Office Switching	92,121	82,335	59,695	56,210	53,434	9
Operator Systems Expense						10
Central Office Transmission	16,025	29,814	18,548	16,803	16,205	11
Info. Origination/Termination	245,561	305,127	235,408	301,038	446,431	12
Cable & Wire Facilities	122,050	132,941	117,268	95,886	122,275	13
<b>Total Plant Specific Operations</b>	<b>529,660</b>	<b>604,209</b>	<b>503,091</b>	<b>536,204</b>	<b>695,986</b>	<b>14</b>
Other Plant, Property & Equipment	(1)			970	1,611	15
Network Operations	230,261	242,035	233,040	199,390	163,478	16
Access Expense	37,830	29,853	17,855	11,045	(246)	17
Depreciation and Amortization	625,361	593,974	719,623	703,786	679,125	18
<b>Total Plant Non-Specific Operations</b>	<b>893,451</b>	<b>865,862</b>	<b>970,518</b>	<b>915,191</b>	<b>843,968</b>	<b>19</b>
Marketing Expense	208,229	234,278	229,148	190,523	105,034	20
Services Expense	231,183	358,813	392,736	364,605	397,534	21
<b>Total Customer Operations</b>	<b>439,412</b>	<b>593,091</b>	<b>621,884</b>	<b>555,128</b>	<b>502,568</b>	<b>22</b>
Executive & Planning	154,459	81,807	36,162	49,520	50,037	23
General & Administrative	356,343	356,933	332,250	342,798	349,431	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>510,802</b>	<b>438,740</b>	<b>368,412</b>	<b>392,318</b>	<b>399,468</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>2,373,325</b>	<b>2,501,902</b>	<b>2,463,905</b>	<b>2,398,841</b>	<b>2,441,990</b>	<b>28</b>
Other Operating Income & Expenses					17,636	29
State & Local Income Taxes						30
Other Taxes	186,183	182,248	221,018	178,961	189,362	31
<b>Net Operating Income Before FIT</b>	<b>328,349</b>	<b>137,465</b>	<b>98,449</b>	<b>458,022</b>	<b>799,726</b>	<b>32</b>
Investment Tax Credits - Net			4,035	9,783	9,783	33
Federal Income Taxes	55,342	(1,663,671)	16,941	179,464	258,274	34
Provision - Def. Operating Income Taxes - Net	46,947	49,990	8,952	(55,261)	5,298	35
<b>Net Operating Income</b>	<b>\$226,060</b>	<b>\$1,751,146</b>	<b>\$76,591</b>	<b>\$343,602</b>	<b>\$545,937</b>	<b>36</b>

**Port Byron Telephone Company**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
37 <b>Net Operating Income</b>	\$226,060	\$1,751,146	\$76,591	\$343,602	\$545,937
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income	7,200	4,032	3,150		
39 Interest Income	139,117	169,889	171,368	359,846	498,383
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction					
42 Gains/Losses - Disposal of Property					
43 Equity in Earnings of Affiliated Companies					
44 Other Non-Operating Income		(39)	(173)	(458)	(113)
45 Special Charges	4,168	2,429	3,654	2,253	2,887
46 Total Non-Operating Income & Expenses	142,149	171,453	170,691	357,135	495,383
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	20,895	1,957,290	22,760	94,010	141,037
48 Other		(807,409)			64,914
49 Total Non-Operating Taxes	20,895	1,149,881	22,760	94,010	205,951
50 Income Available Before Interest Charges	347,314	772,718	224,522	606,728	835,369
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	126,493	142,239	156,771	170,632	183,798
52 Other Interest Expense	1,261	723	22,545	583	693
53 Total Interest Charges	127,754	142,962	179,316	171,215	184,491
54 Income Before Extraordinary & Nonreg Items	219,560	629,756	45,205	435,512	650,878
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	\$219,560	\$629,756	\$45,205	\$435,512	\$650,878
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$11,654,458	\$11,024,702	\$10,994,496	\$10,558,984	\$9,908,106
60 Transferred from Income	219,560	\$629,756	45,205	435,512	650,878
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock					
64 Adjustments			(15,000)		
65 Ending Year Balance	11,874,018	11,654,458	11,024,702	10,994,496	10,558,984
66 Appropriated/Undistr Affiliate Retained Earnings					
67 <b>Total Retained Earnings</b>	\$11,874,018	\$11,654,458	\$11,024,702	\$10,994,496	\$10,558,984

**Rochester Telephone Corporation**  
**Comparative Balance Sheet**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$450,716	\$2,184,662	\$10,249,105	\$4,128,267	\$30,391,069
2 Accounts Receivable (Net)	83,001,825	259,680,571	543,942,857	56,910,734	89,041,429
3 Current Deferred Income Taxes			2,989,233		2,989,233
4 Other Current Assets	13,393,157	16,813,892	21,435,701	13,066,492	18,396,854
5 Total Current Assets	96,845,697	278,679,125	578,616,896	74,105,493	140,818,586
<b>NON-CURRENT ASSETS</b>					
6 Investments	(28,690,033)	268,080,378	(471,226,541)	(163,235,656)	29,402,773
7 Unamortized Debt Issuance Costs				14,343	71,715
8 Deferred Charges	48,909	(567,274)	(1,707,306)	(653,848)	(725,862)
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes			282,618,262		271,291,783
11 Other Non-Current Assets	188,285,250	193,384,974	204,581,585	197,071,133	32,860,796
12 Total Non-Current Assets	159,644,126	460,898,078	14,266,000	33,195,972	332,901,205
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	1,387,816,834	1,357,566,544	1,333,952,521	1,283,195,741	1,157,167,006
14 Less: Accumulated Depr and Amort.	795,857,132	737,051,640	680,986,552	633,478,520	586,782,443
15 Net Regulated Plant	591,959,702	620,514,904	652,965,969	649,717,220	570,384,563
16 Total Assets & Other Debits	\$848,449,524	\$1,360,092,108	\$1,245,848,865	\$757,018,685	\$1,044,104,354
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$94,500,832	\$633,671,315	\$41,409,138	\$58,720,196	\$70,452,377
18 Notes Payable					
19 Advanced Billings	4,315,748	4,142,157	4,270,932	4,348,635	4,618,681
20 Customer Deposits	100,412	142,824	290,300	213,132	236,815
21 Current Maturities - Long-Term Debt				40,000,000	
22 Current Deferred Income Taxes			745,969		745,969
23 Other Current Liabilities	10,089,550	12,452,874	17,129,971	41,260,486	24,452,196
24 Total Current Liabilities	109,006,542	650,409,169	63,846,310	144,542,449	100,506,038
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt					40,000,000
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC			3,271,452	3,271,452	3,271,452
27 Non-Current Deferred Taxes	38,005,266	29,384,773	493,403,672	3,534,736	339,547,024
28 Other Deferred Credits	(13,919,784)	(9,177,567)	(5,838,466)	(4,284,082)	(617,703)
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	90,986,107	98,872,893	78,461,847	66,846,034	53,379,551
31 Total Other Liab. and Def. Credits	115,071,589	119,080,098	569,298,505	69,368,140	395,580,325
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock					
33 Preferred Stock					
34 Other Paid in Capital	451,236,610	451,236,610	451,236,610	451,236,610	450,801,611
35 Retained Earnings	173,134,777	139,366,226	161,467,441	91,871,487	57,216,381
36 Total Stockholder's Equity	624,371,387	590,602,836	612,704,051	543,108,097	508,017,992
37 Total Liab. and Stockholder's Equity	\$848,449,518	\$1,360,092,103	\$1,245,848,865	\$757,018,685	\$1,044,104,354

**Rochester Telephone Corporation**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

<b>INCOME STATEMENT</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$166,019,418	\$170,566,593	\$175,599,570	\$184,888,900	\$178,482,695	1
Network Access Services	104,793,356	99,803,373	98,852,179	99,035,318	98,124,216	2
Long Distance Network Services	2,464,887	3,019,353	3,674,965	4,292,125	5,278,731	3
Miscellaneous Revenues	72,012,603	76,939,577	80,617,133	87,046,588	83,336,722	4
Less: Uncollectible Revenues	3,102,236	10,124,761	3,665,668	2,509,555	1,964,733	5
<b>Total Operating Revenues</b>	<b>342,188,028</b>	<b>340,204,135</b>	<b>355,078,179</b>	<b>372,753,377</b>	<b>363,257,630</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	432,265	272,333	216,652	380,808	647,450	7
General Support Expenses	27,146,333	19,069,319	15,007,008	12,398,084	23,742,318	8
Central Office Switching	9,718,302	11,934,277	12,188,583	12,236,161	16,120,879	9
Operator Systems Expense	500,045	253,405	396,482	37,716	10,001	10
Central Office Transmission	5,302,390	3,659,971	3,401,474	4,586,462	4,428,950	11
Info. Origination/Termination	5,903,480	8,637,772	7,228,786	5,583,261	3,748,633	12
Cable & Wire Facilities	32,428,805	33,034,950	28,487,748	28,189,245	36,651,932	13
<b>Total Plant Specific Operations</b>	<b>81,431,620</b>	<b>76,862,025</b>	<b>66,926,732</b>	<b>63,411,737</b>	<b>85,350,165</b>	<b>14</b>
Other Plant, Property & Equipment	1,780	1,064	(2,603)			15
Network Operations	22,333,165	24,629,678	21,836,512	27,900,949	23,565,865	16
Access Expense	11,158,298	12,969,581	8,038,606	13,589,412	15,133,217	17
Depreciation and Amortization	71,698,324	31,983,144	63,244,522	59,364,119	56,117,952	18
<b>Total Plant Non-Specific Operations</b>	<b>105,191,567</b>	<b>69,583,467</b>	<b>93,117,037</b>	<b>100,854,479</b>	<b>94,817,034</b>	<b>19</b>
Marketing Expense	9,285,070	9,650,029	10,335,953	11,537,190	6,539,217	20
Services Expense	39,744,511	44,276,658	44,628,579	55,358,033	44,349,749	21
<b>Total Customer Operations</b>	<b>49,029,581</b>	<b>53,926,686</b>	<b>54,964,532</b>	<b>66,895,223</b>	<b>50,888,967</b>	<b>22</b>
Executive & Planning	20,628,563	3,986,616	1,434,134	2,607,209	4,385,146	23
General & Administrative	21,064,771	21,938,521	21,177,787	35,796,463	22,790,074	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>41,693,333</b>	<b>25,925,137</b>	<b>22,611,920</b>	<b>38,403,673</b>	<b>27,175,221</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>277,346,101</b>	<b>226,297,315</b>	<b>237,620,222</b>	<b>269,565,112</b>	<b>258,231,387</b>	<b>28</b>
Other Operating Income & Expenses						29
State & Local Income Taxes	(3,349)	(44)				30
Other Taxes	20,472,341	22,166,766	17,239,157	17,253,553	14,578,137	31
<b>Net Operating Income Before FIT</b>	<b>44,372,936</b>	<b>91,740,098</b>	<b>100,218,800</b>	<b>85,934,712</b>	<b>90,448,107</b>	<b>32</b>
Investment Tax Credits - Net					766,000	33
Federal Income Taxes	16,977,162	(189,078)	(15,623,629)	16,492,791	10,435,265	34
Provision - Def. Operating Income Taxes - Net	2,959,097	16,211,766	26,015,625	12,984,091	50,197,398	35
<b>Net Operating Income</b>	<b>\$24,436,677</b>	<b>\$75,717,410</b>	<b>\$89,826,803</b>	<b>\$56,457,830</b>	<b>\$30,581,444</b>	<b>36</b>

**Rochester Telephone Corporation**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
37 <b>Net Operating Income</b>	\$24,436,677	\$75,717,410	\$89,826,803	\$56,457,830	\$30,581,444
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income					
39 Interest Income	12,245,086	2,789,321	32,821	1,786,499	5,776,924
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction	537,104	656,573	2,768,830	3,077,930	3,266,823
42 Gains/Losses - Disposal of Property	12,000				
43 Equity in Earnings of Affiliated Companies					
44 Other Non-Operating Income	4,091,478	3,544,442	2,908,899	1,975,325	1,624,114
45 Special Charges	655,850	1,062,217	829,611	1,280,918	1,694,097
46 Total Non-Operating Income & Expenses	16,229,818	5,928,119	4,880,939	5,558,836	8,973,764
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes					
48 Other					
49 Total Non-Operating Taxes					
50 Income Available Before Interest Charges	40,666,495	81,645,529	94,707,742	62,016,667	39,555,208
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt			717,622	3,004,000	3,004,000
52 Other Interest Expense	6,897,943	53,450,211	24,394,165	7,401,847	3,755,898
53 Total Interest Charges	6,897,943	53,450,211	25,111,787	10,405,847	6,759,898
54 Income Before Extraordinary & Nonreg Items	33,768,552	28,195,318	69,595,955	51,610,820	32,795,310
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	\$33,768,552	\$28,195,318	\$69,595,955	\$51,610,820	\$32,795,310
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$139,366,226	\$111,170,913	\$91,871,489	\$57,216,381	\$265,844,488
60 Transferred from Income	33,768,552	28,195,318	69,595,955	51,610,820	32,795,309
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock					23,000,000
64 Adjustments		(4)	(50,296,532)	(16,955,711)	(218,423,416)
65 Ending Year Balance	173,134,778	139,366,226	111,170,913	91,871,489	57,216,381
66 Appropriated/Undistr Affiliate Retained Earnings					
67 <b>Total Retained Earnings</b>	\$173,134,778	\$139,366,226	\$111,170,913	\$91,871,489	\$57,216,381

**State Telephone Company  
Comparative Balance Sheet  
For the Year Ended December 31,**

	2004	2003	2002	2001	2000
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$371,593	\$443,716	\$725,279	\$524,928	\$415,930
2 Accounts Receivable (Net)	516,517	485,731	507,712	690,873	527,080
3 Current Deferred Income Taxes					
4 Other Current Assets	422,215	357,164	345,171	318,090	238,803
5 Total Current Assets	1,310,325	1,286,611	1,578,162	1,533,891	1,181,813
<b>NON-CURRENT ASSETS</b>					
6 Investments	770,035	586,932	463,506	311,417	308,142
7 Unamortized Debt Issuance Costs					
8 Deferred Charges	64,735	274,213	141,817	150,968	147,453
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes					
11 Other Non-Current Assets			147,628	140,440	121,392
12 Total Non-Current Assets	834,770	861,145	752,951	602,825	576,987
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	16,182,929	15,329,519	14,424,006	13,871,844	13,403,369
14 Less: Accumulated Depr and Amort.	11,451,700	10,651,436	9,860,385	9,019,155	8,297,990
15 Net Regulated Plant	4,731,229	4,678,083	4,563,621	4,852,689	5,105,379
16 Total Assets & Other Debits	\$6,876,324	\$6,825,839	\$6,894,734	\$6,989,405	\$6,864,179
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$61,158	\$131,871	\$188,630	\$182,025	\$188,573
18 Notes Payable					
19 Advanced Billings					
20 Customer Deposits	19,853	20,088	21,537	22,512	26,339
21 Current Maturities - Long-Term Debt					
22 Current Deferred Income Taxes					
23 Other Current Liabilities	106,340	(51,364)	91,547	153,051	6,924
24 Total Current Liabilities	187,351	100,595	301,714	357,588	221,836
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt					
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC					
27 Non-Current Deferred Taxes	233,971	308,341	251,943	407,102	461,518
28 Other Deferred Credits	542,228	570,495	532,786	532,786	532,786
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	1,120,312	1,073,529	976,347	904,422	815,708
31 Total Other Liab. and Def. Credits	1,896,511	1,952,365	1,761,076	1,844,310	1,810,012
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	80,000	80,000	80,000	80,000	80,000
33 Preferred Stock					
34 Other Paid in Capital					
35 Retained Earnings	4,712,462	4,692,879	4,751,944	4,707,507	4,752,331
36 Total Stockholder's Equity	4,792,462	4,772,879	4,831,944	4,787,507	4,832,331
37 Total Liab. and Stockholder's Equity	\$6,876,324	\$6,825,839	\$6,894,734	\$6,989,405	\$6,864,179

**State Telephone Company**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

<b>INCOME STATEMENT</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$1,463,020	\$1,464,262	\$1,499,410	\$1,522,329	\$1,372,210	1
Network Access Services	2,109,367	2,040,646	2,083,683	1,761,646	1,793,135	2
Long Distance Network Services	1,019,838	992,677	895,643	1,072,286	983,062	3
Miscellaneous Revenues	820,772	827,399	743,240	706,894	751,344	4
Less: Uncollectible Revenues	(4,855)	16,192	25,735	7,711	(6,319)	5
<b>Total Operating Revenues</b>	<b>5,417,852</b>	<b>5,308,792</b>	<b>5,196,241</b>	<b>5,055,444</b>	<b>4,906,070</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	30,016	28,781	53,625	7,069	25,555	7
General Support Expenses	231,173	270,849	238,385	257,863	236,759	8
Central Office Switching	437,949	311,533	205,499	181,986	122,623	9
Operator Systems Expense						10
Central Office Transmission	14,391	20,897	12,450	42,822	17,565	11
Info. Origination/Termination	264,121	253,904	231,286	246,449	249,833	12
Cable & Wire Facilities	266,469	188,883	271,056	189,182	205,937	13
<b>Total Plant Specific Operations</b>	<b>1,244,119</b>	<b>1,074,847</b>	<b>1,012,301</b>	<b>925,371</b>	<b>858,272</b>	<b>14</b>
Other Plant, Property & Equipment	71,599	66,700	64,151	59,273	57,933	15
Network Operations	278,950	262,994	262,127	249,610	256,880	16
Access Expense	69,099	54,941	41,245	26,248	29,189	17
Depreciation and Amortization	970,352	918,383	891,095	771,838	784,590	18
<b>Total Plant Non-Specific Operations</b>	<b>1,390,000</b>	<b>1,303,018</b>	<b>1,258,618</b>	<b>1,106,969</b>	<b>1,128,592</b>	<b>19</b>
Marketing Expense	25,537	19,707	13,657	7,996	15,858	20
Services Expense	678,654	754,270	704,446	611,426	573,053	21
<b>Total Customer Operations</b>	<b>704,191</b>	<b>773,977</b>	<b>718,103</b>	<b>619,422</b>	<b>588,911</b>	<b>22</b>
Executive & Planning	598,222	541,700	542,000	561,640	586,861	23
General & Administrative	321,035	333,094	367,718	409,703	401,180	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>919,257</b>	<b>874,794</b>	<b>909,718</b>	<b>971,343</b>	<b>988,041</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>4,257,567</b>	<b>4,026,636</b>	<b>3,898,740</b>	<b>3,623,105</b>	<b>3,563,816</b>	<b>28</b>
Other Operating Income & Expenses						29
State & Local Income Taxes						30
Other Taxes	273,203	244,971	161,470	218,598	294,968	31
<b>Net Operating Income Before FIT</b>	<b>887,082</b>	<b>1,037,185</b>	<b>1,136,031</b>	<b>1,213,741</b>	<b>1,047,286</b>	<b>32</b>
Investment Tax Credits - Net						33
Federal Income Taxes	289,639	261,459	541,502	550,424	453,842	34
Provision - Def. Operating Income Taxes - Net	(59,958)	112,408	(146,009)	(57,931)	50,127	35
<b>Net Operating Income</b>	<b>\$657,401</b>	<b>\$663,318</b>	<b>\$740,538</b>	<b>\$721,248</b>	<b>\$543,317</b>	<b>36</b>

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**State Telephone Company**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
37 <b>Net Operating Income</b>	\$657,401	\$663,318	\$740,538	\$721,248	\$543,317
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income					
39 Interest Income					
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction					
42 Gains/Losses - Disposal of Property					
43 Equity in Earnings of Affiliated Companies	178,271				
44 Other Non-Operating Income		123,426	151,989	87,421	144,563
45 Special Charges	34,289	4,009	6,290	11,693	3,726
46 Total Non-Operating Income & Expenses	143,982	119,417	145,699	75,728	140,837
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes					
48 Other					
49 Total Non-Operating Taxes					
50 Income Available Before Interest Charges	801,383	782,735	886,237	796,976	684,154
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt					
52 Other Interest Expense	1,800	1,800	1,800	1,800	1,800
53 Total Interest Charges	1,800	1,800	1,800	1,800	1,800
54 Income Before Extraordinary & Nonreg Items	799,583	780,935	884,437	795,176	682,354
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	\$799,583	\$780,935	\$884,437	\$795,176	\$682,354
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$4,101,115	\$4,751,944	\$4,707,507	\$4,752,331	\$5,269,977
60 Transferred from Income	621,312	780,935	884,437	795,176	682,354
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock	780,000	840,000	840,000	840,000	1,200,000
64 Adjustments		(591,764)			
65 Ending Year Balance	3,942,427	4,101,115	4,751,944	4,707,507	4,752,331
66 Appropriated/Undistr Affiliate Retained Earnings	770,035	591,764			
67 <b>Total Retained Earnings</b>	\$4,712,462	\$4,692,879	\$4,751,944	\$4,707,507	\$4,752,331

**Taconic Telephone Corp.**  
**Comparative Balance Sheet**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$418,418	\$752,017	\$468,951	\$275,926	\$155,795
2 Accounts Receivable (Net)	8,103,507	6,892,224	8,180,538	4,788,497	8,222,196
3 Current Deferred Income Taxes	193,061	225,714	262,200	200,312	204,348
4 Other Current Assets	828,911	796,824	796,865	890,683	850,251
5 Total Current Assets	9,543,897	8,666,779	9,708,554	6,155,417	9,432,589
<b>NON-CURRENT ASSETS</b>					
6 Investments	2,456,958	2,689,498	3,649,721	5,079,481	4,871,672
7 Unamortized Debt Issuance Costs					
8 Deferred Charges	556,233	556,234	556,234	556,234	624,950
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes	1,010,102	932,585	741,693	459,136	351,401
11 Other Non-Current Assets					
12 Total Non-Current Assets	4,023,293	4,178,317	4,947,648	6,094,851	5,848,023
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	65,208,428	64,391,345	63,392,303	61,930,356	58,143,877
14 Less: Accumulated Depr and Amort.	40,041,412	36,110,244	33,047,625	30,770,662	27,709,291
15 Net Regulated Plant	25,167,016	28,281,101	30,344,678	31,159,694	30,434,587
16 Total Assets & Other Debits	\$38,734,206	\$41,126,197	\$45,000,880	\$43,409,962	\$45,715,199
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$4,859,437	\$5,761,192	\$5,426,640	\$4,504,662	\$8,561,045
18 Notes Payable					
19 Advanced Billings	2,500	2,500	2,500	2,500	4,297
20 Customer Deposits	4,688	8,419	10,538	10,746	22,084
21 Current Maturities - Long-Term Debt	508,377	465,858	424,980	388,641	355,429
22 Current Deferred Income Taxes					
23 Other Current Liabilities	328,980	654,102	966,295	226,029	1,321,894
24 Total Current Liabilities	5,703,982	6,892,071	6,830,953	5,132,578	10,264,749
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	4,048,266	4,433,658	4,897,195	5,319,754	5,708,903
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC	28,800	36,295	52,603	75,199	110,603
27 Non-Current Deferred Taxes	2,174,867	2,410,043	2,685,866	2,869,661	3,036,066
28 Other Deferred Credits	2,385,449	2,205,897	2,057,501	1,876,964	1,766,059
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	50,140	43,655	47,377	46,447	46,081
31 Total Other Liab. and Def. Credits	4,639,256	4,695,890	4,843,347	4,868,270	4,958,809
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	677,719	677,719	677,719	677,719	677,719
33 Preferred Stock					
34 Other Paid in Capital	1,581,615	1,581,615	1,581,615	1,581,615	1,581,615
35 Retained Earnings	22,083,369	22,845,244	26,170,051	25,830,026	22,523,404
36 Total Stockholder's Equity	24,342,703	25,104,578	28,429,385	28,089,359	24,782,738
37 Total Liab. and Stockholder's Equity	\$38,734,207	\$41,126,197	\$45,000,880	\$43,409,962	\$45,715,199

**Taconic Telephone Corp.**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

<b>INCOME STATEMENT</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$7,162,020	\$7,181,223	\$6,855,738	\$6,585,311	\$6,259,087	1
Network Access Services	12,046,572	11,964,054	11,070,116	10,510,349	9,731,364	2
Long Distance Network Services	14,182	81,678	141,646	232,532	286,567	3
Miscellaneous Revenues	1,375,472	1,427,684	2,537,387	2,647,298	3,395,081	4
Less: Uncollectible Revenues	159,954	(15,015)	419,325	156,900	117,203	5
<b>Total Operating Revenues</b>	<b>20,438,292</b>	<b>20,669,654</b>	<b>20,185,562</b>	<b>19,818,589</b>	<b>19,554,896</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	9,306	4,925	9,694	9,276	16,444	7
General Support Expenses	803,151	794,479	405,689	458,481	527,738	8
Central Office Switching	935,099	739,617	772,619	821,161	804,088	9
Operator Systems Expense		367	167	1,572	1,725	10
Central Office Transmission	140,722	136,917	136,392	107,497	116,105	11
Info. Origination/Termination			250,323	357,508	342,126	12
Cable & Wire Facilities	1,698,429	1,588,292	1,726,145	1,423,945	1,504,217	13
<b>Total Plant Specific Operations</b>	<b>3,586,707</b>	<b>3,264,597</b>	<b>3,301,029</b>	<b>3,179,440</b>	<b>3,312,443</b>	<b>14</b>
Other Plant, Property & Equipment	215	956	17,768	14,626	10,117	15
Network Operations	1,435,747	1,342,498	1,763,968	1,436,009	1,412,691	16
Access Expense	416,015	318,170	173,643	120,824	85,217	17
Depreciation and Amortization	4,104,610	4,050,578	3,945,279	3,428,856	3,153,017	18
<b>Total Plant Non-Specific Operations</b>	<b>5,956,587</b>	<b>5,712,202</b>	<b>5,900,658</b>	<b>5,000,315</b>	<b>4,661,042</b>	<b>19</b>
Marketing Expense	436,432	382,232	450,837	532,844	443,102	20
Services Expense	1,246,197	1,265,434	1,619,244	1,606,887	1,757,274	21
<b>Total Customer Operations</b>	<b>1,682,629</b>	<b>1,647,666</b>	<b>2,070,081</b>	<b>2,139,731</b>	<b>2,200,376</b>	<b>22</b>
Executive & Planning	989,511	996,474	1,827,631	2,218,175	1,951,246	23
General & Administrative	2,380,739	2,675,971	1,710,803	1,671,687	1,678,657	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>3,370,250</b>	<b>3,672,445</b>	<b>3,538,434</b>	<b>3,889,862</b>	<b>3,629,903</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>14,596,173</b>	<b>14,296,910</b>	<b>14,810,202</b>	<b>14,209,348</b>	<b>13,803,764</b>	<b>28</b>
Other Operating Income & Expenses	15,077	14,605				29
State & Local Income Taxes	15,275	13,468	10,948	8,800	5,091	30
Other Taxes	967,102	935,768	763,150	1,099,528	1,093,025	31
<b>Net Operating Income Before FIT</b>	<b>4,874,819</b>	<b>5,438,112</b>	<b>4,601,262</b>	<b>4,500,913</b>	<b>4,653,016</b>	<b>32</b>
Investment Tax Credits - Net	7,495	16,308	22,596	35,404	47,676	33
Federal Income Taxes	1,738,442	1,920,027	1,743,514	1,564,984	2,849,993	34
Provision - Def. Operating Income Taxes - Net	(213,667)	(218,971)	(322,688)	(93,514)	(299,125)	35
<b>Net Operating Income</b>	<b>\$3,357,539</b>	<b>\$3,753,364</b>	<b>\$3,203,032</b>	<b>\$3,064,847</b>	<b>\$2,149,824</b>	<b>36</b>

**Taconic Telephone Corp.**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
37 <b>Net Operating Income</b>	\$3,357,539	\$3,753,364	\$3,203,032	\$3,064,847	\$2,149,824
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income					
39 Interest Income	11,621	7	829		7,852
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction	58,830	82,125	99,281	164,734	138,608
42 Gains/Losses - Disposal of Property					
43 Equity in Earnings of Affiliated Companies	459,215	657,632	852,861	530,870	268,314
44 Other Non-Operating Income	10,237,157	8,920,085	6,770,932	4,436,743	3,570,363
45 Special Charges	10,767	13,373	7,914	20,100	16,685
46 Total Non-Operating Income & Expenses	10,756,056	9,646,476	7,715,989	5,112,247	3,968,452
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	3,467,690	3,024,523	2,282,005	1,369,419	
48 Other	64,749	39,021	59,153	49,670	
49 Total Non-Operating Taxes	3,532,439	3,063,544	2,341,158	1,419,089	
50 Income Available Before Interest Charges	10,581,155	10,336,297	8,577,863	6,758,005	6,118,276
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	445,262	484,040	525,860	557,037	591,834
52 Other Interest Expense	455	18,062	979	1,346	1,099
53 Total Interest Charges	445,717	502,102	526,839	558,383	592,933
54 Income Before Extraordinary & Nonreg Items	10,135,439	9,834,194	8,051,025	6,199,623	5,525,344
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	<b>\$10,135,439</b>	<b>\$9,834,194</b>	<b>\$8,051,025</b>	<b>\$6,199,623</b>	<b>\$5,525,344</b>
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$23,050,413	\$26,600,850	\$26,293,687	\$23,270,935	\$19,194,405
60 Transferred from Income	9,676,224	9,176,562	7,198,163	5,668,753	5,257,030
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock	10,897,314	13,159,000	7,711,000	2,893,000	1,991,000
64 Adjustments		432,000	820,000	247,000	810,500
65 Ending Year Balance	21,829,323	23,050,413	26,600,850	26,293,687	23,270,935
66 Appropriated/Undistr Affiliate Retained Earnings	254,047	(205,168)	(430,800)	(463,661)	(747,531)
67 <b>Total Retained Earnings</b>	<b>\$22,083,370</b>	<b>\$22,845,245</b>	<b>\$26,170,051</b>	<b>\$25,830,026</b>	<b>\$22,523,404</b>

**Township Telephone Company, Inc.**  
**Comparative Balance Sheet**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$50,308	\$566,077	\$740,820	\$1,132,364	\$899,866
2 Accounts Receivable (Net)	1,143,091	676,017	687,164	736,014	911,037
3 Current Deferred Income Taxes					
4 Other Current Assets	170,566	80,629	110,741	92,172	93,436
5 Total Current Assets	1,363,965	1,322,723	1,538,725	1,960,551	1,904,339
<b>NON-CURRENT ASSETS</b>					
6 Investments	178,800	178,800	178,800	178,800	221,289
7 Unamortized Debt Issuance Costs	6,412	7,547	8,683	9,819	10,955
8 Deferred Charges	10,549	28,632	46,715	5,057	
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes					
11 Other Non-Current Assets					
12 Total Non-Current Assets	195,761	214,979	234,198	193,675	232,244
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	17,183,684	16,508,882	15,900,208	15,046,640	14,480,120
14 Less: Accumulated Depr and Amort.	7,659,131	7,360,861	7,301,074	7,039,997	6,477,280
15 Net Regulated Plant	9,524,553	9,148,021	8,599,134	8,006,643	8,002,840
16 Total Assets & Other Debits	\$11,084,279	\$10,685,723	\$10,372,057	\$10,160,869	\$10,139,422
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$605,168	\$527,949	\$568,367	\$411,574	\$345,626
18 Notes Payable					
19 Advanced Billings	48,843	52,801	50,440	45,178	39,072
20 Customer Deposits					
21 Current Maturities - Long-Term Debt	222,843	212,500	202,707	193,372	184,493
22 Current Deferred Income Taxes	(2,415)	(525)			
23 Other Current Liabilities	60,915	52,532	49,853	55,456	64,164
24 Total Current Liabilities	935,354	845,257	871,367	705,579	633,355
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	3,086,024	3,274,746	3,486,359	3,688,204	3,880,751
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC				1	7,981
27 Non-Current Deferred Taxes	1,717,543	1,181,262	1,042,171	978,125	1,014,057
28 Other Deferred Credits	430,882	550,911	657,737	671,314	812,332
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	514,438	571,394	300,589	243,769	87,721
31 Total Other Liab. and Def. Credits	2,662,863	2,303,567	2,000,498	1,893,209	1,922,091
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	10,000	10,000	10,000	10,000	48,400
33 Preferred Stock					
34 Other Paid in Capital	68,739	68,739	68,739	68,739	30,339
35 Retained Earnings	4,321,299	4,183,414	3,935,095	3,795,139	3,624,487
36 Total Stockholder's Equity	4,400,038	4,262,153	4,013,833	3,873,877	3,703,225
37 Total Liab. and Stockholder's Equity	\$11,084,279	\$10,685,723	\$10,372,056	\$10,160,869	\$10,139,422

**Township Telephone Company, Inc.**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

<b>INCOME STATEMENT</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$1,192,194	\$1,156,224	\$1,047,670	\$974,697	\$1,028,155	1
Network Access Services	1,980,125	2,201,236	1,946,151	2,484,709	2,100,335	2
Long Distance Network Services						3
Miscellaneous Revenues	616,605	609,774	466,877	673,742	755,422	4
Less: Uncollectible Revenues	50,186	(6,070)	25,472	3,804	7,801	5
<b>Total Operating Revenues</b>	<b>3,738,738</b>	<b>3,973,304</b>	<b>3,435,226</b>	<b>4,129,343</b>	<b>3,876,111</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	21,198	26,714	25,909	19,289	22,519	7
General Support Expenses	74,742	85,313	54,217	57,091	78,318	8
Central Office Switching	112,846	117,756	97,375	71,919	53,514	9
Operator Systems Expense						10
Central Office Transmission	25,153	38,140	28,970	25,533	16,410	11
Info. Origination/Termination	276,435	190,538	183,072	182,282	140,395	12
Cable & Wire Facilities	184,249	197,239	120,202	114,722	171,726	13
<b>Total Plant Specific Operations</b>	<b>694,623</b>	<b>655,700</b>	<b>509,745</b>	<b>470,836</b>	<b>482,882</b>	<b>14</b>
Other Plant, Property & Equipment				(576)	5,409	15
Network Operations	293,205	301,792	282,088	314,687	334,621	16
Access Expense	59,815	48,976	23,256	15,021	11,220	17
Depreciation and Amortization	690,541	607,086	564,005	1,002,188	931,498	18
<b>Total Plant Non-Specific Operations</b>	<b>1,043,561</b>	<b>957,854</b>	<b>869,349</b>	<b>1,331,320</b>	<b>1,282,748</b>	<b>19</b>
Marketing Expense	279,842	249,465	218,204	195,532	158,232	20
Services Expense	446,810	439,232	427,546	572,352	518,858	21
<b>Total Customer Operations</b>	<b>726,652</b>	<b>688,697</b>	<b>645,750</b>	<b>767,884</b>	<b>677,090</b>	<b>22</b>
Executive & Planning	70,981	81,783	106,052	165,468	141,998	23
General & Administrative	629,761	847,141	678,508	711,090	459,816	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>700,742</b>	<b>928,924</b>	<b>784,560</b>	<b>876,558</b>	<b>601,814</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>3,165,578</b>	<b>3,231,175</b>	<b>2,809,404</b>	<b>3,446,598</b>	<b>3,044,535</b>	<b>28</b>
Other Operating Income & Expenses	203			(15,755)	168	29
State & Local Income Taxes						30
Other Taxes	199,717	199,756	196,417	198,870	210,456	31
<b>Net Operating Income Before FIT</b>	<b>373,646</b>	<b>542,373</b>	<b>429,405</b>	<b>468,120</b>	<b>621,289</b>	<b>32</b>
Investment Tax Credits - Net				7,980	11,076	33
Federal Income Taxes	(467,337)	(47,529)	12,489	117,504	158,265	34
Provision - Def. Operating Income Taxes - Net	534,390	138,567	64,046	(35,932)	(16,393)	35
<b>Net Operating Income</b>	<b>\$306,593</b>	<b>\$451,335</b>	<b>\$352,870</b>	<b>\$394,528</b>	<b>\$490,493</b>	<b>36</b>

**Township Telephone Company, Inc.**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
37 <b>Net Operating Income</b>	\$306,593	\$451,335	\$352,870	\$394,528	\$490,493
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income	30,930	16,506	12,726		
39 Interest Income	4,752	7,937	21,787	36,798	51,747
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction					8
42 Gains/Losses - Disposal of Property					
43 Equity in Earnings of Affiliated Companies					
44 Other Non-Operating Income	(360)	(360)	(360)	(655)	1,512
45 Special Charges	2,738	2,929	3,427	4,797	38,084
46 Total Non-Operating Income & Expenses	32,584	21,154	30,726	31,346	15,183
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	7,740	7,896	4,931	7,218	17,117
48 Other					
49 Total Non-Operating Taxes	7,740	7,896	4,931	7,218	17,117
50 Income Available Before Interest Charges	331,437	464,593	378,664	418,656	488,559
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	171,253	181,166	190,193	198,834	208,116
52 Other Interest Expense	22,299	35,107	48,516	49,169	10,874
53 Total Interest Charges	193,552	216,273	238,709	248,003	218,990
54 Income Before Extraordinary & Nonreg Items	137,885	248,320	139,956	170,653	269,569
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	\$137,885	\$248,320	\$139,956	\$170,653	\$269,569
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$4,183,415	\$3,935,095	\$3,795,139	\$3,624,487	\$3,354,918
60 Transferred from Income	137,885	248,320	139,956	170,653	269,569
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock					
64 Adjustments					
65 Ending Year Balance	4,321,300	4,183,415	3,935,095	3,795,139	3,624,487
66 Appropriated/Undistr Affiliate Retained Earnings					
67 <b>Total Retained Earnings</b>	\$4,321,300	\$4,183,415	\$3,935,095	\$3,795,139	\$3,624,487

**Trumansburg Home Telephone Company**  
**Comparative Balance Sheet**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$3,107,618	\$2,326,917	\$1,527,623	\$2,191,639	\$4,458,859
2 Accounts Receivable (Net)	918,262	1,052,994	1,172,389	961,054	1,072,609
3 Current Deferred Income Taxes	152	152	152	152	152
4 Other Current Assets	336,516	458,713	590,103	578,897	519,199
5 Total Current Assets	4,362,548	3,838,776	3,290,267	3,731,742	6,050,819
<b>NON-CURRENT ASSETS</b>					
6 Investments	724,302	980,355	985,157	1,145,929	1,218,634
7 Unamortized Debt Issuance Costs	19,200	21,600	24,583		
8 Deferred Charges	5,832	21,478	39,857		
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes	447,043	368,349	112,669	180,953	158,001
11 Other Non-Current Assets	3,101,454	2,938,357	2,607,870	2,832,883	879,880
12 Total Non-Current Assets	4,297,831	4,330,139	3,770,136	4,159,765	2,256,515
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	21,702,945	21,002,685	18,794,909	18,087,510	16,395,916
14 Less: Accumulated Depr and Amort.	10,502,531	9,717,699	8,869,357	8,618,614	7,972,431
15 Net Regulated Plant	11,200,414	11,284,986	9,925,551	9,468,896	8,423,485
16 Total Assets & Other Debits	\$19,860,793	\$19,453,901	\$16,985,954	\$17,360,403	\$16,730,819
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$660,444	\$989,524	\$865,495	\$912,796	\$745,346
18 Notes Payable	383,728	381,911	325,596	1,059,921	257,634
19 Advanced Billings	50,185	47,432	42,931	48,625	47,683
20 Customer Deposits					675
21 Current Maturities - Long-Term Debt		128,542	514,286	564,286	634,286
22 Current Deferred Income Taxes					
23 Other Current Liabilities	530,852	574,753	180,972	345,725	425,670
24 Total Current Liabilities	1,625,209	2,122,162	1,929,280	2,931,353	2,111,294
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	2,500,000	2,500,000	1,628,572	642,857	1,207,143
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC			13,035	28,303	43,571
27 Non-Current Deferred Taxes	2,431,283	2,068,256	1,555,679	1,604,009	1,712,752
28 Other Deferred Credits	445,920	482,015	361,336	344,818	357,129
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	598,741	494,876	336,039	268,932	136,884
31 Total Other Liab. and Def. Credits	3,475,944	3,045,147	2,266,089	2,246,062	2,250,336
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	240,000	240,000	240,000	240,000	240,000
33 Preferred Stock					
34 Other Paid in Capital	(2,161,448)	(2,424,978)	(4,288,025)	(2,721,224)	(2,716,374)
35 Retained Earnings	14,181,088	13,971,570	15,210,038	14,021,355	13,638,420
36 Total Stockholder's Equity	12,259,640	11,786,592	11,162,013	11,540,131	11,162,046
37 Total Liab. and Stockholder's Equity	\$19,860,793	\$19,453,901	\$16,985,954	\$17,360,403	\$16,730,819

**Trumansburg Home Telephone Company**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

<b>INCOME STATEMENT</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$1,833,520	\$1,853,969	\$1,615,638	\$1,600,142	\$1,707,478	1
Network Access Services	3,291,797	3,116,693	2,950,033	2,927,758	2,804,783	2
Long Distance Network Services						3
Miscellaneous Revenues	467,228	546,838	615,148	548,781	611,798	4
Less: Uncollectible Revenues	15,394	16,982	17,661	15,046	16,059	5
<b>Total Operating Revenues</b>	<b>5,577,151</b>	<b>5,508,518</b>	<b>5,163,158</b>	<b>5,061,635</b>	<b>5,108,000</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	3,282	7,217	17,063	17,233	21,129	7
General Support Expenses	299,577	224,189	172,515	170,164	220,372	8
Central Office Switching	314,996	270,432	193,202	242,391	238,392	9
Operator Systems Expense						10
Central Office Transmission	179,272	267,359	174,858	149,668	115,158	11
Info. Origination/Termination	80,840	67,196	31,236	34,166	10,195	12
Cable & Wire Facilities	489,463	672,230	710,912	722,862	738,332	13
<b>Total Plant Specific Operations</b>	<b>1,367,431</b>	<b>1,508,623</b>	<b>1,299,786</b>	<b>1,336,484</b>	<b>1,343,578</b>	<b>14</b>
Other Plant, Property & Equipment						15
Network Operations	234,889	276,653	283,609	208,837	186,619	16
Access Expense	81,291	66,026	49,738	34,463	33,843	17
Depreciation and Amortization	1,122,664	1,049,508	1,198,817	1,134,405	985,715	18
<b>Total Plant Non-Specific Operations</b>	<b>1,438,844</b>	<b>1,392,187</b>	<b>1,532,164</b>	<b>1,377,705</b>	<b>1,206,177</b>	<b>19</b>
Marketing Expense	167,398	86,102	190,945	112,554	67,294	20
Services Expense	614,203	625,852	662,341	588,046	634,530	21
<b>Total Customer Operations</b>	<b>781,601</b>	<b>711,954</b>	<b>853,286</b>	<b>700,600</b>	<b>701,824</b>	<b>22</b>
Executive & Planning	470,299	433,493	418,367	421,610	466,630	23
General & Administrative	686,681	713,029	695,591	633,360	605,957	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>1,156,980</b>	<b>1,146,522</b>	<b>1,113,958</b>	<b>1,054,970</b>	<b>1,072,587</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>4,744,857</b>	<b>4,759,286</b>	<b>4,799,194</b>	<b>4,469,759</b>	<b>4,324,166</b>	<b>28</b>
Other Operating Income & Expenses	(1,725)	(1,170)	202	2,018	(8,717)	29
State & Local Income Taxes						30
Other Taxes	378,045	337,677	285,353	264,654	259,748	31
<b>Net Operating Income Before FIT</b>	<b>452,524</b>	<b>402,385</b>	<b>78,813</b>	<b>329,240</b>	<b>515,369</b>	<b>32</b>
Investment Tax Credits - Net		4,413	15,268	15,268	15,268	33
Federal Income Taxes	(94,840)	(112,046)	(131,017)	40,654	216,317	34
Provision - Def. Operating Income Taxes - Net	184,647	202,378	91,433	(18,603)	(121,665)	35
<b>Net Operating Income</b>	<b>\$362,717</b>	<b>\$316,466</b>	<b>\$133,665</b>	<b>\$322,457</b>	<b>\$435,985</b>	<b>36</b>

**Trumansburg Home Telephone Company**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
37 <b>Net Operating Income</b>	\$362,717	\$316,466	\$133,665	\$322,457	\$435,985
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income	3,802	2,500			
39 Interest Income	78,373	15,328	77,577	140,847	260,906
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction	47,654	44,883	35,139	55,913	38,440
42 Gains/Losses - Disposal of Property					
43 Equity in Earnings of Affiliated Companies	(174,210)	(1,419,378)	1,294,893	63,452	(13,436)
44 Other Non-Operating Income	172,381	3,123	(230,933)	141,953	305,793
45 Special Charges	9,098	22,755	7,657	23,323	11,768
46 Total Non-Operating Income & Expenses	118,902	(1,376,299)	1,169,019	378,842	579,935
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	74,779	(2,475)	(117,299)	85,995	159,148
48 Other			1,500	6,200	20,000
49 Total Non-Operating Taxes	74,779	(2,475)	(115,799)	92,195	179,148
50 Income Available Before Interest Charges	406,840	(1,057,358)	1,418,483	609,104	836,772
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	111,831	102,277	105,127	116,471	168,821
52 Other Interest Expense	16,463	9,992	56,159	55,783	40,940
53 Total Interest Charges	128,294	112,269	161,286	172,254	209,761
54 Income Before Extraordinary & Nonreg Items	278,546	(1,169,627)	1,257,197	436,850	627,011
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	\$278,546	(\$1,169,627)	\$1,257,197	\$436,850	\$627,011

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**RETAINED EARNINGS STATEMENT**

Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$14,227,661	\$14,046,751	\$14,152,961	\$13,833,478	\$13,152,096
60 Transferred from Income	452,757	249,751	(37,696)	373,398	640,447
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock	69,029	68,841	68,514	53,915	52,769
64 Adjustments					93,704
65 Ending Year Balance	14,611,389	14,227,661	14,046,751	14,152,961	13,833,478
66 Appropriated/Undistr Affiliate Retained Earnings	(430,302)	(256,092)	1,163,286	(131,607)	(195,059)
67 <b>Total Retained Earnings</b>	\$14,181,087	\$13,971,569	\$15,210,037	\$14,021,354	\$13,638,419

**Vernon Telephone Company, Inc.**  
**Comparative Balance Sheet**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$212,698	\$760,703	\$491,019	\$201,018	\$277,833
2 Accounts Receivable (Net)	450,935	388,740	414,348	628,260	568,316
3 Current Deferred Income Taxes					
4 Other Current Assets	111,582	184,617	112,620	109,739	100,643
5 Total Current Assets	775,215	1,334,060	1,017,986	939,017	946,792
<b>NON-CURRENT ASSETS</b>					
6 Investments	19,152	19,152	19,152	19,152	19,152
7 Unamortized Debt Issuance Costs					5,592
8 Deferred Charges					
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes					
11 Other Non-Current Assets					
12 Total Non-Current Assets	19,152	19,152	19,152	19,152	24,744
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	9,638,408	9,453,378	9,633,059	9,466,385	9,263,414
14 Less: Accumulated Depr and Amort.	3,624,601	3,491,201	3,519,207	3,089,343	2,629,845
15 Net Regulated Plant	6,013,807	5,962,177	6,113,853	6,377,042	6,633,569
16 Total Assets & Other Debits	\$6,808,174	\$7,315,389	\$7,150,991	\$7,335,212	\$7,605,105
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$263,237	\$207,047	\$210,141	\$200,652	\$385,243
18 Notes Payable	2,123,062	2,873,062	2,873,062	3,178,062	4,398,062
19 Advanced Billings	14,433	15,134	14,974	14,008	13,940
20 Customer Deposits		7,409			
21 Current Maturities - Long-Term Debt					
22 Current Deferred Income Taxes	(2,415)	(1,470)			
23 Other Current Liabilities	61,054	77,101	97,465	58,269	76,152
24 Total Current Liabilities	2,459,371	3,178,283	3,195,642	3,450,991	4,873,398
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	<u>18,689</u>				
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC					
27 Non-Current Deferred Taxes	904,343	766,092	699,103	685,426	607,042
28 Other Deferred Credits	3,260				
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	29,433	42,346	23,948	49,624	39,475
31 Total Other Liab. and Def. Credits	937,036	808,438	723,051	735,050	646,517
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000
33 Preferred Stock					
34 Other Paid in Capital	1,039,139	1,039,139	1,039,139	1,039,139	39,139
35 Retained Earnings	(46,061)	(110,471)	(206,841)	(289,969)	(353,949)
36 Total Stockholder's Equity	3,393,078	3,328,668	3,232,298	3,149,170	2,085,190
37 Total Liab. and Stockholder's Equity	\$6,808,174	\$7,315,389	\$7,150,991	\$7,335,212	\$7,605,105

**Vernon Telephone Company, Inc.**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

<b>INCOME STATEMENT</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$1,040,182	\$980,471	\$953,609	\$920,510	\$855,937	1
Network Access Services	984,909	1,064,799	939,264	1,072,390	1,065,239	2
Long Distance Network Services						3
Miscellaneous Revenues	372,871	344,139	404,442	442,957	463,837	4
Less: Uncollectible Revenues	42,353	16,722	22,324	6,024	7,688	5
<b>Total Operating Revenues</b>	<b>2,355,609</b>	<b>2,372,687</b>	<b>2,274,991</b>	<b>2,429,833</b>	<b>2,377,325</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	16,679	18,082	13,719	14,964	14,376	7
General Support Expenses	36,013	50,884	48,238	50,615	44,158	8
Central Office Switching	69,720	71,190	68,262	63,796	77,398	9
Operator Systems Expense						10
Central Office Transmission	20,826	23,236	19,394	10,110	13,920	11
Info. Origination/Termination	256,732	143,297	155,196	160,507	235,142	12
Cable & Wire Facilities	89,095	78,372	80,149	83,459	92,442	13
<b>Total Plant Specific Operations</b>	<b>489,065</b>	<b>385,061</b>	<b>384,958</b>	<b>383,451</b>	<b>477,436</b>	<b>14</b>
Other Plant, Property & Equipment				(475)	(262)	15
Network Operations	270,928	291,130	282,481	240,296	211,307	16
Access Expense	37,266	14,926	6,344		(260)	17
Depreciation and Amortization	500,159	506,455	492,193	546,663	513,603	18
<b>Total Plant Non-Specific Operations</b>	<b>808,353</b>	<b>812,511</b>	<b>781,018</b>	<b>786,484</b>	<b>724,388</b>	<b>19</b>
Marketing Expense	137,341	128,261	118,975	99,359	68,693	20
Services Expense	279,444	281,405	332,688	309,872	323,903	21
<b>Total Customer Operations</b>	<b>416,785</b>	<b>409,666</b>	<b>451,664</b>	<b>409,231</b>	<b>392,596</b>	<b>22</b>
Executive & Planning	36,430	29,393	28,530	43,490	44,715	23
General & Administrative	284,842	336,985	221,564	281,110	283,927	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>321,272</b>	<b>366,378</b>	<b>250,095</b>	<b>324,601</b>	<b>328,642</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>2,035,475</b>	<b>1,973,616</b>	<b>1,867,734</b>	<b>1,903,767</b>	<b>1,923,062</b>	<b>28</b>
Other Operating Income & Expenses					2,017	29
State & Local Income Taxes						30
Other Taxes	121,867	127,964	121,466	117,456	119,723	31
<b>Net Operating Income Before FIT</b>	<b>198,267</b>	<b>271,107</b>	<b>285,791</b>	<b>408,610</b>	<b>336,557</b>	<b>32</b>
Investment Tax Credits - Net						33
Federal Income Taxes	(106,205)	(16,554)	37,622	(49,919)	(80,223)	34
Provision - Def. Operating Income Taxes - Net	137,305	65,519	13,677	78,384	40,849	35
<b>Net Operating Income</b>	<b>\$167,167</b>	<b>\$222,142</b>	<b>\$234,492</b>	<b>\$380,145</b>	<b>\$375,931</b>	<b>36</b>

**Vernon Telephone Company, Inc.**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
37 <b>Net Operating Income</b>	\$167,167	\$222,142	\$234,492	\$380,145	\$375,931
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income	8,100	5,670	5,670	7,358	7,628
39 Interest Income	3,682	8,761	3,144	7,918	14,537
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction	4,513				2,733
42 Gains/Losses - Disposal of Property					
43 Equity in Earnings of Affiliated Companies					
44 Other Non-Operating Income		(172)			(49)
45 Special Charges	2,151	1,629	3,247	2,287	2,130
46 Total Non-Operating Income & Expenses	14,144	12,630	5,567	12,989	22,718
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	4,755	3,787	1,891	3,653	7,910
48 Other					
49 Total Non-Operating Taxes	4,755	3,787	1,891	3,653	7,910
50 Income Available Before Interest Charges	176,556	230,985	238,168	389,481	390,740
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt					
52 Other Interest Expense	112,146	134,615	155,040	325,501	445,746
53 Total Interest Charges	112,146	134,615	155,040	325,501	445,746
54 Income Before Extraordinary & Nonreg Items	64,410	96,370	83,128	63,980	(55,007)
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	\$64,410	\$96,370	\$83,128	\$63,980	(\$55,007)
<hr/>					
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	(\$110,471)	(\$206,841)	(\$289,969)	(\$353,949)	(\$298,942)
60 Transferred from Income	64,410	96,370	83,128	63,980	(55,007)
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock					
64 Adjustments					
65 Ending Year Balance	(46,061)	(110,471)	(206,841)	(289,969)	(353,949)
66 Appropriated/Undistr Affiliate Retained Earnings					
67 <b>Total Retained Earnings</b>	(\$46,061)	(\$110,471)	(\$206,841)	(\$289,969)	(\$353,949)

**Warwick Valley Telephone Company**  
**Comparative Balance Sheet**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$13,206,610	\$2,856,999	\$510,089	\$421,997	\$560,732
2 Accounts Receivable (Net)	10,778,720	10,341,308	7,263,531	3,487,072	3,831,022
3 Current Deferred Income Taxes					
4 Other Current Assets	1,612,035	1,472,334	1,554,212	2,455,435	1,883,467
5 Total Current Assets	25,597,365	14,670,641	9,327,832	6,364,504	6,275,221
<b>NON-CURRENT ASSETS</b>					
6 Investments	7,617,621	9,366,575	11,701,452	8,746,966	8,093,230
7 Unamortized Debt Issuance Costs	102,595	115,195	5,063	10,347	15,630
8 Deferred Charges	888,797	509,940	27,007	(29,219)	93,613
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes	2,224,674	1,865,746	775,585	469,125	375,225
11 Other Non-Current Assets		744,102	831,419		
12 Total Non-Current Assets	10,833,687	12,601,558	13,340,527	9,197,219	8,577,698
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	63,803,154	59,799,701	57,266,736	55,372,825	47,309,208
14 Less: Accumulated Depr and Amort.	29,039,845	25,279,795	23,213,563	22,800,517	20,120,454
15 Net Regulated Plant	34,763,309	34,519,907	34,053,173	32,572,307	27,188,754
16 Total Assets & Other Debits	\$71,194,361	\$61,792,106	\$56,721,533	\$48,134,030	\$42,041,672
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$2,954,436	\$3,333,586	\$3,711,753	\$2,926,366	\$3,414,863
18 Notes Payable			5,000,000	6,250,000	4,950,000
19 Advanced Billings	212,291	216,778	216,510	202,162	190,963
20 Customer Deposits	156,311	135,089	125,194	127,502	129,190
21 Current Maturities - Long-Term Debt	1,518,632		4,000,000		
22 Current Deferred Income Taxes					
23 Other Current Liabilities	5,511,415	3,001,730	2,311,442	240,627	(232,914)
24 Total Current Liabilities	10,353,084	6,687,183	15,364,899	9,746,657	8,452,102
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	10,250,782	7,149,073		4,000,000	4,000,000
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC	(107)	10,693	21,493	46,590	81,047
27 Non-Current Deferred Taxes	4,624,966	5,073,000	4,235,728	2,771,021	2,583,096
28 Other Deferred Credits	912,031	21,637	19,493	30,983	47,218
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	4,400,313	4,511,253	1,713,409	642,790	484,276
31 Total Other Liab. and Def. Credits	9,937,203	9,616,583	5,990,123	3,491,384	3,195,637
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	59,846	59,846	3,481,441	3,471,077	3,450,465
33 Preferred Stock	500,000	500,000	500,000	500,000	500,000
34 Other Paid in Capital	(111,378)	(125,029)	(3,598,160)	(3,384,800)	(3,384,800)
35 Retained Earnings	40,204,824	37,904,450	34,983,227	30,309,712	25,828,268
36 Total Stockholder's Equity	40,653,291	38,339,267	35,366,508	30,895,989	26,393,933
37 Total Liab. and Stockholder's Equity	\$71,194,361	\$61,792,106	\$56,721,530	\$48,134,030	\$42,041,672

**Warwick Valley Telephone Company**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

<b>INCOME STATEMENT</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$4,217,853	\$4,245,807	\$4,439,838	\$4,249,452	\$3,968,037	1
Network Access Services	10,015,418	11,014,877	10,721,722	9,328,793	8,057,562	2
Long Distance Network Services	1,803,651	1,828,125	2,007,478	2,124,913	2,357,125	3
Miscellaneous Revenues	4,560,604	5,059,119	4,649,371	5,119,099	5,297,959	4
Less: Uncollectible Revenues	120,000	146,400	465,329	91,047	40,274	5
<b>Total Operating Revenues</b>	<b>20,477,526</b>	<b>22,001,528</b>	<b>21,353,080</b>	<b>20,731,210</b>	<b>19,640,409</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	9,666	8,728	8,728	8,728	8,728	7
General Support Expenses	627,266	589,411	748,947	594,147	575,830	8
Central Office Switching	583,933	485,161	512,641	419,064	396,187	9
Operator Systems Expense			30	2,917	3,328	10
Central Office Transmission	1,167,154	1,371,781	980,734	959,399	551,491	11
Info. Origination/Termination	955,497	1,088,630	940,652	851,947	990,927	12
Cable & Wire Facilities	758,877	782,089	744,483	651,368	657,108	13
<b>Total Plant Specific Operations</b>	<b>4,102,394</b>	<b>4,325,800</b>	<b>3,936,215</b>	<b>3,487,571</b>	<b>3,183,599</b>	<b>14</b>
Other Plant, Property & Equipment	(20,823)					15
Network Operations	850,176	926,318	887,529	925,918	656,717	16
Access Expense						17
Depreciation and Amortization	3,775,562	3,727,957	3,213,967	2,967,931	2,565,443	18
<b>Total Plant Non-Specific Operations</b>	<b>4,604,915</b>	<b>4,654,275</b>	<b>4,101,496</b>	<b>3,893,849</b>	<b>3,222,160</b>	<b>19</b>
Marketing Expense	997,159	835,584	684,045	418,131	465,301	20
Services Expense	3,288,581	3,304,584	3,168,562	3,832,629	3,408,028	21
<b>Total Customer Operations</b>	<b>4,285,740</b>	<b>4,140,168</b>	<b>3,852,608</b>	<b>4,250,760</b>	<b>3,873,329</b>	<b>22</b>
Executive & Planning	1,603,930	1,640,858	1,867,880	1,174,083	1,267,925	23
General & Administrative	4,306,442	2,518,220	1,885,078	1,875,280	1,754,673	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>5,910,373</b>	<b>4,159,078</b>	<b>3,752,958</b>	<b>3,049,363</b>	<b>3,022,598</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>18,903,422</b>	<b>17,279,321</b>	<b>15,643,277</b>	<b>14,681,544</b>	<b>13,301,687</b>	<b>28</b>
Other Operating Income & Expenses		(35,000)				29
State & Local Income Taxes						30
Other Taxes	1,177,816	1,387,512	1,304,055	1,270,210	1,220,293	31
<b>Net Operating Income Before FIT</b>	<b>396,289</b>	<b>3,299,695</b>	<b>4,405,748</b>	<b>4,779,456</b>	<b>5,118,429</b>	<b>32</b>
Investment Tax Credits - Net	10,800	10,800	25,097	34,457	37,200	33
Federal Income Taxes	(347,544)	511,072	727,927	1,390,690	1,364,351	34
Provision - Def. Operating Income Taxes - Net	412,194	577,367	602,296	76,275	109,644	35
<b>Net Operating Income</b>	<b>\$342,438</b>	<b>\$2,222,056</b>	<b>\$3,100,621</b>	<b>\$3,346,948</b>	<b>\$3,681,634</b>	<b>36</b>

**Warwick Valley Telephone Company**  
**Comparative Income and Retained Earnings Statements**  
**For the Year Ended December 31,**

	2004	2003	2002	2001	2000
37 <b>Net Operating Income</b>	\$342,438	\$2,222,056	\$3,100,621	\$3,346,948	\$3,681,634
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income	18,811				
39 Interest Income	28,511			287	
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction	6,887	41,707	237,823	283,315	84,746
42 Gains/Losses - Disposal of Property	26,968	20,123	(27,841)	48,191	108,871
43 Equity in Earnings of Affiliated Companies	112,121	34,043	575,820	1,309,564	1,683,580
44 Other Non-Operating Income	12,729,225	8,920,934	7,578,667	4,991,042	3,255,218
45 Special Charges	59,814	59,646	51,716	56,242	50,686
46 Total Non-Operating Income & Expenses	12,862,709	8,957,160	8,312,753	6,576,157	5,081,730
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	4,327,937	2,857,159	2,549,697	1,694,315	1,125,991
48 Other					
49 Total Non-Operating Taxes	4,327,937	2,857,159	2,549,697	1,694,315	1,125,991
50 Income Available Before Interest Charges	8,877,211	8,322,057	8,863,677	8,228,790	7,637,372
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	349,905	401,190	282,000	282,000	372,500
52 Other Interest Expense	15,027	41,766	284,862	374,434	247,371
53 Total Interest Charges	364,932	442,956	566,862	656,434	619,871
54 Income Before Extraordinary & Nonreg Items	8,512,279	7,879,100	8,296,816	7,572,356	7,017,501
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	\$8,512,279	\$7,879,100	\$8,296,816	\$7,572,356	\$7,017,501
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$37,450,313	\$28,342,749	\$24,245,051	\$21,073,172	\$18,570,875
60 Transferred from Income	8,400,157	7,845,059	7,720,997	6,262,793	5,333,920
61 Appropriations					
Dividends Declared:					
62 Preferred Stock	25,000	25,000	25,000	25,000	25,000
63 Common Stock	5,293,524	3,780,536	3,190,637	3,065,913	2,806,623
64 Adjustments	(439,243)	(1,152,346)	(407,663)		
65 Ending Year Balance	40,092,703	31,229,926	28,342,749	24,245,051	21,073,172
66 Appropriated/Undistr Affiliate Retained Earnings	112,121	6,674,524	6,640,481	6,064,661	4,755,097
67 <b>Total Retained Earnings</b>	\$40,204,824	\$37,904,450	\$34,983,230	\$30,309,713	\$25,828,269